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## BUDGETING UNDER MARTIAL LAW

*In the conditions of martial law, the issues of ensuring the preservation of the national economy and further economic development are becoming relevant. An important condition for this is an efficient mechanism for the formation and implementation of the state budget. The budget formation mechanism is an important tool for ensuring sustainable economic development of the country while maintaining the stability of the budget system. The aim of the article is to determine the peculiarities of budgeting in the conditions of martial law. The research presented in the article is based on the hypothesis of the need to strengthen the financial potential of budgets of all levels at the expense of their revenues. Strengthening the income part will contribute to achieving economic stability and balance and determine the pace of social and economic development. The research methodology is based on general scientific and special methods. The main research methods are dialectical and institutional. Structural, comparative, method of scientific abstraction, analysis and expert evaluations were also used. Adaptation of the budget formation system to social*

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## ФОРМУВАННЯ БЮДЖЕТУ В УМОВАХ ВОЄННОГО СТАНУ

*В умовах воєнного стану актуалізуються питання забезпечення збереження національної економіки та подальшого економічного розвитку. Вагомою умовою для цього є дієвий і результативний механізм формування та виконання державного бюджету. Механізм формування бюджету є важливим інструментом забезпечення сталого економічного розвитку країни при збереженні стабільності бюджетної системи. Метою статті є визначення особливостей формування бюджету в умовах воєнного стану. Представлене у статті дослідження ґрунтується на гіпотезі про необхідність посилення фінансового потенціалу бюджетів усіх рівнів завдяки власним надходженням. Зміцнення доходної частини сприятиме досягненню фінансової стійкості та збалансованості, визначатиме темпи соціально-економічного розвитку. Методологія дослідження базується на використанні загальнонаукових і спеціальних методів, основними з яких є діалектичний та інституційний. Також використано структурний, порівняльний, методи наукового абстрагування, аналізу й експертних оцінок. Потребує уваги адаптація*



and economic changes and determination of priority directions for the further development of financial and budgetary relations require attention.

For the thoroughness of the study, the structure of the revenue part of the state budget was analyzed during 2019–2023. The dynamics of attracting international financial aid and its share in the state budget were evaluated. In the course of the research, modern adaptation and transformation mechanisms implemented in budget policy under martial law conditions were determined. New approaches to the formation of the revenue part of the budget have been studied. On the basis of the conducted research, promising directions for improving the formation of state budget revenues have been determined, which will allow the budget system to function more effectively and efficiently. It is expedient to further improve the system of budget formation in terms of creating and implementing effective financial mechanisms of budget policy, with the aim of further social and economic development of the country.

To increase the effectiveness of budget policy in the conditions of martial law, it is necessary to strengthen the use of the principles of stability, financial and economic soundness, social justice, and budget balance in the budget process.

*Keywords:* the state budget of Ukraine, budget policy, macroeconomic stability, revenue part of the budget, tax revenues.

*JEL Classification:* H 60, H 61, H 72.

## Introduction

The budget occupies a leading place in the system of financial and economic relations, creating conditions for economic recovery and contributing to social transformations in the future. The budget formation mechanism is an important tool for ensuring sustainable economic development of the country while maintaining the stability of the budget system. In turn, the revenue part of the budget is the financial basis for the functioning of the state, ensuring macroeconomic stability and the proper standard of living of the country's population, taking into account the priority directions of further social and economic development.

The influence of the budget on the macroeconomic situation of the country is realized through the system of formation and execution of budget revenues and expenditures. The level of social and economic development of the country depends on the optimization and structure of the income and expenditure parts of the budget. The application of the budget in the financial

системи формування бюджету до соціально-економічних змін та визначення пріоритетних напрямів подальшого розвитку фінансово-бюджетних відносин.

Для ґрунтовності дослідження проаналізовано структуру дохідної частини державного бюджету впродовж 2019–2023 рр. Оцінено динаміку залучення міжнародної фінансової допомоги та її частку у державному бюджеті. Встановлено сучасні адаптаційні та трансформаційні механізми, що реалізуються у бюджетній політиці в умовах воєнного стану. Розглянуто нові підходи щодо формування дохідної частини бюджету. На основі проведеного дослідження визначено перспективні напрями удосконалення формування доходів державного бюджету, що дасть змогу бюджетній системі функціонувати більш ефективно та результативно. Доцільним є подальше удосконалення системи формування бюджету в частині створення і реалізації дієвих фінансових механізмів бюджетної політики з метою подальшого соціально-економічного розвитку країни.

Для підвищення ефективності бюджетної політики в умовах воєнного стану необхідним є посилення використання у бюджетному процесі принципів стабільності, фінансово-економічної обґрунтованості, соціальної справедливості та бюджетної збалансованості.

*Ключові слова:* державний бюджет України, бюджетна політика, макроекономічна стабільність, дохідна частина бюджету, податкові надходження.

and economic policy is carried out through budgetary mechanisms, which ensures the growth of the amount of financial resources at the disposal of state bodies for the development of the national economy and the improvement of the level of welfare of the population. In the conditions of the transformation of economic relations, the budget through the policy of incomes and expenditures is a tool for stimulating economic activity, financing the sphere of social protection of the population to achieve social and economic parameters determined by medium-term and long-term national goals.

In the conditions of economic transformations, the main priority of ensuring stability in the financial and budgetary sphere is an effective mechanism for the formation and implementation of the state budget. Therefore, Urokov and Toshmatova (2021) determine that the implementation of budget policy in such a situation is aimed at achieving the effectiveness of the income and expenditure part of the budget. When forming a balanced budget (Kim & Park, 2022), it is necessary to take into account the state and structure of income, since the dynamics of income accumulation, which varies according to the administrative level of the budget, is an important factor in ensuring financial sustainability.

The balance, optimality, and stability of the state budget determine the rate of economic growth of the state, the effectiveness of the functioning of state authorities, and the quality of the provision of state services. In her research, Sidelnikova and Posadnieva (2023) determine that ensuring sustainable economic development or exiting macroeconomic crises is possible only under the condition of ensuring stable budget security of the state. Management of budgetary resources in the conditions of martial law is important for ensuring the security and financial stability of the state, helps to mobilize the necessary resources and concentrate them on financing basic needs (Romenska et al., 2024).

Despite the significant prevalence and relevance of the researched topic in the scientific community, the system of budget formation and implementation needs improvement, in particular in terms of compliance with the requirements of the strategic tasks of the country's social and economic development, primarily through the determination of ways to increase the efficiency and effectiveness of the formation of the revenue part of the budget. The presence of debatable issues regarding the improvement of the budget policy implementation mechanism in the conditions of economic transformations and dependence on external financial aid confirms the need for further research into these processes.

The aim of the research is to determine the peculiarities of budget formation in the conditions of martial law.

The research presented in the article is based on the hypothesis of the need to strengthen the financial potential of budgets at all levels. Strengthening the revenue part at the expense of own financial resources will contribute to achieving economic stability and balance.

The article uses a set of scientific methods and approaches, which made it possible to realize the conceptual unity of the research. During the research, dialectical and institutional methods were used, when revealing the essence of budget revenues in the system of macroeconomic regulation; generalization and structural methods, to assess the impact of own and borrowed revenues on budget balance; the method of analysis and comparison, to assess the state of filling budgets at the expense of own financial resources and with the help of external financial assistance; methods of scientific abstraction and expert evaluations, when determining directions for improvement of the system of revenue generation of budgets of all levels in the conditions of martial law.

Structurally, the main part of the study is divided into three sections, the first of which is devoted to determining the economic essence of the budget in the system of macroeconomic regulation and the impact of budget policy on social and economic development. In the second chapter, an analysis of the features of the formation of the state budget in the conditions of martial law was carried out, the dynamics of filling the budget at the expense of own sources and with the help of attracting external financial assistance were studied. In the third section, directions for improving the budget formation system are defined to achieve stability and balance of the financial and budgetary system and ensure the pace of social and economic development.

### **1. The economic budget essence in the system of financial and economic relations**

In the conditions of martial law, state finances and the budget, in particular, are the main instrument of macroeconomic regulation. Forming the revenue part of the budget and rationally distributing expenses, using the program-target method, the state influences the current social and economic situation in the country and determines promising directions of economic and social transformations. A feature of the budget formation system is that the effective and rational accumulation of consolidated budget funds leads to an increase in the level of stability in the country and ensures macroeconomic balance. Budget revenues are the basis for the performance of functions assigned to the state and reflect economic relations in the state (Chugunov et al., 2018). Through the system of formation and rational distribution of financial resources, the budget policy determines the current social and economic state and prospective directions of economic and social transformations. One of the characteristics of the budget formation system is that the efficient and effective accumulation of state budget funds can increase the country's stability and ensure macroeconomic balance. In this regard, special attention was paid during the study to the rationality and efficiency of the formation of budgetary financial resources in the conditions of economic transformations.

Budget revenues are the financial basis of the functioning of the state, which ensures economic and social stability and the proper standard of living of the country's population, taking into account the priority directions of further social and economic growth, provided for by medium-term and long-term national goals. State budget revenues in the system of macroeconomic regulation are a tool that determines aggregate consumption through regulation on the impact on the level of profitability and economic activity (Radionov, 2023). The mechanism of formation and implementation of the revenue part of the budget is directly dependent on the economic and military-political situation in the country. Filling the budget and maintaining the optimal ratio between own sources of income and international financial aid is strategically important for ensuring financial stability, macroeconomic balance, and performance of the functions assigned to the state budget in the conditions of economic transformations.

The economic essence of budget revenues is determined by several financial-budgetary relationships in the process of accumulating part of the gross domestic product in centralized funds under the influence of state regulatory measures. The formation of budget revenues in the system of macroeconomic balance as a dynamic and adaptive system requires appropriate regulatory mechanisms. In this context, it is important to improve the budget control system to ensure macroeconomic balance and effective budget policy (Chugunov et al., 2022). Increasing the effectiveness of the revenue generation process as an instrument of macroeconomic regulation is possible by improving tax and customs administration procedures. In this context, it is expedient to improve the budget and tax mechanism and form effective risk management, in particular in the part of the integration of the tax risk management system. Economic transformations caused by the spread of the pandemic and the beginning of a full-scale invasion had a significant impact on the social and economic situation in the country, which led to a change in economic geography, a violation of macroeconomic stability, and a reduction in the pace of economic development (Oparin et al., 2022). Accordingly, these processes affected the indicators of the gross domestic product. Under such a situation, state budget revenues, as the main financial basis of state functioning, also underwent adaptive and dynamic changes, in particular, in the part of forming the state and consolidated budget at the expense of international financial aid.

## **2. Peculiarities of the state budgeting under martial law**

Social and economic changes caused by martial law had a significant impact on the financial stability of the country, which led to a change in economic geography, disruption of macroeconomic stability, and a reduction in the pace of development. The presence of these negative factors can be traced in GDP indicators, in particular: in the first year of martial law, GDP



decreased by 28.8%. However, in 2023, the economy was able to gradually adapt to the current situation, which resulted in GDP growth of 5.3% compared to the previous year (Law of Ukraine "On the State Budget of Ukraine for 2023", 2023).

Under such a situation, the revenues of the state budget, as the main financial basis of the functioning of the state, also underwent transformation and dynamic changes. In 2022, the revenue part of the state budget has undergone significant reductions, which is explained by a decrease in economic activity. At the same time, the main focus of budget funding has become national defense, for the provision of which more than 50% of state budget expenditures are directed. The result is a budgetary imbalance and the inability to fully form the state budget at the expense of own revenues. The structure of the revenue part of the state budget is presented in *Table*.

*Table*

Dynamics of revenues to the State Budget of Ukraine in 2019–2023

Budget indicators	2019		2020		2021		2022		2023	
	UAH billion	%	UAH billion	%	UAH billion	%	UAH billion	%	UAH billion	%
Tax revenues	779.8	78.1	851.1	78.9	1107.1	85.4	949.4	53.1	1203.5	45.0
Non-tax revenues	186.7	18.7	212.9	19.6	175.2	13.5	346.3	19.4	991.6	37.1
Income from capital transactions	0.2	0.02	0.8	0.32	0.3	0.02	0.6	0.04	0.1	0.005
Funds from state government bodies	8.7	0.88	10.7	1.0	12.4	0.96	9.4	0.52	42.5	1.6
Funds from foreign countries and international organizations	1.1	0.1	1.0	0.09	1.3	0.1	481.1	26.9	433.4	16.2
Trust funds	1.8	0.2	0.2	0.02	0.2	0.01	0.1	0.005	0.4	0.03
Other revenues	20.0	2	0.8	0.07	0.2	0.01	0.5	0.03	04	0.02
In total	998.3	100	1077.5	100	1296.7	100	1787.4	100	2671.9	100

*Source:* (Ministry of Finance of Ukraine, n. d.).

The revenue part of the state budget is fiscally directed and in the vast majority is formed at the expense of tax revenues. For the period 2019–2021, tax revenues accounted for 78.1–85.4% of all revenues. In 2022–2023, tax revenues decreased significantly, this trend is explained by a decrease in economic activity in the country. The reduction of tax revenues had a significant impact on the emergence of imbalances in the budget and the growth of the deficit.

Non-tax revenues were used in 2022–2023 as an alternative possibility to compensate for the reduction of tax revenues and to generate own revenues. In 2023, non-tax revenues accounted for 37.1% of all budget revenues, for comparison; in 2021 this figure was only 18.7%. In order to

increase non-tax revenues, revenues from privatization should be increased and the management of state assets should be optimized.

Financial assistance received from foreign countries and international funds became an important component of budget formation in 2022–2023. In the first year of martial law, the state budget included 26.9% of international aid. In 2023, when the national economy gradually began to adapt to wartime conditions and increase economic activity, the share of international aid in the budget decreased to 16.2% (Ministry of Finance of Ukraine, n. d.).

The largest amount of revenues was accumulated to the state budget in September 2023. The largest amount of income from international aid was attracted in February 2023. On average, the share of international financial aid in state budget revenues in the months of 2023 is 17%. Among the countries and international organizations that provided financial assistance to Ukraine in 2022–2023, the leaders are the European Union (UAH 997.4 billion), the United States (UAH 812 billion), and the IMF (UAH 253.3 billion). Also, significant financial assistance was received from the World Bank (UAH 193.8 billion) and the government of Canada (UAH 124.4 billion). The conducted analysis shows that external financial assistance occupies a significant share of the state budget, reducing the budget deficit, but increasing the amount of external debt (Ministry of Finance of Ukraine, n. d.; Kiel Institute for the World Economy, n. d.).

In order for the revenue part of the state budget to be more effective and less dependent on external financial assistance, the National Revenue Strategy until 2030 was formed and adopted. The goal of the National Revenue Strategy is to improve the tax system, which will be fiscally neutral and meet the standards of Ukraine's international integration. The strategy is aimed at forming ways to sustainably increase inflows of financial resources to the budget, increase tax revenues by eliminating existing opportunities for tax evasion, increase the level of compliance with legislation, and combat the shadow economy (National Income Strategy for 2024–2030, 2024).

Improvement and streamlining of the taxation system, by the Strategy, is aimed at changing the architecture of personal income tax administration in Ukraine. A transition from a proportional model of taxation to a progressive one is planned, which is considered fairer from the point of view of taxation theory. In our opinion, the implementation of a progressive taxation system will have positive fiscal consequences in terms of filling the state budget, which is important in the conditions of a reduction in external financing. According to the Strategy, nominal GDP growth is expected to be 5–7% annually. The planned increase in nominal GDP indicates gradual macroeconomic stabilization. This will contribute to the improvement of the general economic activity in the state and lead to an increase in the opportunities for social and economic development Law of Ukraine "On the State Budget of Ukraine for 2024" (2023, November 9).

In addition, the effectiveness of budget policy implementation depends not only on strengthening the revenue part and increasing government

spending on financing certain aspects of economic development but also on the extent to which budget and monetary policies correspond to key macroeconomic goals.

### **3. Directions for improving the budgeting system**

As of now, it is important to determine the priorities of the budget policy to ensure economic growth. Budgetary policy must be implemented in the direction of an effective and efficient national strategy aimed at social development. The primary task of such a budget strategy should be to change the direction and priority of state budget revenues.

The introduction and implementation of the above budget development strategy will provide an opportunity to strengthen the revenue part of the state and local governments, namely:

- to develop an effective mechanism for horizontal equalization of the fiscal capacity of budgets, which will be based on updated formulas for calculating equalization volumes, taking into account the features of martial law.
- to provide an effective mechanism for the distribution of personal income tax between the state and local budgets to reduce the occurrence of disparities in the formation of budgets. Accordingly, this mechanism should be based on the principles of strengthening the budget's revenue base and reducing dependence on external borrowing.
- improvement of the tax policy, which would emphasize the creation of favorable conditions for the recovery and development of the national economy, improvement of the investment climate, and attraction of foreign investments.

At the same time, it can be predicted that the trend of increasing the share of tax revenues and decreasing the share of non-tax revenues will continue. Any decrease in non-tax revenues will be offset by an increase in tax revenues, in particular, through the implementation of a progressive tax scale.

The priority directions for improving the budget revenue generation system are the improvement of the institutional foundations of fiscal policy, ensuring an increase in the level of responsibility for violations of legislation; strengthening of tax control; introduction of stimulation of economic growth, which will ensure the effectiveness of the formation of budget revenues. Budgetary policy should be based on approaches aimed at ensuring balance, effectiveness of financial and budgetary relations and creating the necessary prerequisites for the social and economic development of the country (Chugunov & Kachula, 2019). The revenue part of the budget is an adaptive system of financial and economic mechanisms aimed at achieving the effectiveness of regulatory measures to exogenous and endogenous changes in the social and economic environment. In terms of improving the budget revenue generation system, it is important to increase the level of effectiveness and efficiency of tax administration, improve budget planning and forecasting.

The state of economic development and the volume of financial resources in the budgets of all levels depend on the effectiveness of the tax mechanism.

In the conditions of martial law, when forming the revenue part of the budget, it is important to improve the budgetary mechanisms, as well as take into account the influence of external financial aid on the dynamics of budget formation, which is of great importance in the conditions of limited state financial resources. In this context, budget policy should be aimed at ensuring macroeconomic balance, achieving appropriate financial and budgetary indicators. Improving the quality of medium-term budget forecasting and planning in the conditions of martial law will strengthen the role of the budget as an instrument of macroeconomic stability and contribute to improving the manageability of the budget process. Forecasting the income component of the state budget is an adaptive process that requires taking into account institutional changes and structural transformations of the national economy.

To improve the system of revenue generation at the local level, it is advisable to implement a mechanism for providing and using interbudgetary transfers, which will ensure state financial budgetary control over the use of budget funds transferred to local budgets. The provision of funds for the financing of relevant measures will provide opportunities to monitor the effectiveness of the use of budget funds. To increase the stability of the financial stability of local self-government, it is advisable to improve the system of interbudgetary transfers through the introduction and implementation of appropriate financial mechanisms for the formation of local budget expenditures. Directions for improving the system of formation and implementation of the revenue part of local budgets should correspond to the priorities of social development.

### **Conclusions**

In the conditions of martial law, the revenue part of the state budget of Ukraine underwent significant changes in terms of the formation of its own financial resources. The decrease in revenues to the budget is explained by the economic recession in the country, the state budget needs external financial assistance, which increases the state's debt obligations. Under such conditions, it is important to form an effective and efficient budget policy.

To strengthen the role of the budget in the system of financial and economic relations, it is necessary to improve the mechanism of budget revenue formation, ensure effective planning and use of budget expenditures taking into account the peculiarities of the war period, and improve the mechanism of effective management of the public debt. It is important to increase the level of budget balance and increase the efficiency of budgeting and implementation as an effective tool for ensuring the social and economic development of the country. In terms of improving the system of revenue generation of local-level

budgets, it is important to use balanced and effective financial and budgetary tools. In conditions of limited financial resources, it is necessary to introduce effective sources of filling budgets, which will contribute to strengthening the financial potential of administrative-territorial units.

It is important to improve the mechanism of inter-budgetary relations, taking into account the increase of own revenues in the system of filling local budgets, which will provide an opportunity to strengthen financial and budgetary balance. It is expedient to improve the institutional environment in the system of financial and budgetary relations, which will be based on the basic principles of adaptive budget architecture. In order to increase the effectiveness of budget policy in the conditions of martial law, it is necessary to strengthen the use of the principles of stability, financial and economic soundness, social justice and budget balance in the budget process.

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## VALUE-BASED BANKING AS A FACTOR OF SUSTAINABLE DEVELOPMENT

*The banking sector is one of the drivers of economic development and is closely related to the functioning of society, the demands of which change according to its evolution. In the era of public demand for guidelines regarding the conscious conduct of business and life, the question of introducing values into banking is acute. Its transformation in the direction of introducing a personal approach and ethical principles while working with clients is being observed; awareness that the formation of close relationships is possible only on the basis of socially significant values and assessment of their impact on the environment, communities and space. That is why the implementation of a value-based approach to banking is an important and relevant topic. During the research, a hypothesis was put forward regarding the need to introduce value-based banking as one of the key drivers of sustainable economic development. A traditional set of methods for researching economic processes is used: analysis, comparison, and logical generalization.*

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## ЦІННИСНО ОРІЄНТОВАНИЙ БАНКІНГ ЯК ЧИННИК СТАЛОГО РОЗВИТКУ

*Банківська сфера є одним із драйверів розвитку економіки та тісно пов'язана з функціонуванням суспільства, запити якого змінюються відповідно до його еволюції. В епоху суспільного запиту на орієнтири стосовно свідомого ведення бізнесу та життєдіяльності гостро постає питання щодо впровадження цінностей у банківську справу. Спостерігається її трансформація в напрямі запровадження особистісного підходу та етичних принципів під час роботи з клієнтами; усвідомлення того, що формування тісних взаємин можливе лише на засадах суспільно значущих цінностей та оцінки їх впливу на навколишнє середовище, громади й простір. Саме тому імплементація ціннісно орієнтованого підходу у банківську діяльність є важливою й актуальною темою. Під час дослідження висунуто гіпотезу щодо необхідності запровадження ціннісно орієнтованого банкінгу як одного з ключових драйверів сталого розвитку економіки. Використано традиційний комплекс методів дослідження*



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*The essence and basic norms of the functioning of value-based banking are revealed, the author's vision is formulated. The work principles of value-based banks, defined by the Global Alliance for Banking on Values, the principles of the concept of sustainable development, the practical aspects of the implementation of value-based banking based on target, ethical characteristics in the work of individual banking institutions were studied, and on their basis, the own principles of value-based banking were formulated. The main international and domestic aspects of the functioning of banks that introduce elements of value-based banking are analyzed. It was determined that in fact all the leading banks in the world banking sphere prioritize strengthening the principles of value banking in the near future. Banks of Ukraine are not lagging behind this process, and certain elements of value-based banking, such as corporate social responsibility, ESG principles, etc., are being introduced into their activities. The prospects of banking based on a client-oriented approach and the application of the principles of conscious business conduct are formulated.*

*Keywords:* value, values-based banking, purpose-driven banking, corporate social responsibility, sustainable development, eco-banking.

*економічних процесів: аналіз, порівняння і логічне узагальнення. Розкрито сутність та основні норми функціонування ціннісно орієнтованого банкінгу, сформульовано авторське бачення. Досліджено принципи роботи ціннісно орієнтованих банків, визначених Global Alliance for Banking on Values, принципи концепції сталого розвитку, практичні аспекти втілення ціннісно орієнтованого банкінгу на базі цільових, етичних характеристик у роботу окремих банківських установ і на їх основі сформульовано власні принципи ціннісно орієнтованого банкінгу. Проаналізовано основні міжнародні та вітчизняні аспекти функціонування банків, які запроваджують елементи ціннісно орієнтованого банкінгу. Визначено, що фактично всі банки-лідери у світовій банківській сфері ставлять у пріоритет на найближче майбутнє посилення принципів ціннісного банківництва. Не відстають від цього процесу й банки України, у діяльність яких впроваджуються окремі елементи ціннісно орієнтованого банкінгу, як-от корпоративна соціальна відповідальність, принципи ESG тощо. Сформульовано перспективи здійснення банкінгу на основі клієнтоорієнтованого підходу та застосування принципів свідомого ведення бізнесу.*

*Ключові слова:* цінності, ціннісно орієнтований банкінг, цільовий банкінг, корпоративна соціальна відповідальність, сталий розвиток, екобанкінг.

**Jel Classification:** A13, G 20, G 21, G28, O16.

## **Introduction**

Banking activity is constantly being transformed and requires the introduction of new principles, which are increasingly based on a personal approach to each client. At the same time, socially significant ethical principles become the key to stable close interaction with clients. Today, the thesis that banks should not just be intermediaries in the circulation of money, but fulfill this role in the interests of respecting the values of humanity and the planet, is increasingly heard.

New concepts that appeared relatively recently in society are sustainable development and sustainable financing, which are based on ensuring long-term economic prosperity, taking into account the fact that the world's resources are limited, and the environmental situation is deteriorating every year against the background of the growth of production and consumption. In 2015, United Nations member states adopted the 2030 Agenda for Sustainable Development (United National, n. d.), a shared plan for peace and prosperity for people and the planet now and in the future, containing 17 Sustainable Development Goals (SDG), which are an urgent



call for action by all countries within the framework of a global partnership. They recognize that tackling poverty and other ills must go hand in hand with strategies that improve health and education, reduce inequality and stimulate economic growth, as well as combat climate change and conserve oceans and forests.

Ukraine does not stand aside from this process. Thus, in 2021, the National Bank of Ukraine presented the Policy on the Development of Sustainable Financing for the Period Until 2025 (National Bank Ukraine, n. d.), which reflects a comprehensive vision of the construction and future development of the sustainable financial sector in Ukraine and is aimed at bringing the activities of financial institutions closer together to advanced global standards of integration of environmental, social and management criteria in financial services. In 2024, the updated Policy on the Development of Sustainable Financing was published (National Bank Ukraine, 2024, October 1).

Sustainable development and sustainable financing are based on defining key societal values, such as satisfying people's needs and protecting the environment. The role of the banking system in ensuring sustainable development is especially important during the last few years, when there has been an awareness that the formation of close relationships occurs not only due to the desire to obtain profits, but also on the basis of building interaction on the basis of universal values. That is why the implementation of the value system in banking is an important and relevant topic for research, taking into account the fact that in Ukraine this direction is represented only by isolated examples and needs further development.

The question of the functioning of value-based banks is not widespread in the economic literature. For the most part, the works of domestic scientists reveal the issue of assessing climatic, ecological and social risks (Krasnova et al., 2021; Bortnikov & Lyubich, 2022; Vovchenko, 2023; Shulga & Savluk, 2024; Shulga & Omelenchuk, 2024) or corporate social responsibility of business in general and banking institutions in particular (Kolosok, 2013; Dzyublyuk & Stechyshyn, 2015; Polova, 2015; Prymostka & Zaharchuk, 2016; Lunkina & Karatay, 2017; Oliinyk, 2019; Kovalenko, 2023).

It should be noted separately the work of Ivasiv (2010) on ethical banks, which outlines the principles of their work in the world and offers his own vision of their introduction in Ukraine, as well as the scientific article of Tkachenko and Khutorna (2020) on the methodology of forming and implementing bank business strategies taking into account ideas of the concept of sustainable development, transformation of the banking sector (including the value sector), determination of the financial and social consequences of the economic value of the bank's activities.

Among foreign researchers, it is worth dwelling on the writings of De Clerck (2009) regarding value-based banks; Climent (2018) regarding the comparison of ethical and traditional banking principles; Weber and Duan (2012) on social impact on society, environment and sustainable development; Weber (2011) on the mission of social banks; Serrano Pérez (2017) –

assessment of banks' commitment to the principles of social and ethical banking; Burianová and Paulík (2014) and Crane et al. (2019) on corporate social responsibility of banking institutions.

A thorough study of personal and social values is considered by Rokeach (1973), who is the author of the concept of value orientations of the individual, divided into instrumental and terminal. His research is not directly related to banking, but there is a definition of specific values of people that can be the basis for their relationship with banks.

The executive director of the Global Alliance for Banking on Values (GABV) Dr. Marcos Eguiguren Huerta, who pointed out that in value-based banking, people are above profit, the priority of bankers is the development of society and the planet, and they only get profit as a result of doing the right things in the right way (Benitez, 2017).

In the study of Feridun and Talay (2023), the role played by the principles of responsible banking (Principles for Responsible Banking, PRB) in advancing towards the goals of sustainable development was analyzed using the example of European banks. Moreover, the results of the study showed that in countries with a larger share of wholesale banks that have signed these principles, progress in achieving the goals of sustainable development is at a more advanced stage. However, this trend is not characteristic of retail banks.

Muller's (2023) study assesses the relationship between the concept of values-based leadership and economic success as measured by key performance indicators, including: capital adequacy, asset quality, management effectiveness, earnings quality, and liquidity management. The basis for the study was the cooperative banks of Germany, where the values were fairness, confidence, certainty, competence, reliability, individuality, togetherness, respect, partnership, responsibility and solidarity. The results showed that values-based leadership has a positive effect on economic success.

However, in the work of Kara et al. (2024) presented slightly different results regarding the influence of value characteristics on the performance of banks. This study was based on an assessment of the largest commercial banks in the US and Europe during the pandemic. The authors found a negative relationship between responsible bank behavior and stock market performance (primarily, stock value), especially during the first wave of the pandemic. That is, investors did not appreciate the efforts of banks to support customers and communities, and the responsible behavior of banks during the crisis generally reduced the shareholder value or turned out to be neutral to it. According to scientists, market participants' demand for socially responsible behavior decreases during economic crises and downturns.

A study by Chiaramonte et al. (2024) was also based on how the outbreak of the COVID-19 coronavirus in Europe manifested the impact of socially responsible banking activities on banks' risk profiles (primarily ESG). And their results proved that socially responsible banking serves as a risk hedging strategy at the peak of the pandemic.

The scientific work of Boitan and Shabban (2024) is devoted to determining the relationship between the declaration of commitment to sustainable development, the real change of the traditional banking business model towards a value model, which is based on the desire not only to achieve profit, but also long-term, sustainable social and environmental impact on local communities, the environment, and performance. The results of their research showed that the business models of those European banks that have voluntarily joined the Global Alliance of Banking Values (and therefore recognize the commitment to the implementation of a value-based model) demonstrate heterogeneous characteristics of key performance indicators (ROE, ROA, operational efficiency, risk liquidity, capital adequacy, balance sheet composition, etc.).

The mentioned scientists studied certain aspects of the value characteristics and/or functioning of banks and the banking system, and in different time periods and in different economic, political and social circumstances, and recent changes in legal and economic conditions require a clearer disclosure of the value component of banking. Even the very terminology of this concept still remains ambiguous.

The aim of the research is to study the essence of value-based banking, its principles and implementation practices in foreign and domestic banks.

In the course of the research, a hypothesis was put forward regarding the need to introduce value-based banking as one of the key drivers of sustainable economic development. To check it, the essence of value-based banking, the principles of its construction and the experience of its use in leading countries and Ukraine were analyzed, and based on the results; measures were proposed for further implementation in the domestic banking sector.

To achieve the aim, the following tasks were set: determination of the essential content of value-based banking (VOB); development of the principles of its implementation; study of the peculiarities of its functioning in foreign and domestic banks and the selection of its main components; determination of prospects for the VOB development as a basis for sustainable development of the economy.

The research is based on the study of documents of international institutions, in particular the UN, the Global Alliance for Banking on Values (GABV), as well as the National Bank of Ukraine and official websites and reports of banks, scientific publications of foreign and domestic experts. The methods of scientific research were used: theoretical generalization, to reveal the essence of value-based banking and its principles; formalization, to express VOB individual elements; induction and deduction, when formulating conclusions.

The main part of the article consists of five interrelated sections. In the first one, the VOB essence is investigated. In the second part, the VOB principles are considered and their author's interpretation is given. The third chapter is devoted to the foreign experience of the VOB development. The fourth section analyzes the VOB implementation in Ukraine. In the fifth chapter, the prospects for the VOB development are given.

## **1. Essential content of value-based banking**

The functioning of banks cannot currently be carried out on the basis of their activity a few years ago. First of all, there is a change in the worldview of its customers, regulators and society. Therefore, there is a need to reformat the interaction of all participants in banking activity, taking into account their impact on society and the surrounding world. One of these fundamentally new types of banking is value-based banking or value-based banking (VOB).

Value-based banking differs in its attitude not only to its customers, but also to general societal values, which is why it focuses on supporting local communities, women and youth, developing educational projects, cultural assets and reducing poverty.

Value-based banking, focused on sustainable development and ethical banking, represents all banks that use money to support economic, social and environmental development. In general, these banks are similar to others, they also offer a wide range of services – from standard accounts to investment management and venture capital funds, and also strive to be efficient and profitable. What sets them apart from traditional banks is how they do it: where customers invest, how they manage the lending process, how they support local communities and the environment, and how they treat employees and customers.

Currently, there is no clear VOB definition in the literature and it is often equated with ethical banking or purpose-driven banking. In general, they are similar, but only if we assume that the bank's goals are development based on ethical and value characteristics.

De Clerck (2009) defines VOB as a general term that encompasses alternative, ethical, social, sustainable, solidarity and development banking that offers products and services that are based on non-financial principles and have a positive impact on the environment, people, culture and society as a whole.

Having studied the opinions of leading scientists in this field (De Clerck, 2009; Shrum et al., 1990; Rohner, 2020, 2022; Climent, 2018; Weber, 2011; Serrano Pérez, 2017; Ivasiv, 2010; Tkachenko & Khutorna, 2020), we suggest that *value-based banking* should be understood as a model of client-oriented banking, the mission of which is to ensure transparent and inclusive management based on the norms of socio-ethical, environmental, cultural and educational values.

Unlike conventional banks, VOBs make a profit by investing in ethical projects with social or environmental impact, directing funds to those high-performance industries that promote equality, environmental sustainability, reinvestment, etc. In terms of revenue streams and products offered to customers, such banks focus on traditional banking and refrain from speculative activities, underscoring their commitment to supporting the real economy.

In modern realities, the successful operation of the banking business and its further development depends not so much on the ability of banks to adapt to changes in the environment, but on their activity in the development and

implementation of innovations. New technologies provide those degrees of freedom and choice that were previously unavailable to bank clients – convenience, speed, control and independence. These forces banks to constantly update their technologies, products, management system, improve the qualifications of employees and rethink approaches to labor motivation. However, innovation should also be based on the observance of universal human values.

Today, scientists often refer to the definition of values provided by the Indian sociologist R. K. Mukherjee: Values are "socially approved desires or goals that are internalized through the process of conditioning and socialization. They generate subjective preferences, standards and aspirations".<sup>1</sup> (Mondal, n. d.). That is, values established in society actually become certain norms of people's behavior, and therefore guidelines in the activities of economic relations subjects, including banks.

However, *values* have their own characteristics that affect the construction of the "bank-client" relationship:

- they are personal, therefore the bank cannot impose the values of one client on others, and in order to remain value-based, it should build an individual trajectory with each client;
- individual people's values shape their perception of the world in general and banking in particular, therefore the bank's orientation should take into account the groups of clients who choose this bank for service;
- they change over time and under the influence of experience, so banks should be ready for reorientation in relationships with specific customers.

Since 1981, The European Values Study Foundation together with the World Values Survey Association has been conducting the World Values Survey (WVS). During this time, 7 waves of research took place in the form of surveys in different countries. The WVS time series shows how the values of a particular country/society have changed over time (WVS, n. d.).

7th Wave (2017–2022) explored cultural values, education, health and safety, social tolerance and trust, beliefs about gender, family and religion, attitudes to poverty, and emerging themes related to issues of equity, moral principles, corruption, responsibility and risk, migration, national security and global governance. The latest 8th wave of the survey began in January 2024, runs until 2026, and includes issues such as political trust, authoritarianism and populism, migration, climate change and family planning.

We do not set an aim in this research to investigate changes in the values of different countries, but we note that the set of questions in the survey already provides a certain guideline for banks to develop their own development strategies.

## 2. Principles of value-based banking

In 2009, ten pioneer banks founded the Global Alliance for Banking Values (GABV), which today unites banks in more than 45 countries that use

<sup>1</sup> Quotations from foreign sources are given in the authors' translation of the article.

finance to ensure sustainable economic, social and environmental development. GABV currently identifies six principles of CSP (GABV, n. d.):

- 1) social and environmental impact and sustainable development are at the heart of the bank's business model;
- 2) relying on the community, serving the real economy and creating new business models to meet the needs of both parties;
- 3) long-term relations with clients and direct understanding of their economic activity and related risks;
- 4) long-term, self-sufficiency and resistance to external shocks;
- 5) transparent and inclusive management;
- 6) all these principles are built into the culture of the financial institution.

Taking into account the principles of GABV, the principles of sustainable development (Halamka & Teplý, 2017), the principles of responsible banking (Principles for Responsible Banking, n. d.) and taking into account our own work, we offer a list of principles that, in our opinion, are basic for value-based banking (*Table 1*).

*Table 1*

Principles of value-based banking

Principle	Description
Customer orientation	The client is the highest value, therefore the bank should be aimed at meeting the needs of clients and providing high-quality services, work to improve relations with clients and solve their problems
Inclusivity	Providing access to services for corporate clients and all strata of the population, taking into account their lifestyle, capabilities, remote location, availability of technical means of communication, prevention of discrimination on any grounds
Product awareness	Providing customers with clear, transparent and accessible information about products and services, their cost and conditions
Security of client data	Ensuring the reliability and confidentiality of the client's personal data
Social integration	Taking into account social aspects and the impact of activities on the public, promoting the development of socially responsible business
Stability	Ensuring economic stability and risk management to prevent losses and maintain customer confidence
Formalization of the value mission, its integration into the corporate culture	The existence of a clearly defined mission based on the identification of values that the bank considers acceptable for itself, and which contribute to economic development and the well-being of customers, shareholders and employees. One of the bank's missions should be the fight against poverty and inequality in access to basic services (education, health care, adequate working conditions and wages, availability of loans and payments). In addition, the bank should develop an employee value proposition (EVP) as a reward in exchange for their loyalty to the bank
Transparency	Public coverage of the bank's value guidelines and regular reporting on their implementation
Interaction with communities	Activities in accordance with ethical standards, compliance with legality and avoidance of conflicts of interest, honesty and transparency; prevention of corruption and the use of illegal methods for obtaining profit; avoiding cultural risks associated with changes in cultural values and traditions
Compliance with ESG norms	Substantial understanding of climate, environmental, governance and social risks (ESG), identification of their impact on the ecosystem, economy and financial sector, development of internal standards for their management

*Source:* compiled by the authors.

According to the *Table 1*, the principles are mostly based on environmental and social factors, which include everything from gender equality, anti-ageism, anti-bullying, racial diversity among managers and staff in general to integration programs, hiring and compensation practices, environmental impact, climate, environment. Social factors are closely intertwined with the concepts of moral and ethical risk. At the same time, the concept of moral and ethical rules adopted by society depends on the country where the banks are located and may be manifested in different ways in different countries. In addition, such banks in their activities aim to use the Environmental and Social Standards of the European Investment Bank and the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (IFC Performance Standards on Environmental and Social Sustainability).

Another element of the operation of value-based banks is the implementation of corporate social responsibility (CSR), which means that they take responsibility for their impact on the social and environmental environment, carrying out their activities taking into account the interests of not only their shareholders, but also communities, in which they work and function.

CSR can have various aspects, such as job creation, responsible use of resources, reduction of emissions of harmful substances, development of social programs for employees and the local community, support of responsible entrepreneurship, etc. This is an important element of modern business, which enables banks not only to achieve financial success, but also to become socially responsible players in society.

Banks that adhere to all, and not individual, VOB principles are the so-called ethical banks, which are guided not only by economic, but also by ethical principles. For example, they can: attract funds purely for investing in social projects that reduce social inequality or support the activities of public organizations and charitable foundations or ensure environmental cleanliness; provide access to financial services to people with low incomes or those with credit history problems, enabling them to store money and receive financial services at reduced rates. Examples of ethical banks are Triodos Bank, Amalgamated Bank, Charity Bank, Ecology Building Society and others.

The activity of value-based banks increases the level of trust of citizens, encourages new customers, works as advertising and, in turn, brings profit. The European Federation of Ethical and Alternative Banks (FEBEA), the Institute of Social Banking (ISB) and the International Association of Investors in the Social Economy (INAISE) were created to develop the principles of such banks.

### **3. Foreign experience in the development of value-based banking**

The VOB development in the world becomes possible due to a change in the way of thinking and approach to business, when banks realize their role

in creating a sustainable and fair world, work to ensure the highest standards of security, service quality and social responsibility.

JPMorgan Chase actively uses values to develop its business and provide quality service to clients, including: customer orientation, innovation, ethics and responsibility, close cooperation with the team (JPMorgan Chase, 2023). The bank is also committed to reducing its environmental impact and improving social responsibility. To do this, it attracts investors with higher sustainability standards and is actively involved in sustainability reporting initiatives such as the Dow Jones Sustainability Index (DJSI), which identifies sustainability leaders.

British international commercial bank HSBC is guided by a set of values, which include customer importance, professionalism, integrity, innovation and cohesion (HSBC, n. d.).

One of Deutsche Bank's values is "Professional Ethics", which means that the bank adheres to high standards of professional conduct in all aspects of its operations. This is to ensure the confidentiality of client information, compliance with relevant rules and laws, and the implementation of only legitimate financial transactions (Deutsche Bank, n. d.). In addition, Deutsche Bank strives to provide "Collaboration and Interaction" with customers, which is the basis of the successful operation of the bank. Another value is "Innovation", which is a key element of the bank's development strategy. The bank actively works to ensure the sustainable development of the banking sector as a whole, is involved in the development of new standards and regulatory policies that contribute to the creation of a healthy and sustainable banking system (Deutsche Bank, 2023).

However, the declaration of these values did not insure this bank against problems. So, in March 2023, its shares lost more than 1/5 of their value, and on March 24, they collapsed by almost 15%. This is due to a sharp increase in the value of credit default swaps (Malovychko, 2023). One of the reasons for this situation was too risky investing. In 2024, the bank also had a number of problems, first of all, related to the fact that its subsidiary bank did not leave the Russian Federation.

BNP Paribas declares priorities such as openness, trust, innovation and sustainability (BNP Paribas, n. d.). One example of this is the BNP Paribas Code of Conduct, which sets the highest standards of ethical behavior for all bank employees. BNP Paribas is actively engaged in sustainable development and careful use of resources. The bank has set targets for reducing carbon emissions and energy consumption, and also promotes sustainable investments and the development of green projects. In 2021, he joined the Priceless Planet Coalition initiative, which unites the efforts of consumers, financial institutions, merchants and cities in the fight against climate change.

Value-based banking is an important part of the strategy of the Spanish bank Banco Santander. The bank's values include transparency, trust, responsibility and innovation (Banco Santander, n. d.).



Value-based banking is a key element in the strategy of British bank Standard Chartered. The bank's values are: integrity, interaction, responsibility, the importance of each client, innovation and efficiency. These values are reflected in all aspects of the bank's operations, including its products, services and customer relationships (Standard Chartered, n. d.). The Bank recognizes its responsibility to the global community and actively supports social and environmental initiatives, promotes the development of the global economy and supports sustainable development, providing financial support for projects in the field of infrastructure, energy and other important sectors, and also joined the UN initiative on the principles of responsible investment (PRI).

Non-banks do not stand aside. For example, digital bank Aspiration (USA) enables customers to measure their impact on the environment through a personal sustainability score based on where they spend their money. In addition to banking products, Aspiration offers users solutions that enable them to invest in companies that are 100% fossil-free (Aspiration, n. d.). Fintech Doconomy has a similar project in the form of a carbon footprint calculator.

Along with the traditional approaches to the VOB introduction, there are banks in the world today that have become famous for unconventional and bold approaches in this area. A rather interesting example of the VOB introduction is the experience of the Bank of Australia, which is the first bank in the world to own and manage a private reserve in Western Victoria, not far from Horsham. The Bank works in partnership with several organizations to ensure that the reserve is a thriving and collaborative example of science-based conservation in action (GABV, 2022, December 21).

Amalgamated Bank, an active advocate for gun violence prevention, has proposed a new International Organization for Standardization Trading Category Code (MCC) that allows suspicious activity and illegal gun sales to be reported to authorities.

Gun crime and shootings are a longstanding social problem in America. Amalgamated Bank, based in New York, has always recognized its leadership role in the fight against gun violence. To prevent a tragedy, banks must be responsible for the first step – cutting off access to the financial system to customers who want to get guns. Amalgamated Bank's application to the International Standards Organization for a new trading category code (MCC) for gun and ammunition stores was approved in September 2022 (GABV, 2022, December 29).

VDK Bank invented a unique three-sided collector coin approved by the National Bank of Belgium and the European Central Bank. The three sides represent the "triple" thinking of customer, community and planet, which is what sustainable banking really means. A study by VDK Bank of

1 000 Belgians found that 7 out of 10 Belgian depositors and investors have no idea what their bank is doing with their hard-earned money. That is why VDK Bank has launched a major campaign that encourages Belgians, and especially young people, to think more about how they can use their money to build a better future for themselves, their community and the planet. While most discussions about money tend to center around profit and loss, VDK Bank challenges this perspective by introducing a third dimension – the impact of money on society and the planet.

The client side emphasizes the commitment of VDK Bank, which provides clients with competitive interest rates on their deposits. From a community perspective, the bank ensures that customers' money is reinvested in their community and goes towards funding important organizations such as universities, schools, clinics and homes for the elderly. The community focus extends to the environment and region, highlighting the bank's commitment to local social impact. From an environmental standpoint, VDK Bank takes a strong stance against investing in fossil fuels and environmentally harmful activities (GABV, 2023).

Therefore, the VOB development is an important trend for many banks. One of its main principles is that the bank should be transparent and ethical in its actions and interactions with customers, share its knowledge and experience with them and work for the benefit of the community.

#### **4. Application of value-based banking in practice of Ukrainian banks**

In Ukraine, there is currently no full application of the VOB principles, but certain elements are being introduced, and some have been in place for a long time. Banks mostly have a developed internal bank regulation on corporate social responsibility (CSR). Today, it is one of the key indicators of success, a criterion for assessing the progressiveness of business and the commitment of its owners to European values. Banks' understanding of CSR principles became especially important and revealing during the war, when the issue of physical protection of employees and their financial support arose. In addition, domestic banks have introduced ethical norms regarding work with borrowers, Codes of Ethics in the work of the bank itself. Some banks have already developed ESG principles, introduced the concept of paperless document circulation, and are introducing barrier-free services. In *Table 2* gives examples of individual banks of Ukraine regarding the implementation of values that they declare on their websites or highlight in public reports.

Table 2

## Examples of the introduction of value-based banking in Ukraine

Name of the bank	Key directions in the VOB field	Directions for securing values
UkrSibbank	A green company for employees	IQ energy partnership; creation of a green office; encouraging employees to a green lifestyle; helping customers become energy independent
	Positive banking	Encouraging people to create and develop businesses; support of social and entrepreneurial innovations; involvement of young people in the search for modern solutions; financial education; support of projects important for society and local communities; implementation of projects to support safety, mental health and development of employees' skills
	People First	Evacuation; organization of accommodation of employees in hotels in Ukraine and abroad; compensation for housing rental costs; restoration of damaged apartments; home office organization; extended health insurance and support for mobilized employees; meetings with psychologists and group therapy
	Ethics and inclusion	Employment of people with special needs; control of fair remuneration regardless of gender; gender equality in the processes of appointment to management positions; an internal ombudsman who works with part-time employees' complaints about inappropriate behavior and disrespect; the New Way of Working work format change program; veteran support program; psychological health audit of the organization
Ukrgazbank	Ecobanking	Ecocrediting at special rates; participation in the Coalition of Leaders in Carbon Pricing (CPLC) to promote investments in reducing carbon dioxide emissions; cooperation with PFAN (Private Financial Advisory Network) to invest in renewable energy projects
Oschadbank	Ecological direction	Compliance with the requirements of environmental and social responsibility in lending; support for clients who are modernizing housing to increase its energy efficiency and implementing "green technologies"
	Social responsibility	Anti-discrimination on various grounds; tolerance for people with special needs; social projects for employees; support of the country's defense capability; development of inclusive programs (in particular, "My barrier-free", support for the creation of the "Handbook of barrier-free" – the first multi-format publication in Ukraine, dedicated to the basics of tolerant communication); program of reintegration of veterans into the workforce; support of the Ukrainian cultural process
ProCredit Bank	Environmental management system	Internal environmental management aimed at the use of own solar power plants, electric and hybrid corporate cars, waste sorting systems in offices; consideration of environmental and social risks of clients; refusal to finance ethically dubious and environmentally harmful projects, in particular projects for the production of disposable plastic
PrivatBank	Responsible employer	The largest employer on the domestic labor market; employment of persons with disabilities; a full social package for employees; the "Protection" program to ensure the safety of employees and their family members
	Environmental protection	Electronic document management; environmental collection technology
	Financial literacy of the population	JuniorBank – training schoolchildren in financial literacy and programming; charity fund "It's easy to help" – help to orphanages and boarding schools, children with cancer, victims of natural disasters or terrorist attacks

Source: compiled by the authors according to (UkrSibbank, n. d.a; n. d.b, n. d.c; Forbes Ukraine, 2023, May 10; Ukgazbank, 2018, 2023; Oschadbank, 2023; ProCredit Bank, 2022, March, 2024; PrivatBank, 2023)

According to *Table 2*, among the presented banks, eco-banking remains the leading trend. And there is nothing surprising in this, since Ukraine at a high political level supported the European Green Course, according to which in March 2021 the Cabinet of Ministers of Ukraine approved the National Economic Strategy for the period until 2030, according to which the country plans to achieve climate neutrality no later than 2060. In order for Ukraine to transition to a climate-neutral economy, it is necessary to attract about 102 billion euros of capital investments by 2030, that is, about 10 billion euros every year (Resolution of the Cabinet of Ministers of Ukraine No. 179, 2021, March 3). In 2021, "green bonds" were introduced at the legislative level in the country, the funds from which placement is intended to be used exclusively for financing environmental projects. All this stimulates domestic banks to introduce VOB elements, however, mostly it concerns environmental and climate aspects.

### **5. Prospects for the development of value-based banking**

The most promising form of conducting banking business is the client-centric model. However, in the VOB framework, in the process of creating and selling banking products, the fundamental core should be a chain of value creation for all its participants.

It is difficult for Ukraine to immediately implement the transition from traditional banking to VOB at the banking level. The constant change of priorities over many years has changed the approach to traditional banking, and values that are carried out in compliance with the principles of sustainable development in the industry policy and legislation of Ukraine have come to the fore.

A set of such factors as society's awareness of social and cultural values, rational use of natural resources, clean environment, energy saving, energy efficiency; the active position of the state in supporting and promoting eco-projects; the economic interest of enterprises of various industries will contribute to the interest in eco-credits and the growth of demand for them. And such a situation will require domestic banks to include eco-banking services in their loan portfolio. That is, the demand for the service will determine its supply and further development. Therefore, lending will become a driver for the further VOB implementation in other areas of activity: transactions with securities, bonds, investments, payment services, project financing.

It should be noted that in large foreign banks, the most popular among the publicly declared values are legality, accountability, high quality of service provision and respect for human rights. Therefore, it can be hoped that, following the experience of foreign financial institutions, domestic banks will build management systems based on values. That is, value-based banking will not be a fashionable trend, but a necessary component of banks' activities.

## Conclusions

Value-based banking is a concept that is becoming widespread in the world, as it brings to the fore the main human values: the person himself, his rights and opportunities, natural resources, careful treatment of them, rational use, recycling and other socially important projects.

The VOB development is a process that became possible thanks to a change in the way of thinking and approach to business. Banks actively implement the concept of corporate social responsibility and are more aware of responsibility for their actions and consequences for society and the environment. They are able to distinguish the areas in which they provide services or deliberately refuse them, for example, targeted support for female founders, financing the development of talented young people or blocking payments on gambling sites for vulnerable consumers.

One of the main values on which the development of banking is based is trust. Banks try to win the trust of customers by ensuring the highest standards of security and quality of services. Another value towards which the development of banking is directed is innovation. Banks are constantly improving their technologies and looking for new ways to provide services, introducing new digital technologies that enable faster and more transparent access to services. They increasingly focus on social responsibility and "green" initiatives. More and more banks are refusing to invest in industries that harm the environment and are actively working on the development of sustainable environmentally friendly financial instruments.

Among the principles of VOB management, we should highlight customer relations, inclusiveness, product awareness, protection of customer data, social integration, sustainability, mission and strategy for key stakeholders, interaction with communities and compliance with ESG norms.

An important tool for the development of VOB is the evaluation of value guidelines, on the basis of which the bank can develop a policy in the field of ethical, social, and environmental management. For this, it is worth applying the value index (in general) and indices in the field of sustainable development (green customer index, green building index, green financing index, etc.), but there is a lack of information base for their calculation.

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### **PENSION REFORM IN UKRAINE**

*The pension system is an important area that ensures the stability of any society. In the conditions of a full-scale invasion of russia into Ukraine, in accordance with the essence of the solidarity pension system, there is an increase in deep disparities between the available number of persons who need pension protection and persons who have to form this protection with their contributions. The aim of the research is to evaluate the pension system of Ukraine under the conditions of martial law and to substantiate the directions for its improvement. The hypothesis was tested that the level of financial stability of the pension system affects the country's ability to maintain social justice and the effectiveness of state regulation of human potential. In this research it was used a systematic and logical approach; method of theoretical generalization, comparison, analysis and synthesis, scientific abstraction. A feature of the pension system in Ukraine is the functioning of the first and third levels of the system, while the second is in a state of reform (does not work). The foundation of pension protection is the solidarity pension system, which suffered the most negative impact from the military operations on the territory of Ukraine. It is substantiated that today the Ukrainian and European pension systems have similar problems, which allows us to generalize the acquired experience and use advanced measures to improve the pension protection of Ukrainian citizens. Given the factors of the pension fund deficit and existing disproportions between the working population and pensioners, the following main approaches to the development of pension provision in Ukraine are proposed, such as comprehensive support for the*

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### **РЕФОРМУВАННЯ ПЕНСІЙНОГО ЗАБЕЗПЕЧЕННЯ В УКРАЇНІ**

*Пенсійна система є важливою сферою, що забезпечує стабільність будь-якого суспільства. В умовах повномасштабного вторгнення росії в Україну відповідно до сутності солідарної пенсійної системи простежується збільшення глибинних диспропорцій між наявною кількістю осіб, які потребують пенсійного захисту, та особами, які цей захист мають сформувати своїми внесками. Метою дослідження є оцінка системи пенсійного забезпечення України в умовах воєнного стану й обґрунтування напрямів її удосконалення. Перевірено гіпотезу, що рівень фінансової стійкості системи пенсійного забезпечення впливає на здатність країни підтримувати соціальну справедливість та ефективність державного регулювання людського потенціалу. У ході дослідження використано системний та логічний підходи; метод теоретичного узагальнення, порівняння, аналізу і синтезу, наукового абстрагування. Особливістю системи пенсійного забезпечення в Україні є функціонування першого та третього рівнів системи, тоді як другий перебуває в стані реформування (не працює). Фундаментом пенсійного захисту є солідарна пенсійна система, яка зазнала найбільш негативного впливу від воєнних дій на території України. Обґрунтовано, що сьогодні українське та європейське пенсійне забезпечення мають схожу проблематику, що дозволяє узагальнити набутий досвід і використати передові заходи для вдосконалення пенсійного захисту українських громадян. З огляду на фактори дефіцитності Пенсійного фонду та наявні диспропорції між працюючим населенням і пенсіонерами, запропоновано такі основні підходи до розвитку*



*development of non-state pension funds, the introduction of accumulative pension insurance; taking into account the European experience – the formation of an additional fund to the Pension Fund of Ukraine (PFU) to ensure a fair pension in the future. It is assumed that the use of European experience in the process of pension reform, taking into account the state of war in the country (which has no time frame for ending) will make it possible to harmonize the existing stratification between the working population and pensioners.*

*Keywords:* pension provision, solidarity system, experience, Pension Fund of Ukraine, military personnel, pension.

*пенсійного забезпечення в Україні, як всебічна підтримка розвитку недержавних пенсійних фондів, запровадження накопичувального пенсійного страхування; з урахуванням європейського досвіду – формування додаткового фонду до Пенсійного фонду України (ПФУ) щодо забезпечення справедливої пенсії в майбутньому. Передбачається, що використання європейського досвіду в процесі реформування пенсійного забезпечення з урахуванням воєнного стану в державі (який не має часових рамок закінчення) дасть змогу гармонізувати наявне розшарування між працюючими верствами населення та пенсіонерами.*

*Ключові слова:* пенсійне забезпечення, солідарна система, досвід, Пенсійний фонд України, військовослужбовці, пенсія.

**JEL Classification:** A13, G23, H55, J32.

## Introduction

Pension provision formation in old age is one of the most urgent problems in the modern world. Pension insurance directly affects the standard of living and well-being of people in any country. Pension payments provide financial support to disabled citizens when they reach retirement age. Pension provision in Ukraine during the last decade has been a cause of concern for both the pensioners themselves and the state in general. Given that the current pension system is based on the principles of solidarity and is not designed for the long term, experts predict an increase in the number of pensioners with minimum pension coverage. Also, the possibilities of the Pension Fund are limited, which was provoked by the Corona Crisis and the full-scale invasion of russia into Ukraine.

Taking into account the expert studies of the Institute of Demography and Social Research named after M. V. Ptoukha of the National Academy of Sciences (Libanova, 2024), the demographic threat is growing over the pension system of Ukraine, which significantly increases the risks of the formation of the income part of the budget of the Pension Fund of Ukraine (PFU) and, as a result, creates conditions non-fulfillment of pension obligations already in the coming years. Therefore, the solidarity pension system is not able to fully ensure a decent standard of living for the elderly and requires subsidies from the state budget on a systemic basis, which has an extremely negative impact on both the budget of the country at war and its society. Also, modern pension provision is too sensitive to the demographic situation, economic condition and military situation in the country. Therefore, the gradual reform of the pension system, the introduction of the accumulative system of mandatory state pension insurance in Ukraine and the support of non-state pension

insurance are among the priority steps that will allow in the long term to equalize the existing disparities in payments to pensioners.

Many studies have been devoted to the research of this issue. Thus, Sydor and Denisyuk (2022) note that pension insurance is one of the most important areas of social protection of the population in the system of ensuring the welfare of citizens; emphasize that providing every working person with a state pension in the future should be a symbiosis of payments from the solidarity system and mandatory savings. Bondarenko et al. (2023) analyze the pension system in Ukraine in order to assess its efficiency and stability. Their research is aimed at identifying possible shortcomings, problems and challenges faced by the pension system in the country, and justifying the reasons that lead to these problems; search for effective solutions for solving them. Poznyakova and Solyanyk (2021) in their research materials present the results of a sociological analysis of the process of institutionalization of the modern Ukrainian pension system to determine the directions of its effective reform. Scientists Prikhno et al. (2021) studied the level of efficiency of the functioning of the pension system in Ukraine and proposed the main directions for improving the current state policy regarding pension provision in Ukraine.

In the works of Ukrainian scientists Pikus and Tsyganok (2023), practices related to the formation of pension systems in economically developed countries are summarized in order to determine the key directions of their reform at the current stage and in the near future; the most successful practices of building pension systems as assessed by the Global Pension Index are determined.

For his part, Parfyonov (2023) analyzes the mechanisms of ensuring the pension system in foreign countries, in particular in those that are members of the European Union; in the materials of the publications, the specialist applies the principle of continuity to reveal the conditions for the implementation of social services in the form of group pension insurance policies for small and medium-sized businesses, which, according to the author, should ensure the creation of regulatory, legal and financial and economic mechanisms for providing the system with pension payments for disabled persons.

Foreign specialists also pay considerable attention to the development of pension provision. Agnese et al. (2024) note in their work that pension funds are faced with the difficult task of obtaining sufficient profitability to ensure adequate and sustainable retirement income for their members in the context of an aging population. The publication by Italian experts examines the relationship between the efficiency of pension funds and the impact of social management policies on asset allocation strategies; important aspects affecting the sustainable development of the Italian pension fund market are revealed.

Andersen et al. (2024) examine pension reform and material inequality around the world. In their paper, they propose a life-cycle model to reveal the underlying theoretical mechanisms linking pension systems, asset accumulation, and wealth distribution. To determine the effectiveness of the developed model, experts tested the empirical probability of the given forecasts through the study of the pension reform in Denmark, a country where a decrease in wealth inequality was observed during the last decades.

Soneryd (2024), for his part, focuses on the fact that pension funds seek to create a secure economic future for an aging population, while the funds still hold assets in oil and other fossil fuels. In the analyzed pension system of Sweden, it is shown how the mechanisms and tools of the future are embodied in the practices of pension savings.

Li et al. (2023) analyzed the impact of pension on poverty in China. The results of their research show that the pension significantly contributes to the reduction of relative poverty at the regional level; at the same time, the obtained data have a distinction between urban and rural areas. Experts note that individual health has a positive effect on improving the relative poverty situation, i.e. pensioners with good health are less likely to fall into relative poverty.

In fact, there is a fairly significant amount of scientific research on the issue of pension provision both in the Ukrainian and foreign scientific space, but the issue of the functioning of pension provision in the conditions of a full-scale invasion of Russia in Ukraine requires further study, in addition, the issue of reforming the solidarity level remains particularly acute for Ukraine pension system.

The aim of the article is to substantiate the peculiarities of the pension system of Ukraine in the conditions of martial law and to develop recommendations for its improvement and increase in efficiency. Reforming the pension system will make it possible to solve a number of urgent problems, in particular, to reduce the financial burden on the state budget through a gradual transition to the accumulation system and through the improvement of the existing solidarity system.

The research presented in the article is based on the hypothesis that the level of financial support of the pension system forms the foundations of the state's ability to maintain social justice and effectively regulate the demographic situation in the country.

The research is based on a methodology that includes a review of scientific literature, analysis and systematization of existing theoretical ideas about pension provision, foreign research on the latest trends in improving the pension system. The methods of scientific abstraction, generalization, and comparison are used. In a practical aspect, the results of the study can be useful when forming a strategy for the development of

social policy, substantiating plans for reforming the pension system in the post-war period.

The structure of the main part consists of three sections, the first of which is devoted to the determination of the main components of the state pension system and it is stated that the basis of pension protection is the solidarity system, the second is the assessment of the solidarity pension system in war conditions, the third is the determination of prospects for improving pension provision in these conditions.

**1. Formation features of the pension system of Ukraine: levels of pension insurance**

According to the Law of Ukraine "On Mandatory State Pension Insurance" (2023, July 9), the pension system consists of three levels. The solidarity system forms the first, the largest level in terms of coverage, which is the solidarity system of mandatory state pension insurance. It functions on the principles of solidarity and subsidization.

The second level is the accumulative system of mandatory state pension insurance, which has not yet been put into effect. The system of mandatory state pension insurance must work on the basis of the accumulation of funds of insured persons in the Accumulation Fund or in the relevant non-state pension funds; subjects of the second level of the pension system and to finance the costs of payment of life pension insurance contracts and one-time payments on the terms and conditions in accordance with the procedures provided for by this law.

The system of non-state pension provision creates the third level of pension provision of Ukraine and operates on the basis of voluntary participation of citizens, employers and their associations in the formation of pension savings. The purpose of the operation of this system is to provide citizens with additional sources of pension payments in the future under the conditions and in the order provided by non-state pension funds.

The modern pension system is presented in *Figure 1*.

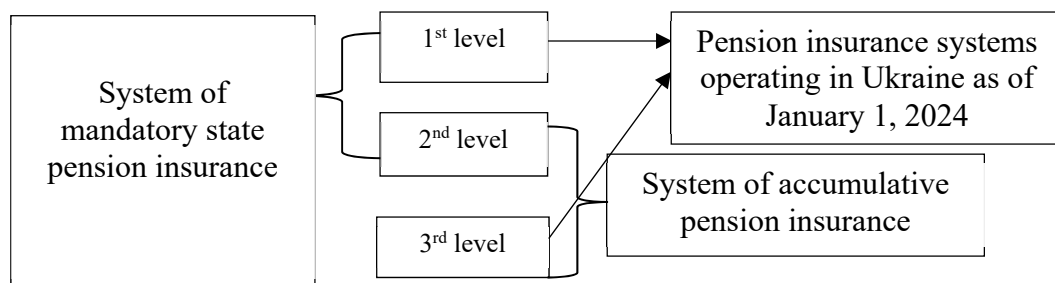


Figure 1. Pension system in Ukraine as of January 1, 2024

*Source:* compiled by the author on the basis of the Law of Ukraine "On Mandatory State Pension Insurance" (2003, July 9).

The solidarity system provides the basic needs of citizens of retirement age, and programs offering non-state pension insurance are tools for acquiring an additional pension. The accumulative system of mandatory state pension insurance was launched in 2003 with the adoption of the Laws of Ukraine "On mandatory state pension insurance" (2023, July 9) and "On non-state pension insurance" (2023, July 9). The start of this system was announced in 2012, when up to 7% of the salary was to be directed to the personal accounts of citizens. However, the process of implementing the accumulative system of mandatory state pension insurance slowed down, as no real mechanism for its launch was developed. The second start was supposed to take place in 2017, when the pension system was being reformed to increase the length of insurance for retirement. Also, in 2019, it was planned to deploy the accumulative system of mandatory state pension insurance. In recent years, steps have been repeatedly taken to start the functioning of the second level of the pension system, but the state of war in the country has shifted the emphasis in the socio-economic development of the country.

## **2. The influence of martial law on the solidarity pension system of Ukraine**

The first level of the pension system operates according to the principle of solidarity, that is, those who work today, with their financial contributions, form pensions for current retirees. This means that future pensioners do not provide for themselves in the future, but rely on today's youth.

This type of pension provision is effective when the birth rate of the population significantly exceeds the death rate. However, the joint pension system failed several years ago. That is, the demographic factor is decisive in such a pension system. Today in Ukraine there is 1 pensioner for 1 working person. According to the Pension Fund of Ukraine, before the full-scale invasion, there was 1 pensioner for every 1.3 officially working people. At the beginning of 2024, there were approximately 9 million working citizens in Ukraine, while there were more than 10 million pensioners. According to the expert, the disparities will only grow further (Libanova, 2024).

As of January 1, 2024, the number of pensioners in Ukraine amounted to 10,516 million people, while at the beginning of each following year, a decrease in the number of people of retirement age is observed (*Figure 2*). One of the main factors that caused a sharp decrease in the number of pensioners (over the last 10 years – by 3,016,771 people) was the increase in the retirement age and, accordingly, the insurance length of service, which, in turn, deepened the existing imbalance in the pension system and artificially reduced the number elderly people. The second factor that affected the reduction in the number of pensioners is the corona crisis and the full-scale invasion, which further provokes existing inequalities and negatively affects people's quality of life. Therefore, during the studied period of 2014–2024, the number of pensioners decreased by almost half a million people.

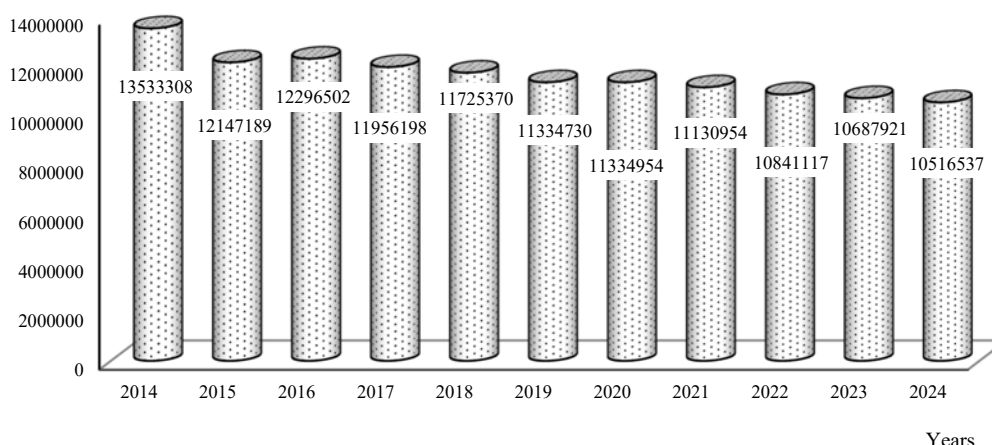


Figure 2. Dynamics of the number of pensioners, persons

Source: compiled by the author based on data from the PFU (n. d.).

Taking care of its citizens is the main task of the state, it is especially important for those who cannot take care of themselves, such as people of retirement age. A pension is support that provides the basic needs of people who, due to age, health or loss of a breadwinner, are unable to support themselves. Thus, for the majority of Ukrainian pensioners, the main source of income is a pension (Head Office of the Pension Fund of Ukraine in the Sumy region, 2021, February 24).

Ensuring the necessary level of material well-being of persons of retirement age is implemented through the establishment of the pension amount, which is affected by insurance experience and health status.

In accordance with the peculiarities of the solidarity pension system in Ukraine, the minimum pension level is established annually. As of January 1, 2024, the minimum pension amount in Ukraine is UAH 2,361 and is equal to the subsistence minimum (Pension Fund of Ukraine, n. d.). In more detail, the distribution of pensioners by types and amounts of pensions, except for pensioners from among military personnel, is presented in the *Table 1*.

*Table 1*

Distribution of pensioners by types and amounts of assigned pensions (except pensioners from among military personnel) as of January 1

Type of pensions	Number, persons				The average amount of pension, UAH			
	2021	2022	2023	2024	2021	2022	2023	2024
By age	8 330 485	8 051 951	7 916 113	7 705 735	3538.97	3944.81	4522.98	5247.94
By disability	1 426 553	1 436 847	1 439 783	1 474 997	2679.45	3033.7	3495.31	4030.92
In connection with the loss of breadwinner	53 184	529 553	517 891	510 177	3012.50	3384.39	3966.43	4507.42
For years of service	214 304	205 973	196 481	183 466	3205.53	3682.29	4205.79	4769.33
Social	72 843	68 284	63 921	59 269	1786.06	1955.65	2140.03	2451.45

Source: compiled by the author based on data from the Pension Fund of Ukraine (n. d.).



Analysis of *Table 1* shows an increase in the number of pensioners for disability (from 2021 to 2024 by 48.444 persons), in relation to all other categories, we see a steady downward trend, which is observed against the background of a decrease in the number of pensioners. The significant increase in people with disabilities in 2023–2024 is due to a full-scale invasion. In the conditions of new challenges associated with martial law, which increases the number of military personnel and their family members exponentially every year, it is advisable to consider the pension protection of military personnel (*Table 2*).

Table 2

Distribution of retired military personnel by types and amounts of pensions as of January 1

Type of pensions	Number, persons				The average amount of pension, UAH			
	2021	2022	2023	2024	2021	2022	2023	2024
For disability	52 329	54 266	55 078	63 193	7767.44	9520.76	11 512.77	13 197.87
In connection with the loss of the breadwinner	109 525	108 116	119 269	148 234	4406.56	5427.02	6372.74	7626.10
For length of service	389 869	382 497	375 797	367 702	5619.56	7929.40	10 143.5	12 480.75
Total in Ukraine	551 382	544 879	550 144	579 129	583.21	7591.36	9463.10	11 316.40

Source: compiled by the author on the basis of data from the PFU (n. d.).

The existing pension provision in Ukraine for retired servicemen and their family members is based on the standards of social protection of the Armed Forces of Ukraine. During the years of hostilities (2022–2024), according to the data of the PFU, a significant increase in the number of pensions issued from the category "in connection with the loss of a breadwinner" can be observed. Also, according to forecasts of international experts, Ukraine has great chances to become a country of young disabled people (TSN, 2024, June 4). Among military personnel, the number of persons with disabilities increased by 18% from 2021 to 2024.

The conducted analysis of the impact of martial law on the solidarity pension system of Ukraine makes it possible to single out differences in pension provision as of 2024, namely: an increase in the number of citizens with disabilities; deterioration of the demographic situation; increasing disparity between working citizens and senior citizens.

Therefore, the solidarity pension system in the conditions of martial law is not able to provide decent payments to people in need of pension protection in the long term. Such a situation requires either systemic subsidies from the state budget or reform, in particular, the introduction of the accumulative system of mandatory state pension insurance.

### **3. Prospective directions of the pension system functioning in Ukraine**

In recent decades, European experts have made extraordinary efforts on reforms aimed at curbing pension costs. The financial crisis and the COVID-19 crisis have dramatically changed economic conditions, and the review of the role of the social protection system has become critically important. The growth of public debt, including the debt related to the deficit of the pension system and the cancellation of pension reforms, affects the stability of the pension system and public finances. These conditions also led to profound generational imbalances, as the crisis disproportionately affected the youth and working-age population. The changing economic environment requires a clear diagnosis of the stability of pensions under the current policy and puts forward greater demands for a review of the reform of the pension system and the social security system (Martinez & Soto, 2021, September 10).

Common challenges regarding domestic and European pension provision can be noted:

*demographic*: the low birth rate and the aging of the population provoke uneven distribution between the working population and those dependent on the state by age. Also, in Ukraine, the demographic factor is accompanied by population migration, which is caused by the full-scale invasion of the Russian Federation;

*financial crises*, including the corona crisis: this causes a weakening of the financial potential of pension funds and negatively affects the formation of pension assets, which, in aggregate, weakens the pension provision of citizens.

Let's consider the experience of European countries for the possible implementation of the experience of pension reform. According to Reuters (2024, March 5), the German government plans to introduce a supplementary pension scheme by investing in capital markets. This will ensure that pensions remain linked to wage trends. Germany's pension system is under great pressure from a widening gap between wages and pensions due to demographic changes, as millions of baby boomers born in the 1950s to mid-1960s retire in the coming years.

"The system must remain fair for future generations, both for those who benefit as pensioners and for those who finance the system," said German Finance Minister Christian Lindner (Serenelli, 2024, April 29). The goal of the reform is to guarantee a pension level of at least 48% of the average wage until the end of the 2030s, which will allow pensioners to maintain their standard of living after retirement. To ease the long-term burden on depositors, a permanent sovereign wealth fund will be created with the purchase of capital shares, using also loans from the federal budget and transfers of state funds. The government's first step will be to borrow 12.5 billion euros in 2024 for so-called Generation Capital to invest in the capital markets. This amount will increase by 3% annually in line with the projected wage growth, until 2028 the amount is planned to be

15 billion euros. By 2036, capital in the amount of 200 billion euros should be accumulated at the expense of federal debts. The resulting profits will make it possible to distribute 10 billion euros annually to the pension insurance scheme by investing in shares and funds. The reform conditions will not affect contributions to the pension system and will remain stable at the level of 18.6% until 2027, as it was from 2018. Contributions are planned to increase to 20% starting from 2028, and to 22.3% from 2035, remaining at this level until 2045 (Reuters, 2024, March 5).

Today, France ranks second in terms of public spending on old-age pensions in the EU after Greece. In 2020, expenditure on old-age pensions was 13% of GDP compared to 10.3% on average in the EU and 9.6% in Germany. Without changing the retirement age, according to EU estimates, the share of state pensions will increase to 15.5% by 2050. In order to ease the financial burden on the pension system, the French government plans to raise the statutory minimum retirement age by two years, from 62 to 64 years by 2030, as well as ensure an already agreed increase in the number of years of contributions required to receive (a full pension: from 41.5 to 43 years from 2035 to 2037). The retirement age at which a full pension can be received regardless of the number of years of contributions remains unchanged at 67. Therefore, rising the retirement age will help mitigate the impact of demographic changes on the labor market (Subran et al., 2023).

In 2024, the Government of Ukraine announced a new pension reform, the purpose of which is to ensure a decent standard of living for persons of retirement age: a joint pension of not less than 30% of the average salary during life and an accumulation part of not less than 50%. A points system will be introduced in the calculation of pensions, which will allow equalizing the disparities between pensioners who retired a long time ago and those who did so recently (Public News, 2023, September 22). Accordingly, payments to pensioners who retired earlier will be brought up to the current level. Every month, employed citizens pay a contribution to the Pension Fund. The contribution will be converted into points according to the ratio between the person's salary and the average salary in Ukraine at that time. The government hopes that such a reform will make the joint pension system immune to inflation and devaluation.

The experience of the operation of European pension systems emphasizes the key aspects that should be paid special attention to when building a stable financial potential of pension provision in Ukraine.

*The importance of non-state pension funds.* Funds are the basis for providing additional financial protection for retired citizens, contributing to the stability of their income in old age. Non-state pension funds (NPF) are an additional element of state pension provision, providing an opportunity for individual accumulation of pension savings. This allows people at a working age to start forming their additional pension, saving part of their earnings in advance, and to receive a higher income after the end of work, which is a source of support for high social standards and at the same time a factor in the growth of internal investment resources for the accelerated development

of the national economy. According to the legislation, the NPF has the status of a non-profit organization, which functions and acts exclusively for the purpose of accumulating pension contributions for the benefit of participants with further management of pension assets, and also makes pension payments to participants in the manner specified by law (Law of Ukraine "On Non-State Pension Provision", 2003, July 9).

It is important to emphasize that, unlike other institutions that provide services in the system of non-state pension provision (insurers and banking institutions), the main activity of the NPF is the pension provision of citizens. Support and development of non-state pension provision in Ukraine is important for several reasons – additional income for pensions, relief of the state budget and investment in the Ukrainian economy, and these are only some of the advantages of the NPF. Therefore, non-state pension provision is a key element for ensuring the financial stability and well-being of retired citizens of Ukraine.

*Implementation of the long-announced second level of accumulative pension insurance.* The accumulative pension system is based on the principles of the distributional and accumulative pension system. That is, citizens of working age on a voluntary basis accumulate savings in their own pension accounts, which in the future, upon reaching retirement age or in cases provided for by law, will serve as additional support to the national pension. At the same time, these funds are additional investments in the economy of Ukraine. An important advantage of this system is the possibility of inheriting accumulated pension savings. Also, the funds of the accumulative pension system will help restore the economy faster as a source of investment in the country's development.

*Formation of an additional welfare fund by the state for future pensioners.* This is a new approach to stabilizing the pension provision of citizens who will retire in the future. To date, there is the experience of several European countries that have formed additional support funds for the existing pension fund in the country. This approach allows you to follow the principle of fairness for tomorrow's pensioners. The source of the formation of such a fund can be funds borrowed from the state and invested in the capital market, the economy; the received income will make it possible to reduce the imbalance between working citizens and persons who need pension protection.

However, in the conditions of martial law and uncertainty, it is quite difficult to implement any approaches to pension provision. It is necessary to take into account a large number of factors affecting the reform of pension provision and the feasibility of the obtained results.

### **Conclusions**

The pension system of Ukraine is experiencing serious challenges that have been and will be the subject of research. The results of this research show that over the past 10 years, there has been a significant decrease in the number of people of retirement age – by almost three million. The conducted analysis of the distribution of pensioners by types and amounts of pensions

(except military pensioners) allows us to state that there was an increase in the number of pensioners due to disability (from 2021 to 2024 – by 50 thousand people), but according to other categories (by age, in connection with the loss of a breadwinner, for years of service and social) the indicator of the number of pensioners shows a tendency to decrease. The main challenges that formed the results of the research are the demographic component of Ukrainian society, the serious deficit of the Pension Fund and, as a result, the low level of pension payments, the lack of an accumulation element of the pension system.

In pension provision in Ukraine, there is a deepening imbalance between the burden on working people and the number of pensioners supported by them. One of the main factors that negatively affected the pension system was the full-scale invasion of the Russian Federation into Ukraine, which caused a significant outflow of labor, as well as an increase in the number of people with disabilities or deaths of our citizens. The number of able-bodied Ukrainians who could make contributions and support the pension system decreased faster than the number of pensioners. The analysis of pension payments showed that the number of servicemen with disabilities has increased significantly in recent years (by 18% from 2021 to 2024). Therefore, the solidarity pension system of Ukraine needs real reform, which will ensure a fair redistribution of financial resources among all generations of pensioners.

In recent decades, the European community has had similar problems in the pension system, and currently European countries are introducing reforms aimed at raising the retirement age of citizens and forming additional financial funds to support people of retirement age. The pension system in Ukraine has a number of challenges that are not characteristic of EU countries, and therefore it is forming its own path of reform, which is based on a point system. However, it is expedient to implement certain elements of the European practice of pension provision into the Ukrainian pension system. Today, a comprehensive approach to the reform of pension protection is considered appropriate; in particular, it should take into account the following components: the development of the NPF, the start of the second level of the pension system and the formation of the welfare fund. As evidenced by the experience of European countries, they have made positive gains in all of the above-mentioned components. A new direction of support for future pensioners – the welfare fund will enable, without increasing the amount of social deductions, to ensure the principle of justice for future pensioners.

Developed approaches will help Ukraine to overcome the existing imbalance in the formation of the income part of the pension system for the elderly and people with disabilities, which will make it possible to reduce the impact of the demographic factor on the social system in general.

Therefore, reforming pension provision in the conditions of martial law is an extremely important condition for guaranteeing the stability of the future society. Reconstruction of the pension system using international experience requires adaptation to Ukrainian realities and comprehensive

measures from the state. A properly developed strategic plan for pension reform and optimization of income to the Pension Fund will help to ensure a high-quality post-war recovery of Ukraine.

Further research on this issue requires justification of the demographic development strategy of Ukraine.

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## **PUBLIC-PRIVATE PARTNERSHIPS IN THE AGRICULTURAL SECTOR**

*The levels of management in the field of agriculture were systematized, a comparative analysis of the international experience of management in the agrarian sphere was carried out (on the example of Germany and Italy). The current trends in digitalization of agricultural management in the world, as well as tasks and challenges of digitalization in Ukraine were described. The hypothesis of the research is that the implementation of digital solutions in the Ukrainian agricultural sector will increase the efficiency of management, especially in the conditions of military challenges. Methodologically, the research is based on the analysis of policies, strategic plans, scientific works and other sources related to management in the field of agriculture, taking into account the impact of digital technologies. The centralized management model in the development of the agricultural sector still dominates in European countries. However, the EU current policy in the field of regional development provides for the transfer of as many management functions as possible to the regional level. This approach is also characteristic of the national model of agricultural development policy.*

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## **ДЕРЖАВНО-ПРИВАТНЕ ПАРТНЕРСТВО В АГРОПРОМИСЛОВОМУ КОМПЛЕКСІ**

*Систематизовано рівні управління в галузі сільського господарства, проведено порівняльний аналіз міжнародного досвіду управління в аграрній сфері (на прикладі Німеччини та Італії). Описано сучасні тенденції цифровізації управління сільського господарства у світі, а також завдання та виклики цифровізації в Україні. Гіпотезою дослідження є те, що впровадження цифрових рішень в українському аграрному секторі підвищить ефективність управління, особливо в умовах воєнних викликів. Методологічно дослідження ґрунтується на аналізі політик, стратегічних планів, наукових праць та інших джерел, пов'язаних з управлінням у галузі сільського господарства з урахуванням впливу цифрових технологій. Централізована модель управління у розвитку аграрного сектору все ще домінує в європейських країнах. Проте сучасна політика ЄС у сфері регіонального розвитку передбачає передачу якомога більшої кількості управлінських функцій на регіональний рівень. Цей підхід також характерний для вітчизняної моделі політики розвитку сільського господарства.*



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*The most important and effective tool for the modernization of any of the known management systems in the modern world is their digitalization. Digitization of management in the agricultural industry at all levels, from the state to small agribusiness entities, is no exception. The further digital transformation of management in national agriculture represents a higher level of digital integration, which affects the most complex organizational changes in the structures of state administration and agribusiness. The results of the implementation of these tasks can significantly affect the growth of profits in the agricultural business and the competitiveness of products, which will allow the agricultural industry to reach modern global technological boundaries.*

*Keywords:* digitalization, management functions, regional development, agriculture, technologies, and competitiveness.

*Найважливішим та ефективним інструментом модернізації будь-якої з відомих систем управління у сучасному світі є їх цифровізація. Цифровізація управління у сільськогосподарській галузі на всіх рівнях, від державного до суб'єктів малого агробізнесу, не є винятком. Подальша цифрова трансформація управління у вітчизняному сільському господарстві представляє вищий рівень цифрової інтеграції, що впливає на найскладніші організаційні зміни у структурах державного управління й агробізнесу. Результати реалізації цих завдань можуть суттєво вплинути на зростання прибутків у сільськогосподарському бізнесі та конкурентоспроможність продукції, що дозволить сільськогосподарській галузі досягти сучасних світових технологічних рубежів.*

*Ключові слова:* цифровізація, управлінські функції, регіональний розвиток, сільське господарство, технології та конкурентоспроможність.

JEL Classification: Q12, N50, O32, O33.

## Introduction

A detailed study of foreign and domestic management experience in the field of agriculture clearly indicates that most developed countries are characterized by a multi-level nature of management. This involves the distribution of various powers and functions between different levels of government, but not in a hierarchical, but in a logical order, based on the dependence between different levels and subjects of relations, in which each participant contributes his share of specific resources and knowledge.

The broadest long-term experience of management in the field of agriculture in different countries definitely shows that there are numerous difficulties and obstacles in creating concrete and optimally effective multi-level coordination (Mantino, 2018). For a clear and deep understanding of multi-level management, it is first important to define the involved levels, as well as outline the circle of key participants (subjects) directly involved in these management processes.

The issue of electronic management in the agricultural sector is relevant for every developed country. Among foreign experts who are actively developing forecasts and researching technological trends in e-government are Pal (2019), Panganiban (2019) and Uddin et al. (2010). They emphasize the need for strategic planning and adaptation to local conditions and note that initiatives often fail due to limited funding and insufficient infrastructure.

Domestic scientists emphasize the importance of transparent administrative services and increasing the digital literacy of the population. Andrieieva (2019), Babenko et al. (2022), Zastrozhnikova (2019), Kulyk and Kravchuk (2011) study the development of agricultural startups that use information technologies to increase productivity, note the need to

implement a new agrarian policy in Ukraine and the importance of engaging experts to create a digital transformation strategy.

The aim of the research is to systematize and organize the foreign and domestic management experience in the field of agriculture, in particular, the study of historical aspects, the current state and the impact of digital technologies.

It is hypothesized that the implementation of digital solutions in the Ukrainian agricultural sector will increase the efficiency of management, especially in the conditions of military challenges.

The methodological basis of the research is the description and analysis of policies, strategic plans, scientific works and other sources related to management in the field of agriculture, taking into account the impact of digital technologies.

The main part of the research is based on several key aspects that systematically reveal the scientific issues and research results. First, the theoretical foundations of multi-level management and its features in the context of the agricultural sector are considered. Further research is focused on foreign experiences of digitization, which makes it possible to compare different approaches to the implementation of e-governance in the industry. Particular attention is focused on the implementation of the State Agrarian Register in Ukraine, where the historical prerequisites, current state and evaluation of the effectiveness of this tool are highlighted. The final part of the research is devoted to the analysis of the challenges associated with the digitalization of the agricultural sector and the prospects for further improvement of the system in the conditions of modern crisis realities.

### 1. Management levels in the field of agriculture

There are two main levels of state administration: *national* (state) and local. However, for a more accurate organization of management in the agricultural sector, it is proposed to supplement this system with two additional levels: *regional* and *subregional* (Table; Figure). This approach is based on the needs of agriculture, where interaction between national politicians and local initiatives requires clear coordination at intermediate levels.

Table

Management levels

Level	Brief concept description
National (state)	Coincide with the concept of the state level
Regional	The concept of governance as well as the scale (size) of a region (region, state, canton, etc.) may differ in international comparison, resulting in serious problems for international comparison
Subregional or intermediate	Often play a significant role in those systems where the degree of decentralization is very high and/or in large regions. In fact, it is about the level between the regional (land, canton, region, etc.) and the local level, which can be very important for those countries where there can be diversity in the territorial division
Local	It is most suitable for local self-government, subjects of public and private forms, civil society, in fact for everyone who promotes such development projects at the local level

Source: compiled by the authors.

The sub-regional level is often associated with a certain administrative division established in the territory in question. However, the local level is not necessarily associated with an administrative unit. The term "local" level rather means "of a local, limited nature or effect on something". In fact, "local" becomes practically synonymous with such administrative units as "provincial, district, village". If we depart from the logic of administrative division, these are, as a rule, territories limited in size, within which specific, special and even unique agencies (associations, organizations, institutions, representative offices, etc.) operate, interested in cooperation. These are also agencies that are already implementing various projects for the development of rural areas, environmental projects and other initiatives, plans and programs related to the development of the agricultural sector. In this context, the term "local" can refer to a certain set of private and public actors to promote different types of partnerships.

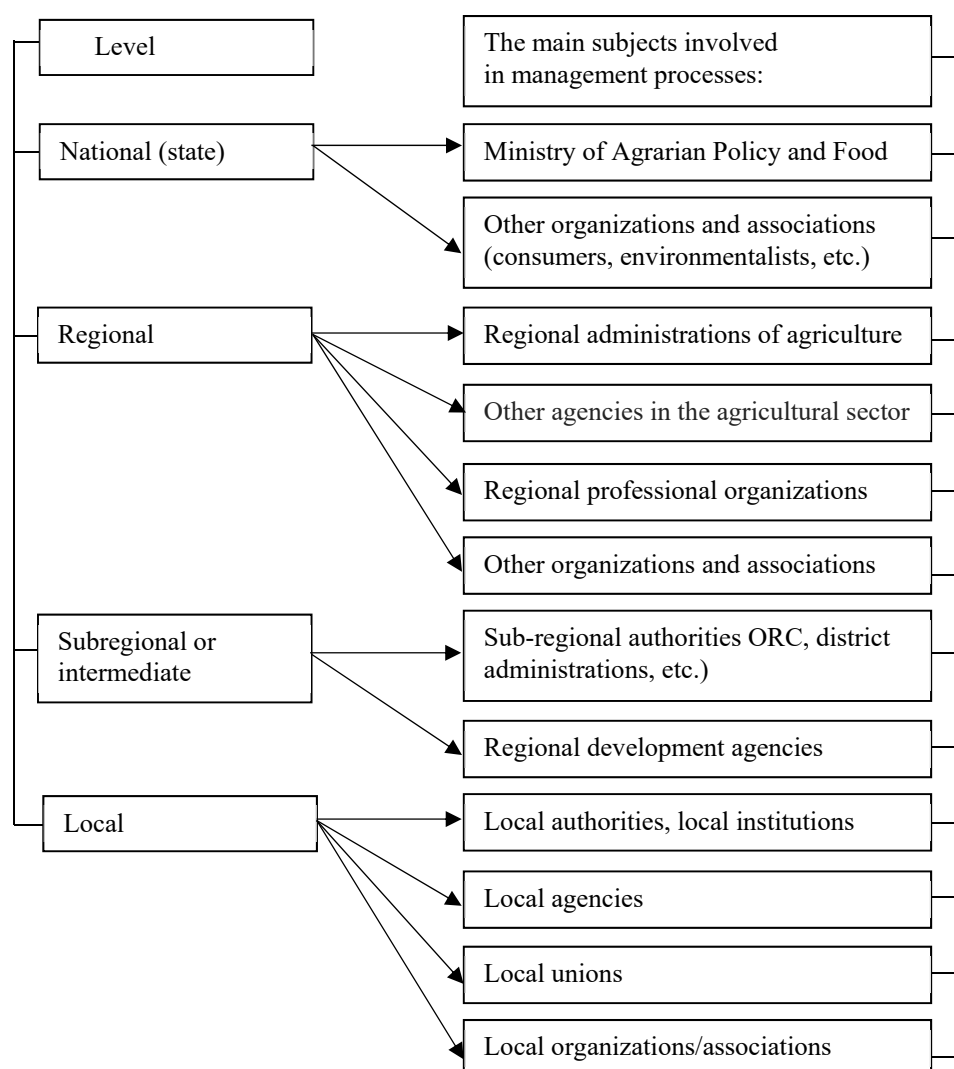


Figure. Structure of multi-level governance of the agricultural sector

Source: compiled by the authors.

Each of the four levels of management presented in the figure has its own rather specific participants (subjects), not only institutional (state and regional management bodies, etc.), but also others, such as various associations, social and economic representations, non-profit and volunteer organizations, etc. The specifics and significance of each of the levels of management may change depending on the institutional order (structure) of an individual country. In those states where the national level clearly dominates, there is a powerful centralized management system, and vice versa, as a rule, states with predominantly decentralized management are countries with regional and subregional (intermediate) levels.

## **2. International management experience in the agricultural sector**

Today, the centralized management model that still dominates Europe in terms of rural development and agribusiness is becoming more popular in some new development programs of the European Union and individual countries. At the same time, even 20–30 years ago, interest in the centralized model in Western European initiatives and programs for the development of rural areas was quite low.

Instead, the current general policy approach of the EU and other European countries outside the EU in the development of regions consists mostly in transferring as many management functions as possible to the regional level. Currently, in the countries of Western Europe, the development policy of rural areas and their management models are very different. In particular, the management models of agricultural development in Italy and Germany have the most difficult points and features compared to other countries of Western and Eastern Europe, as they are characterized by a rather strong territorial division of functions and management powers.

If in Germany its federal structure is manifested through the federal system of the entire state structure of the country and indeed there is a high level of independence of all 16 states, then Italy is primarily a unitary state, where separate but defining elements of federalism are clearly present. This form of state territorial structure is often called "regional". There are only 20 regions in the country, which are divided into provinces. At the same time, 5 regions of Italy have a special status as wide autonomy.

It is possible to identify common points in the management of Germany and Italy (Mantino, 2006). In both countries, deep decentralization was carried out, based on the transfer of important management functions to the regional level, both administrative and legislative (in Italy in 20 regions, especially in 5 of them with wide autonomy; in Germany – in all 16 Lands). The main impetus for reforms and decentralization of management in these states, as is believed today, was the influence of certain results obtained in the world order after the end of the Second World War. Decentralization reforms proceeded in several stages and became particularly active in

Germany and Italy between the 1970s and 1990s, namely before the unification of the Federal Republic of Germany and the German Democratic Republic. All interconnections and relations between different levels of government in these countries are based precisely on the principles of comprehensive and broad cooperation, that is, on the multipolar system of government.

It is important to emphasize the distinctive features characteristic of such a model:

- all management functions in this cooperative model are divided in such a way that for the solution of the same problem, whether it is state aid or participation (grants, programs, works, quotas, etc.), social services, a number of environmental problems and other issues, all participants have different levels, and organs perform specific functions. Any movements and actions in the development of the agrarian sphere begin and continue to be implemented only with mandatory observance of territorial interests, which are represented and formed with the direct participation of several levels of management in these territories;

- on the basis of the previous undisputed condition in the cooperative model of management, it is quite possible to duplicate some management functions and use certain tools that can solve various problems that naturally arise from this duplication. In such circumstances, the most important mechanism in solving such problems will be careful coordination between the state and regions to coordinate the main steps to solve them, as well as mandatory work with local authorities. For example, in the United States, the Department of Agriculture (USDA) plays the main role at the level of the federal body, which is the main guide of the state agricultural policy at all levels of management of the country's agricultural sector. USDA also plays an important role in coordinating the interests of agricultural producers (farmers) with the interests of other agribusiness actors, as well as considering the interests of end users of agricultural products and other agricultural services with the national interest.

An important role in realizing the mutual interests of all participants in this process is played by partnerships between the state and the private sector (Public-Private Partnerships, PPPs), which, accumulating the efforts and scientific and technical potential of the private and public sectors of the economy in close cooperation, as a result provide a huge synergistic effect in development.

Ukraine should also follow European trends and continue decentralization reforms, transferring more and more powers from the central and regional to the sub-regional and local levels, leaving only the functions of control and strategic management to the central bodies. It is expedient to use the American experience to establish better coordination between different levels of government and further form state policy in the field of rural development based on democratic and constructive agreements between different levels of government.

### **3. World trends in digitalization of agriculture**

Regarding the global processes taking place in the world agricultural sector, many authoritative world experts today define and reduce to a single concept, which has received the general name Agriculture 4.0 or Farming 4.0.

The European Association of Agricultural Technology, which defines in detail the essence of the Agriculture 4.0 concept, currently, distinguishes two main directions of further development (Bobbio, 2002): precision farming (Precision Farming) and digital agriculture (Digital Agriculture).

Regarding the first direction, the following definition can often be found: "Precision agriculture is a complex agricultural management system that includes global positioning technologies (GPS), geographic information systems (GIS), yield monitoring technologies, variable application rate technologies, and remote sensing technologies" (Gacar et al., 2017).

Digital agriculture actively uses intelligent networks and data management tools. Its purpose is to use all available information and accumulated experience to automate agricultural production processes, that is, digital agriculture means going beyond simple access to data and creating truly effective artificial intelligence and significant added value of such data (Matiushko & Fishchuk, 2019, 14 June).

New high technological trends make it possible to establish clear connections in the innovation chain of the US agricultural sector: agronomy – new agricultural technologies – activity of the extension service or service system – development of the latest technologies by agricultural producers (farms) and other agribusiness subjects. At the same time, the broad possibilities of integration through the system of public-private partnership are actively used in the implementation of modern models of development of rural areas and, in particular, precision agriculture and digital agriculture. Thus, issues and problems related to management in the agricultural sector come to the fore.

In particular, Perga (2020) notes that the nationwide cooperative system or extension service in US agriculture was created in accordance with the Smith-Liver Act of May 8, 1914. The extension service unites various US agricultural organizations and institutions and is a kind of basis for the strategy of economic and environmentally sustainable functioning of the country's modern agricultural sector. The created extension service system is actually the central link in solving all questions, tasks and problems that arise in the agriculture of the United States. Over the years, this system made it possible to form and develop a truly effective mechanism, where basic research is clearly coordinated, scientific developments are transformed into practical solutions, implemented into specific agricultural technologies, tested in practice, and information about innovations and effective technologies used in rural areas is disseminated. economy

Studying the experience of various foreign agricultural advisory services, in particular the American extension service, as well as the practical application and implementation of some elements of foreign agricultural advisory services will be extremely useful for the agro-industrial complex of

Ukraine, especially in the context of preparation for the active phase of a serious digital transformation in the agricultural sector.

Today, highly integrated agro-industrial production of an intersectoral type with a balance of all its constituent elements has been clearly and accurately formed in the USA, in conditions of sufficiently high development of industrial and economic ties and the necessary infrastructure. At the same time, the mechanisms of public-private partnership, venture financing are used together with the program-targeted stimulation of science and research by federal and state departments, which creates a special favorable regime for knowledge of capacious directions, which, when implemented, give a really high result.

#### **4. Management digitization in agriculture of Ukraine**

Currently, one of the most effective means of updating any modern management systems is their digitalization. This also applies to management in the agricultural sector at all levels – from state institutions to small agribusinesses, which is also subject to the digitalization process.

Shandryk (2020) singles out the following key tasks of modern management, which are based on the development and implementation of new technologies in the management processes of the agricultural sector of Ukraine:

a) rejection of paper documents and transition to full electronic document circulation and transfer after thorough and high-quality reengineering of many processes to digital form;

b) maximum reduction of the negative impact of the human factor through the active implementation of automated decision-making technologies at various levels of management;

c) achieving a high speed of making changes in management processes;

d) creation of a digital ecosystem that enables citizens and businesses to quickly and effectively interact with state bodies in a multimedia mode using various devices;

e) continuous improvement of the processes of the digital ecosystem based on the implementation of a feedback system regarding the degree of user satisfaction with the quality of the services provided;

f) increasing the level of transparency of decision-making in the public administration system through the maximum permissible disclosure of data and the introduction of automated technologies and decision-making systems.

It is important to note that today the comprehensive large-scale digitization of domestic agriculture is the need of the hour and the most important condition necessary to increase its competitiveness and achieve acceptable profitability both for the processing of agricultural products with subsequent sale, and initially for agricultural production itself, the profitability of which remains low (Bezpartochnyi & Britchenko, 2022).

During the war, the agricultural sector of Ukraine faced many new challenges and problems. However, even under constant fire from the enemy,

Ukrainian farmers continue to work, protecting the food security not only of Ukraine, but also of the whole world. The Ministry of Agrarian Policy and Food of Ukraine has launched the State Agrarian Register (SAR) to ensure the functioning of state support for the agricultural sector and create financing opportunities for agrarians. This tool is designed to provide assistance to small and medium-sized agricultural companies, for which access to budget support funds was complicated due to the imperfection of program administration procedures.

The State Agrarian Register is a universal centralized platform for the distribution of all types of state and international support. The law provides that third parties, including international donors and banks, have access to the register, which contributes to more efficient use of the provided resources. The main goal of the system is to provide financial and humanitarian assistance to farmers, providing a simple and convenient process of receiving support. In addition, the automated system makes it possible to collect and store information on the characteristics of agricultural producers and financial assistance for further analysis of the effectiveness of the use of public funds.

Since the launch of SAR, farmers have had the opportunity to apply for two state support programs for a total amount of over UAH 1.5 billion (State Agrarian Register, 2022). This includes payments per hectare of land and subsidies for keeping cows. Such a system allows you to track all aspects of the farmer's activity in one service, which greatly simplifies the process of receiving assistance. It is important to note that the Food and Agricultural Organization of the United Nations joined the support of Ukrainian farmers, which together with the Ministry of Agrarian Policy and Food of Ukraine announced a new support program.

A SWOT analysis of the State Agrarian Register shows that the creation of this system has significant advantages for the Ukrainian agricultural sector (Negrey, 2023). Among the strengths, it is possible to highlight the simplification of the process of obtaining support, increasing transparency and reducing administrative costs. At the same time, there are certain threats and opportunities that must be taken into account in order to achieve the main goal – improving the efficiency of the use of public funds and supporting farmers in a difficult economic situation.

To ensure the successful functioning of the State Agrarian Register and its contribution to the stabilization of the agrarian sector in the conditions of war, it is necessary to focus on several key aspects. First, it is important to create a favorable environment for small and medium-sized agricultural companies, which often face financial difficulties and logistical obstacles due to limited access to resources. Secondly, it is necessary to integrate innovative technologies and automate processes. This will not only reduce time spent on administration, but also increase transparency and control over the distribution of state aid. Automation will also help reduce the influence of the human factor on decision-making, which can contribute to a more equitable distribution of funds and increase trust in the system on the part of agrarians.



In addition, it is worth considering the possibility of expanding the functionality of SAR for integration with other national and international support systems. This may include cooperation with international financial organizations, which will allow to expand access to additional sources of financing. One of the ways to develop this direction can be the creation of partnerships with international donor organizations already working in Ukraine to coordinate actions and avoid duplication of efforts.

It is also advisable to focus on the development of feedback mechanisms with farmers for continuous improvement of the system. Farmers can provide valuable information on the use of funds and the effectiveness of the support received, which will allow optimization of assistance programs and ensure maximum cost effectiveness. In addition, the analytics obtained on the basis of SAR data can become the basis for the development of new support strategies focused on the actual problems of the agricultural sector in war conditions.

The proposal is to create a more flexible system of distribution of public funds that would allow adaptation to the changing conditions of wartime. This can include mobile apps for quick support ticket submissions, as well as forecasting modules for better resource planning. It is also important to ensure uninterrupted access to the system in emergency situations, in particular through the implementation of backup servers and distributed cloud technologies.

In general, SAR has already demonstrated its effectiveness, but its potential can be greatly expanded. The main goal should be the creation of an effective, transparent and stable support system for the agricultural sector, which would take into account the peculiarities of wartime and contribute to the recovery of the economy of Ukraine after the end of hostilities.

### **Conclusions**

The further digital transformation of management in the agricultural sector of Ukraine's economy represents a higher level of digital integration, which will affect the most complex organizational changes in state management structures. The results of the implementation of these tasks will have a significant impact on the growth of profitability and competitiveness of agricultural products, which will enable the agricultural industry to reach modern world technological frontiers.

The analysis of the introduction of digital technologies confirms the proposed hypothesis that their integration into the management of the agricultural sector will increase the efficiency of management, especially in the conditions of military challenges. New technologies, such as robotic systems, increase agricultural productivity and contribute to the rational use of resources. They help manufacturers ensure reliable monitoring and management of natural resources, improve control over processing, distribution and storage of raw materials. This can lead to optimization of labor costs, reduction of prices and improvement of food safety.

Thanks to transparency, accessibility and optimization of processes, the implementation of digital solutions in the agricultural industry will really increase the efficiency of management. This is especially important in the context of modern security challenges, where the speed and accuracy of decision-making become critically important.

Prospects for further research include the development of new data analysis methods for yield forecasting, logistics optimization, and the use of artificial intelligence to automate resource management processes. It is also important to study the impact of digital technologies on the environmental sustainability of agriculture and develop strategies to minimize the negative impact on the environment. This will make it possible not only to achieve economic goals, but also to ensure environmental responsibility of the agricultural sector.

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**COMPONENT STRUCTURE OF ECONOMIC SECURITY OF AN AGRICULTURAL ENTERPRISE**

*The article examines the component structure of economic security of an agricultural enterprise. The main components of economic security and their interrelation are analyzed. The peculiarities of ensuring economic security in the agricultural sector are revealed. A comprehensive approach to the formation of the economic security system of an agricultural enterprise is proposed, taking into account the specifics of the industry. The necessity of integrating various security components to achieve sustainable development of agricultural enterprises is substantiated. The research hypothesis is that an effective economic security system of an agricultural enterprise should be based on the integration of various security components, considering their interconnection and mutual influence. The methodological basis of the research is a systematic approach, methods of analysis and synthesis, comparison, and generalization. Based on the analysis of scientific sources and considering industry specifics, a component structure of economic security for agricultural enterprises is proposed, which includes financial, production and technological, market, personnel, innovative investment, environmental, and information security. The necessity of a comprehensive approach to forming the economic security system of an agricultural enterprise is substantiated, taking into account the interconnection and mutual influence of its components. The proposed approach allows for a systematic assessment of the economic security level and the development of strategies for its provision in agricultural enterprises. It can be used in forming a monitoring system for economic security and making*

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**КОМПОНЕНТНА СТРУКТУРА ЕКОНОМІЧНОЇ БЕЗПЕКИ АГРАРНОГО ПІДПРИЄМСТВА**

*Економічна безпека аграрних підприємств відіграє ключову роль у забезпеченні продовольчої безпеки країни та сталого розвитку сільських територій. В умовах зростання глобальних викликів, кліматичних змін і загострення конкуренції на агропродовольчих ринках актуалізується необхідність комплексного дослідження компонентної структури економічної безпеки аграрних підприємств. Специфіка аграрного виробництва, зокрема залежність від природно-кліматичних умов, сезонність, тривалий виробничий цикл, використання землі як основного засобу виробництва, зумовлює особливості формування системи економічної безпеки в цьому секторі. Гіпотеза дослідження полягає в тому, що ефективна система економічної безпеки аграрного підприємства має базуватися на інтеграції різних компонентів безпеки з урахуванням їх взаємозв'язку та взаємовпливу. Методологічною основою дослідження є системний підхід, методи аналізу та синтезу, порівняння, узагальнення. На основі аналізу наукових джерел і з огляду на галузеву специфіку запропоновано компонентну структуру економічної безпеки аграрного підприємства, яка містить фінансову, виробничо-технологічну, ринкову, кадрову, інноваційно-інвестиційну, екологічну й інформаційну безпеку. Обґрунтовано необхідність комплексного підходу до формування системи економічної безпеки аграрного підприємства з урахуванням взаємозв'язку і взаємовпливу її складових. Запропонований підхід дає змогу системно оцінювати рівень економічної безпеки та розробляти стратегії її забезпечення в аграрних підприємствах. Він може бути використаний при формуванні системи моніторингу економічної*



management decisions to improve it. The research results create a theoretical foundation for developing a methodology for integrated assessment of the economic security level of an agricultural enterprise and forming an organizational and economic mechanism for its provision in modern economic conditions, which defines prospects for further research in this direction.

*Keywords:* economic security, agricultural enterprise, component structure, financial security, personnel security, production security.

безпеки та прийнятті управлінських рішень щодо її підвищення. Результати дослідження створюють теоретичне підґрунтя для розробки методики інтегральної оцінки рівня економічної безпеки аграрного підприємства та формування організаційно-економічного механізму її забезпечення в сучасних умовах господарювання, що визначає перспективи подальших досліджень у цьому напрямі.

*Ключові слова:* економічна безпека, аграрне підприємство, компонентна структура, фінансова безпека, кадрова безпека, виробнича безпека.

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## Introduction

Economic security of agricultural enterprises plays a key role in ensuring food security of the country and sustainable development of rural areas. In the conditions of globalization and growing competition in agro-food markets, the issue of providing food security is becoming especially urgent. The complex nature of threats and challenges faced by modern agricultural enterprises necessitates the study of the component structure of their economic security and the development of effective mechanisms for ensuring it.

The component structure study of the economic security of agricultural enterprises is closely related to important scientific and practical tasks, in particular: the development of strategies to increase the competitiveness of the agricultural sector of the economy; ensuring sustainable development of rural areas; improvement of state support mechanisms for agricultural enterprises; adaptation of the agricultural sector to climate changes and environmental challenges; digital transformation of agriculture.

Solving these tasks requires a comprehensive approach to the formation of the economic security system, taking into account modern trends in the development of the industry and global challenges.

The theoretical foundations of economic security were considered in their works by such scientists as O. Aref'eva, V. Geets, M. Yermoshenko, S. Ilyashenko, G. Kozachenko, V. Muntiyan and others (Kozahchenko et al., 2003). Features of the economic security of agricultural enterprises were studied by V. Andriyчук, O. Vlasyuk, M. Malik, P. Sabluk, V. Tkachuk (Tkachuk & Yareмова, 2019) and other scientists.

Despite a significant number of publications, the question of the economic security component structure requires further research in view of the dynamism of the external environment and the specifics of agricultural production. Scientists such as Joshua and Rudnichenko (2023) made a significant contribution to the study of this problem, who analyzed approaches to the essential content of the category "economic security of the

enterprise"; Kovalska et al. (2023), who studied the essence, structure and mechanism of ensuring the economic security of the enterprise; Lezina (2024), who studied the genesis of the development of the definition "economic security of the enterprise"; Prokhorova et al. (2022), who analyzed the economic security of Ukrainian enterprises in conditions of destabilizing development; Fenii (2024), who studied influencing factors on the formation of economic security of processing enterprises of Ukraine; Namliiev and Kacicka (2022), who investigated the current problems of regulating the economic activity of enterprises and the development of the anti-crisis management system in market conditions.

The aim of the article is to substantiate the economic security component structure of an agricultural enterprise and to develop a comprehensive approach to its formation, taking into account the specifics of the industry.

To achieve the aim, the following tasks have been defined:

- to analyze the available approaches to determining the components of economic security of the enterprise;
- identify the features of ensuring economic security in the agricultural sector;
- to substantiate the component structure of the economic security of an agricultural enterprise.

In the course of the research, the hypothesis is tested that an effective system of economic security of an agricultural enterprise should be based on the integration of various security components, taking into account their interrelationship and mutual influence.

The methodological basis of the research is a systematic approach, methods of analysis and synthesis, comparison, generalization. Scientific publications of domestic and foreign scientists, statistical data, results of the author's own research served as the information base.

The structure of the article includes an introduction, three main sections, conclusions and a reference. The first chapter deals with the theoretical aspects of the economic security of the enterprise. The second is devoted to the analysis of the features of the economic security of agricultural enterprises. The third section substantiates the component structure of the economic security of the agricultural enterprise and suggests directions for its improvement.

## **1. Theoretical aspects of economic security of the enterprise**

Economic security of an enterprise is a complex multifaceted category that reflects the ability of a business entity to function effectively and develop under the influence of various threats and risks. In the scientific literature, there are different approaches to defining the essence of economic security and its components.

Thus, Ilyashenko (2016, p. 12) considers economic security of an enterprise as a state of effective use of resources and available market opportunities, which makes it possible to prevent internal and external threats and ensure long-term survival and sustainable development in the market in accordance with the chosen mission.

Kozachenko et al. (2003) interpret economic security of an enterprise as a measure of harmonization in time and space of the economic interests of the enterprise with the interests of the external environment entities connected with it, operating outside the enterprise.

In their works, Prokhorov et al. (2022, p. 36) consider economic security of an enterprise as an adaptive system that differs from the traditional one in its ability to take into account destabilizing factors, prevent the negative impact of internal and external environmental factors, as well as change and self-learn. The authors believe that a complete enterprise security system should have such properties as emergency, determinism and implementation of co-evolution processes.

Joshua and Rudnichenko (2023, p. 50) understand economic security of an enterprise as a complex characteristic that reflects a state that contributes to the stable and maximally effective functioning and development of the enterprise, increases its competitiveness, is characterized by security and helps to reduce the negative impact of internal and external threats on the potential of the enterprise in conditions of global challenges and ensures the achievement of strategic business goals.

Kovalska et al. (2023, p. 129) define economic security of an enterprise as a complex concept that reflects the totality of various aspects of the enterprise's activity and its ability to resist and protect itself from destabilizing factors of the internal and external environment, while ensuring the sustainability of economic development through the effective use of existing and potential resources.

Lezina (2024, p. 105) characterizes economic security as "a state of protection from threats, a state of effective use of resources, the ability to operate stably, the presence of competitive advantages and the ability to achieve goals".

For his part, Fenii (2024, p. 233) analyzed the factors affecting the formation of economic security of processing enterprises of Ukraine. The scientist identifies the size of the enterprise, its attractiveness for investors and raiders, the institutional environment and the variability of the external environment as factors influencing on economic security of an enterprise.

Economic risks require management decisions to be made for the formation of the company's development strategy, which, according to the authors of Namliiev and Kaciccka (2022, p. 6), "makes it necessary to develop adequate methods and techniques of regulation in crisis periods of the

functioning of the market economy, which are fundamental to the creation of an effective system anti-crisis management, which ensures the economic security of these subjects in the process of ensuring the reproduction and satisfaction of public needs".

The analysis of the theoretical base makes it possible to distinguish the following main approaches to the structuring of economic security of an enterprise:

*functional*, which provides for the allocation of functional components of security (financial, personnel, technical and technological, legal, informational, etc.);

*resource*, which is based on ensuring the efficient use of the company's resources;

*protective*, focusing on protection against threats;

*harmonization*, which considers economic security as a measure of coordination of the interests of the enterprise with the interests of the subjects of the external environment.

The most common is the functional approach, according to which seven main components of economic security of an enterprise are distinguished (*Figure 1*).

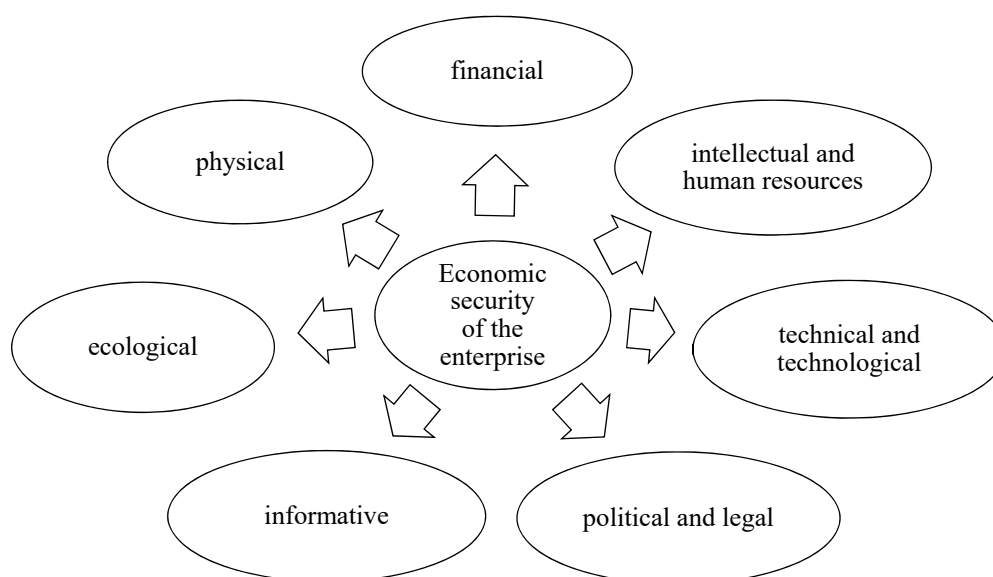


Figure 1. Components of economic security of the enterprise

Source: compiled by the author based on (Ilyashenko, 2016; Kozachenko & Ponomaryev, 2015).

Each of these components is characterized by its own content, a set of functional criteria and methods of provision (*Table 1*).



*Table 1*

Characteristics of the functional components of economic security of the enterprise

Composite	Content	Functional criteria
Financial	Achieving the most efficient use of corporate resources	Level of financial stability, solvency, business activity
Intellectual and HR	Preservation and development of the intellectual potential of the enterprise	Indicators of personnel qualification, staff turnover, labor productivity
Technical and technological	The degree of compliance of the applied technologies with modern global analogues	The level of progressiveness of technologies, competitiveness of products
Political and legal	Comprehensive legal support of the enterprise	Compliance with current legislation, level of legal protection
Informational	Effective information and analytical support of activities	Completeness, accuracy, timeliness of information
Ecological	Compliance with environmental standards, minimization of losses from environmental pollution	The level of pollutant emissions, environmental friendliness of products
Power	Ensuring physical safety of employees, preservation of property	Reliability of the security system, protection against criminal encroachments

*Source:* compiled by the author based on (Ilyashenko, 2016; Kozachenko & Ponomaryev, 2015).

It is important to note that all components of economic security are closely interrelated and mutually dependent. Therefore, providing economic security of an enterprise requires a comprehensive approach and taking into account the specifics of the industry.

**2. Features of economic security of agricultural enterprises**

The agricultural sector has a number of features that significantly affect the economic security of enterprises in the sector. Among the main *specific features of agricultural production*, which must be taken into account when forming a system of economic security, it is possible to highlight:

- dependence on natural and climatic conditions, which increases production risks;
- seasonality of production, which affects the unevenness of income during the year;
- a long production cycle, which slows down capital turnover;
- use of land as the main means of production;
- work with living organisms (plants, animals), which requires special approaches to the organization of production processes;
- high capital intensity of production with low capital return;
- price disparity for industrial and agricultural products;
- dependence on state support of the industry.

The specified features determine the specificity of threats to the economic security of agricultural enterprises and directions of its provision.

Thus, Tkachuk (2019) identifies the following main threats to the economic security of agricultural enterprises:

*natural and climatic* (droughts, floods, hail, etc.);  
*production and technological* (low level of technical equipment, non-compliance with production technologies);  
*market* (price fluctuations, imperfection of agricultural market infrastructure);  
*financial* (limited access to credit resources, high interest rates);  
*personnel* (outflow of qualified personnel from rural areas);  
*institutional* (imperfect regulatory and legal support of the agricultural sector).

However, in the conditions of a full-scale invasion that began in 2022, the list of threats to the economic security of agricultural enterprises has significantly expanded. New threats related to military actions have been added to the traditional threats:

- physical destruction or damage to production facilities, infrastructure and crops as a result of these actions;
- loss of access to land resources due to occupation of territories or mining of fields;
- violation of logistics chains of supply of resources and sales of products, especially export routes;
- loss of personnel potential due to the mobilization of workers or their forced migration;
- restriction of access to financial resources and investments due to increased risks of doing business in war conditions;
- the increase in production costs due to the increase in the price of fuel and lubricants, fertilizers, and plant protection products;
- a decrease in demand in the domestic market due to a drop in the purchasing power of the population;
- risks of raiding of enterprises in conditions of an unstable security situation;
- cyber attacks on information systems of enterprises and objects of critical infrastructure of the agricultural sector.

Taking into account the specified features, the economic security system of an enterprise should be aimed at:

- minimization of the influence of natural and climatic risks;
- provision of technological modernization of production;
- diversification of production and sales markets;
- increasing financial stability and solvency;
- formation of an effective personnel policy;
- development of innovative activity;
- greening of production;
- strengthening of physical and informational security of the enterprise;
- adaptation of business processes to the conditions of martial law and development of post-war recovery strategies.

In view of the above, the economic security system should be oriented towards minimizing the impact of natural and climatic risks, ensuring technological modernization of production, diversification of production and sales markets, increasing financial stability and solvency, forming an effective personnel policy, developing innovative activities, greening production, strengthening physical and information security of the enterprise, as well as adaptation of business processes to the conditions of martial law and development of post-war recovery strategies.

### **3. Component structure of the economic security of an agricultural enterprise**

Based on the analysis of scientific sources and taking into account the specifics of the industry, we propose to highlight the following main components of economic security of an agricultural enterprise (*Figure 2*).

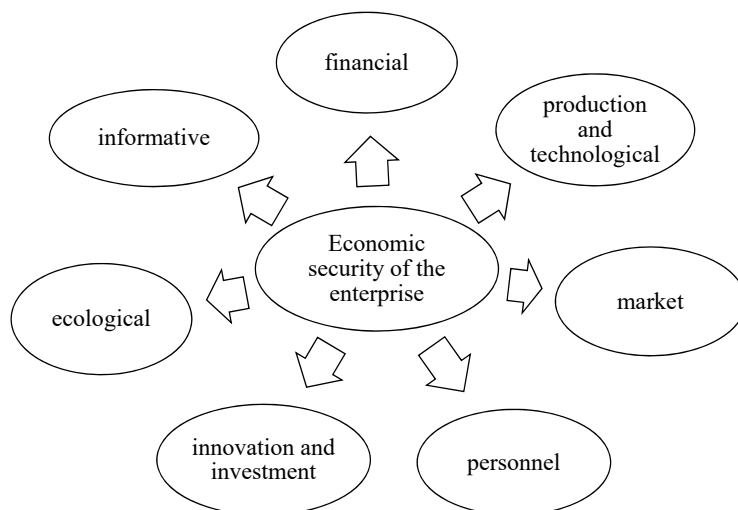


Figure 2. Components of economic security of an agricultural enterprise

Source: compiled by the author based on (Ilyashenko, 2016; Kozachenko & Ponomaryev, 2015).

Let's consider in more detail the content and features of each component.

#### *3.1. Financial security*

Financial security is a key component of economic security of an agricultural enterprise, as it ensures its financial stability, solvency and development potential. Features of ensuring the financial security of agricultural enterprises are related to the seasonality of production, a long production cycle, high capital intensity and dependence on external financing. The need to take financial security indicators into account is due to their key role in ensuring the stable functioning and development of an agricultural enterprise. A comprehensive analysis of these indicators enables:

- to assess the ability of the enterprise to fulfill its financial obligations and to resist financial risks (liquidity and solvency indicators);

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- determine the level of financial independence and stability of the enterprise (financial stability indicators);
- analyze the efficiency of resource use and management of assets and liabilities (indicators of business activity);
- evaluate the profitability of the activity and the efficiency of the enterprise's management (activity performance indicators).

Monitoring of these indicators, the characteristics of which are given in the *Table 2*, makes it possible to identify financial threats in a timely manner and to develop measures to neutralize them, which is critically important for ensuring the economic security of an agricultural enterprise.

*Table 2*

Indicator characteristics of financial security of an enterprise

Indicator	Calculation	Interpretation
Liquidity and solvency indicators		
Current liquidity ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.5–2.5 is optimal. Shows the ability to repay short-term obligations
Quick liquidity ratio	$\frac{\text{Current assets} - \text{Stocks}}{\text{Current liabilities}}$	0.7–1.0 is optimal. Reflects the ability to repay short-term obligations at the expense of the most liquid assets
Absolute liquidity ratio	$\frac{\text{Funds}}{\text{Current liabilities}}$	0.2–0.35 is optimal. Shows the share of short-term liabilities that can be repaid immediately
Indicators of financial stability		
Coefficient of autonomy	$\frac{\text{Equity capital}}{\text{Total assets}}$	> 0.5 is considered good. Shows the share of own funds in the total amount of assets
Financial leverage ratio	$\frac{\text{Long - term liabilities}}{\text{Equity capital}}$	< 1.0 is considered optimal. Reflects the ratio of borrowed and own funds
Coefficient of provision of own working capital	$\frac{\text{Equity capital} - \text{Non - current assets}}{\text{Current assets}}$	> 0.1 is considered normal. Shows the share of own working capital in the structure of current assets
Indicators of business activity		
Asset turnover ratio	$\frac{\text{Sales revenue}}{\text{Average annual asset value}}$	A higher value indicates more efficient use of assets
Accounts receivable turnover ratio	$\frac{\text{Sales revenue}}{\text{Average annual accounts receivable}}$	A higher value indicates more efficient work with debtors
Accounts Payable Turnover Ratio	$\frac{\text{Cost of goods sold}}{\text{Average annual accounts receivable}}$	A higher value indicates faster repayment of debts to creditors
Performance indicators of activity		
Return on assets (ROA)	$\frac{\text{Net income}}{\text{Average cost of assets}} \cdot 100\%$	A higher value indicates a more efficient use of assets
Return on equity (ROE)	$\frac{\text{Net income}}{\text{Average cost of equity capital}} \cdot 100\%$	A higher value indicates a more efficient use of equity capital
Return on sales (ROS)	$\frac{\text{Net income}}{\text{Sales revenue}} \cdot 100\%$	A higher value indicates a more effective pricing policy and cost control

*Source:* compiled by the author based on (Ilyashenko, 2016; Tkachuk, 2019).

A high level of financial security ensures the stability of the enterprise's functioning, its ability to withstand financial risks and attract investments.

### 3.2. Production and technological safety

Production and technological safety reflects the ability of an agricultural enterprise to ensure the efficiency of production processes, high quality of products and competitiveness on the market. The key aspects of ensuring production and technological safety are:

- optimization of the structure of sown areas and crop rotation;
- introduction of advanced technologies for growing agricultural crops and keeping animals;
- technical re-equipment of production;
- provision of high quality seed and breeding material;
- compliance with agrotechnological requirements and veterinary and sanitary standards.

The main indicators of production and technological safety of the enterprise are presented in the *Table 3*.

*Table 3*

Indicator characteristics of production and technological safety of an enterprise

Indicator	Calculation	Interpretation
Fund return	$\frac{\text{Revenue}}{\text{Average annual cost of fixed assets}}$	A higher value indicates more efficient use of fixed assets
The rate of renewal of fixed assets	$\frac{\text{The cost of commissioning new fixed assets}}{\text{The cost of fixed assets at the end of the period}}$	A higher value indicates more active updating of the technological base
Depreciation rate of fixed assets	$\frac{\text{The amount of depreciation of fixed assets}}{\text{Initial cost of fixed assets}}$	A lower value indicates a better technical condition of fixed assets
Crop yield	$\frac{\text{The volume of the harvested crop}}{\text{Sowing area}}$	Compared with industry averages
Productivity of animals	$\frac{\text{The volume of livestock production}}{\text{Livestock}}$	It is compared with normative and industry average indicators
Gross income per 1 ha of agricultural land	$\frac{\text{Gross income}}{\text{The area of agricultural land}}$	A higher value indicates a more efficient use of land resources
Net income per 1 ha of arable land	$\frac{\text{Net profit}}{\text{Arable land}}$	A higher value indicates a higher efficiency of crop production
Profit per 1 ha of crops of a separate culture	$\frac{\text{Profit from growing crops}}{\text{Crop area}}$	It makes it possible to evaluate the efficiency of growing certain crops
Energy intensity of production	$\frac{\text{The volume of consumed energy resources}}{\text{Volume of produced products}}$	A lower value indicates higher energy efficiency of production
Material capacity of products	$\frac{\text{Material costs}}{\text{Cost of manufactured products}}$	A lower value indicates a more efficient use of material resources

Source: compiled by the author based on (Tkachuk, 2019; Ilyashenko, 2016).

High production and technological safety enables the enterprise to effectively use resources, maintain product competitiveness and adapt to changes in technologies and production conditions.

### 3.3. Market security

Market security of an agricultural enterprise characterizes its ability to function effectively in a competitive environment, to adapt to changes in the market situation and to ensure a stable position on the market. Features of the market security of agricultural enterprises are related to the high volatility of prices for agricultural products, seasonality of demand, imperfection of the infrastructure of the agricultural market. The main indicators of the market security of the enterprise are described in the *Table 4*.

*Table 4*

Indicator characteristics of market security of an enterprise

Indicator	Calculation	Interpretation
Market share	$\frac{\text{Enterprise sales volume}}{\text{Total market volume}} \cdot 100\%$	A larger share usually means a higher market security
Herfindahl-Hirschman Index (HHI) for sales diversification	$\Sigma(\text{sales share of each type of product})^2$	< 1500 indicates high diversification, > 2500 – low
Profitability of sales	$\frac{\text{Net profit}}{\text{Revenue from sale}} \cdot 100\%$	A higher value indicates a better pricing policy and sales efficiency

*Source:* compiled by the author.

The main areas of ensuring market security:

- diversification of production and sales markets;
- formation of an effective marketing strategy;
- creation of own brand.

A high level of market security ensures income stability, the possibility of expanding activities and strengthening market positions.

### 3.4. Personnel security

Personnel security of an agricultural enterprise is aimed at the formation, preservation and development of personnel potential, ensuring social protection of employees. The peculiarities of personnel security in the agricultural sector are related to the seasonality of employment, the outflow of qualified personnel from rural areas, and the low level of wages.

The main directions of ensuring personnel security:

- formation of an effective personnel motivation system;
- creation of favorable working conditions;
- provision of opportunities for professional development and career growth;

- development of corporate culture;
- social protection of employees.

The main indicators of personnel security of the enterprise are presented in the *Table 5*.

*Table 5*

Indicator characteristics of personnel security of an enterprise

Indicators	Calculation	Interpretation
Labor productivity	$\frac{\text{Revenue}}{\text{The average number of employees}}$	A higher value indicates a more efficient use of labor resources
Staff turnover rate	$\frac{\text{The number of dismissed employees}}{\text{Average roster number}} \cdot 100\%$	< 5% – low, 5–10% – normal, > 10% – high turnover
Coefficient of professional development	$\frac{\text{The number of trained employees}}{\text{Total number of employees}} \cdot 100\%$	A higher value indicates greater attention to staff development

Source: compiled by the author.

High personnel security contributes to increasing labor efficiency, reducing risks associated with the human factor, and creating a stable team.

### 3.5. Innovation and investment security

Innovation and investment security reflects the ability of an agricultural enterprise to provide innovative development and effective investment. In the conditions of intensifying competition and the need for technological modernization of agricultural production, the importance of this component of economic security is increasing.

The main directions of ensuring innovation and investment security:

- implementation of innovative production technologies;
- use of precision farming methods;
- investment in infrastructure development;
- cooperation with research institutions.

The calculation of indicators of innovation and investment security of the enterprise is given in the *Table 6*.

*Table 6*

Indicator characteristics of innovation and investment security of an enterprise

Indicators	Calculation	Interpretation
Coefficient of innovative activity	$\frac{\text{Innovation costs}}{\text{General costs}} \cdot 100\%$	A higher value indicates greater innovative activity
ROI (Return on Investment)	$\frac{(\text{Profit from investments} - \text{Cost of investments})}{\text{Cost of investments}} \cdot 100\%$	A positive value indicates a return on investment
Product renewal rate	$\frac{\text{Volume of new products}}{\text{Total volume of production}} \cdot 100\%$	A higher value indicates a more active implementation of innovations

Source: compiled by the author.

A high level of innovation and investment security ensures the long-term competitiveness of the enterprise, its ability to adapt to changes in technologies and market conditions.

### 3.6. Environmental safety

Environmental safety of an agricultural enterprise is aimed at minimizing the negative impact of production activities on the environment and ensuring the production of environmentally friendly products. It is especially relevant in the context of global climate changes and increased environmental requirements for agricultural production.

The main areas of ensuring environmental safety:

- introduction of environmentally safe production technologies;
- rational use of land and water resources;
- reduction of greenhouse gas emissions;
- disposal of production waste;
- production of organic products.

The main indicators of environmental safety of an enterprise are presented in the *Table 7*.

*Table 7*

Characteristics of environmental safety indicators of an enterprise

Indicators	Calculation	Interpretation
The coefficient of waste utilization	$\frac{\text{Volume of disposed waste}}{\text{The total amount of waste}} \cdot 100\%$	A higher value indicates a better environmental policy
Energy intensity of production	$\frac{\text{Energy expenditure}}{\text{Volume of produced products}}$	A lower value indicates more energy-efficient production
Soil fertility restoration coefficient	$\frac{\text{The area of reclaimed land}}{\text{Total land area}} \cdot 100\%$	A higher value indicates more active measures to support fertility

*Source:* compiled by the author.

The analysis of the above indicators makes it possible to assess the effectiveness of the environmental policy of the agricultural enterprise and to identify potential directions for its improvement. It is important to note that ensuring environmental safety not only contributes to the preservation of the environment, but can also become a source of competitive advantages for the enterprise. In particular, the introduction of energy-efficient technologies makes it possible to reduce production costs, and the production of organic products – to enter new, premium market segments.

At the same time, ensuring environmental safety often requires significant investments, which can be burdensome for small and medium-sized agricultural enterprises. Therefore, it is important to find a balance between ecological requirements and economic efficiency, as well as to develop state programs to support the greening of agricultural production.



*3.7. Information security*

Information security of an agricultural enterprise involves the protection of information resources, commercial secrets and the provision of effective information and analytical support for management decision-making. In the conditions of digitization of the agricultural sector, the role of information security is growing.

The main areas of ensuring information security:

- implementation of modern management information systems;
- protection of commercial secrets and intellectual property;
- ensuring cyber security;
- development of the external environment monitoring system;
- increasing the information literacy of the staff.

The main indicators of information security of the enterprise are listed in *Table 8*.

*Table 8*

Characteristics of information security indicators of an enterprise

Indicators	Calculation	Interpretation
Information security factor	$\frac{\text{Number of protected information assets}}{\text{Total number of information assets}} \cdot 100\%$	A higher value indicates better information protection.
Frequency of cyber attacks	$\frac{\text{Number of successful cyber attacks}}{\text{Total number of attempted attacks}} \cdot 100\%$	A lower value indicates better cyber security
Investment ratio in IT security	$\frac{\text{IT security costs}}{\text{General IT costs}} \cdot 100\%$	A higher value indicates greater attention to information security

*Source:* compiled by the author.

A high level of information security protects the enterprise from the leakage of confidential information, ensures the stability of business processes and reduces the risks of financial losses from cyber attacks.

The proposed component structure of the economic security of the agricultural enterprise enables a comprehensive approach to the formation of the system of its support, taking into account the specifics of the industry. It is important to note that all components are closely interconnected and interdependent. Therefore, in order to achieve a high level of economic security, it is necessary to ensure the balanced development of all its components.

**Conclusions**

The economic security of an agricultural enterprise is a complex multicomponent system that reflects the ability of a business entity to function effectively and develop under the influence of various threats and risks.

The specificity of agricultural production (dependence on natural and climatic conditions, seasonality, long production cycle, use of land as the main means of production, etc.) determines the peculiarities of the formation

of the system of economic security of agricultural enterprises, which confirms the need to take into account the specifics of the industry when developing mechanisms for ensuring economic security.

The conducted analysis of the theoretical base enabled the author to identify the main approaches to the structuring of the economic security of the enterprise, among which the functional approach is the most common. According to this approach, the following main components of economic security are distinguished, such as financial, intellectual and personnel, technical and technological, political and legal, informational, ecological and force.

Based on the analysis, the author proposed a component structure of the economic security of an agricultural enterprise, which includes financial, production-technological, market, personnel, innovation-investment, environmental and informational components. Such structure confirms the proposed hypothesis about the need to integrate various security components to achieve sustainable development of agricultural enterprises.

The analysis of the relationships between the components of economic security demonstrates their close interdependence, which emphasizes the importance of a comprehensive approach to the formation of the economic security system. The results of the research indicate that in order to achieve a high level of economic security of an agricultural enterprise, it is necessary to ensure the balanced development of all its components, taking into account their mutual influence, which also confirms the proposed hypothesis.

The proposed approach to the structuring of the economic security of an agricultural enterprise creates a basis for the development of effective strategies for ensuring economic security and the formation of an appropriate monitoring system.

Prospects for further research are related to the development of a method of integral assessment of the level of economic security of an agricultural enterprise and the formation of an organizational and economic mechanism for its provision.

The proposed approach to the structuring of the economic security of an agricultural enterprise can be used in the development of a strategy for ensuring economic security and the formation of an appropriate monitoring system.

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## META ADS DIGITAL ADVERTISING IN SOCIAL NETWORKS

*A progressive tool for achieving the marketing goals of retail enterprises in digital advertising in social networks, taking into account the current situation in Ukraine, is Meta Ads. Advanced targeting parameters based on demographics, interests and own audience make Meta Ads a powerful tool for digital advertising professionals, allowing them to reach a wide audience with targeted messages. The study was conducted using the following methods: data analysis, synthesis and logical generalization of results; systemic, structural and statistical analysis with the use of graphical methods. The main sources of information are scientific papers, the results of marketing research, expert blogs in the field of digital advertising, and official statistical information from Internet resources. In the article there were considered the functions of generative artificial intelligence in Meta Ads, such as image enhancement, background generation, and ad text variations, which can reduce the time required to create advertising materials. Advantage+ tools that automate the process of creating advertising campaigns and targeting have been analysed, in*

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## ЦИФРОВА РЕКЛАМА META ADS У СОЦІАЛЬНИХ МЕРЕЖАХ

*Прогресивним інструментом для досягнення маркетингових цілей підприємств роздрібно-ї торгівлі в цифровій рекламі в соціальних мережах, з урахуванням поточної ситуації в Україні, є Meta Ads. Розширені параметри націлювання на основі демографічних показників, інтересів і власної аудиторії робить Meta Ads потужним інструментом для спеціалістів з цифрової реклами, дозволяючи охопити широку аудиторію шляхом цільових повідомлень. Дослідження проведено із застосуванням методів: аналізу даних, синтезу та логічного узагальнення результатів, системно-структурного та статистичного аналізу, а також графічних методів. Основними джерелами інформації є наукові праці, результати маркетингових досліджень, експертні блоги у галузі цифрової реклами та офіційна статистична інформація з інтернет-ресурсів. Розглянуто функції генеративного штучного інтелекту в Meta Ads, такі як розширення зображень, генерування фону та варіації текстів оголошень, що дає змогу скоротити час на створення рекламних матеріалів. Проаналізовано інструменти Advantage+, які автоматизують*



*particular Advantage+ Shopping Campaigns and Advantage+ Creative. The development trends of Meta Ads in the Ukrainian market, which will affect the results and efficiency of work with digital advertising, are substantiated. It was determined that the use of existing artificial intelligence technologies will allow enterprises to better find the target audience and work with advertisements.*

*Keywords:* advertising, digital marketing, digital advertising, social networks, Facebook, Instagram, Meta Ads, artificial intelligence, Advantage+.

JEL Classification: M31, M37.

## Introduction

Social networks are an important channel for the distribution of digital advertising to increase brand awareness, attract new audiences, increase sales, and increase profits. The leading social platforms in the world and in Ukraine are currently Facebook and Instagram, owned by Meta. Meta Ads, a universal advertising tool, is used to create and publish digital ads on these platforms.

Meta Ads in Ukraine is a relevant tool for achieving the business goals of retail trade enterprises (RTEs) in digital advertising in the war and post-war periods. It offers advanced targeting options that allow advertisers to find target audiences based on demographics, interests, own audience, artificial intelligence, locations, and placement platforms. This makes Meta Ads a powerful tool for digital advertising professionals, allowing them to reach large audiences through targeted messaging. This is especially relevant in times of war, when Ukrainian enterprises need to focus on the most effective digital channels for promoting their products in order to optimize costs and maximize profits.

The results of the analysis of the latest research and publications indicate active research in the direction of digital marketing (DM), artificial intelligence (AI) and advertising technologies by both domestic and foreign scientists. In particular, a significant contribution to the research of contextual and targeted advertising was made by Yarmoliuk et al. (2022), who highlighted the theoretical and methodological aspects of using targeted advertising in Internet marketing. Parfeniuk (2024) reviewed the ethical challenges and threats associated with personalized advertising in social networks, which is an important area of research in the context of user data protection.

Chernysh and Salimon (2023) emphasized contextual advertising as an important tool of Internet marketing, which helps to increase sales and increase brand recognition. Voloboiev (2024) explored innovative advertising tools based on artificial intelligence, which open up new opportunities for the automation of advertising campaigns.

*процес створення рекламних кампаній і таргетингу, зокрема Advantage+ Shopping Campaigns та Advantage+ Creative. Обґрунтовано тенденції розвитку Meta Ads на українському ринку, що будуть впливати на результати та ефективність роботи з цифровою рекламою. Визначено, що використання наявних технологій штучного інтелекту дозволить підприємствам краще знаходити цільову аудиторію та працювати з рекламними оголошеннями.*

*Ключові слова:* реклама, цифровий маркетинг, цифрова реклама, соціальні мережі, Facebook, Instagram, Meta Ads, штучний інтелект, Advantage+.

An in-depth study of digital technologies in marketing by Pascucci et al. (2023), as well as the analysis of analytical and AI technologies by I. Ponomarenko and D. Ponomarenko (2024), point to global trends in the digital transformation of advertising and marketing, in particular the use of data and automation to increase the effectiveness of advertising campaigns. The actualization of the digital advertising market in social networks, the study of advantages and disadvantages, and the study of prospects for the development of Meta Ads digital advertising tools require further research.

The purpose of the article is to evaluate the tool of digital advertising in social networks Meta Ads and determine the prospects for the development of its application for retail trade enterprises.

The conducted research is based on the hypothesis that the widespread and effective use of the digital advertising tool in social networks Meta Ads will contribute to the recovery and scaling of business activities of RTE in Ukraine in the war and post-war periods.

The scientific works that highlight the issue of DM, in particular, advertising in social networks, the results of marketing research, expert articles of specialists on digital advertising in online publications, statistical data became the information base of the study.

The research used methods of data analysis, synthesis and logical generalization of the results – a step-by-step plan for creating and placing advertising in Meta Ads was summarized, as well as ways to optimize it; statistical methods and methods of graphical representation are applied, demonstrating the state of use of digital advertising in social networks in the world and the possibilities of its development in Ukraine.

In the main part of the article, an overview of the world market of advertising in social networks was carried out and trends affecting its growth were identified: digital transformation based on the development of digital technologies, orientation on historical data and analytics. The advantages of digital advertising in social networks using the advertising tool Meta Ads have been revealed: a wide selection and setting of the audience; variety of formats and places of advertising; extended functionality for retail trade. Taking into account the change in consumer behavior and the spread of technological innovations, the use of artificial intelligence (AI) and machine learning for digital solutions in Meta Ads is justified, in particular, generative AI functions for ads and Advantage+ AI tools. The functions of generative AI in Meta Ads include image expansion, background generation and ad text variations, which allows you to reduce the time for creating advertising materials. The functionality of AI tools of Advantage+ includes trade companies, advertising materials and audiences, which allows you to save time and change focus in favor of strategic tasks by automating the process of creating advertising campaigns and targeting. The positive influence of the development of social networks and the personalization trend on the effectiveness of digital advertising of retail trade enterprises was revealed.

## 1. Overview of the advertising market in social networks

Social networks have become an integral part of people's everyday life. In recent years, the audience of social networks in the world has increased to 5 billion users (DataReportal, 2024), which is a convincing argument for enterprises to actively conduct advertising and business activities in social networks.

Social media advertising is one of the key tools of digital advertising that works on the basis of data obtained when tracking users' online activity, search history and personal information from profiles on Facebook, Instagram and other social networks. It allows you to focus on an audience with specific interests and preferences (Yankovets, 2024).

The global market for digital advertising in social networks, according to Statista for 2023, amounts USD 314 billion and has a tendency to increase according to cost forecasts until 2028 (Figure 1).

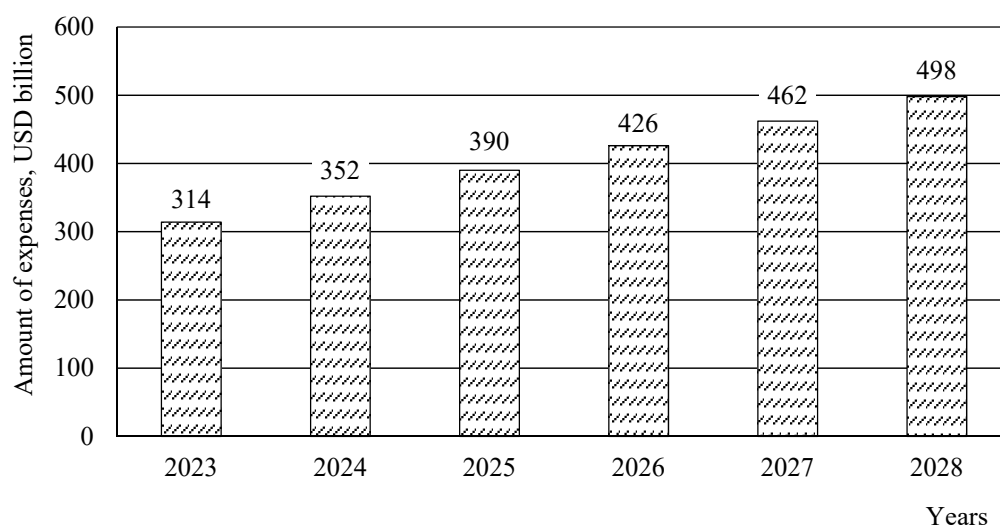


Figure 1. Forecast of advertising costs in social networks

Source: systematized by the authors according to the data (Statista, 2024).

The given forecast of the development of social networks and the growth of expenses until 2028 is based on general trends.

*The impact of digital transformation.* The positive trend in digital advertising spending indicates a global shift of business to the online environment. At the same time, changing behaviour in the way consumers interact with media and content encourages businesses to invest in social networks to promote products (Dergachova & Kolieshnia, 2020).

*Focus on historical data and analytics.* The role of data collection and analytics is being strengthened. The number of enterprises that will use advertising in social networks is increasing, since this type of digital advertising is based on data analysis and increasing their effectiveness (Kupchenko, 2023).

*Development of digital technologies.* The development of technologies, in particular artificial intelligence, automation and the development of advertising technologies within the social network allow to create more effective advertising and encourage more advertisers to use digital advertising in social networks and/or increase budgets for it (Pascucci et al., 2023). At the same time, in Ukraine, according to the systematized data of SimilarWeb, Dataportal for 2024, the most popular social network is TikTok, which has more than 16 million users (*Figure 2*).

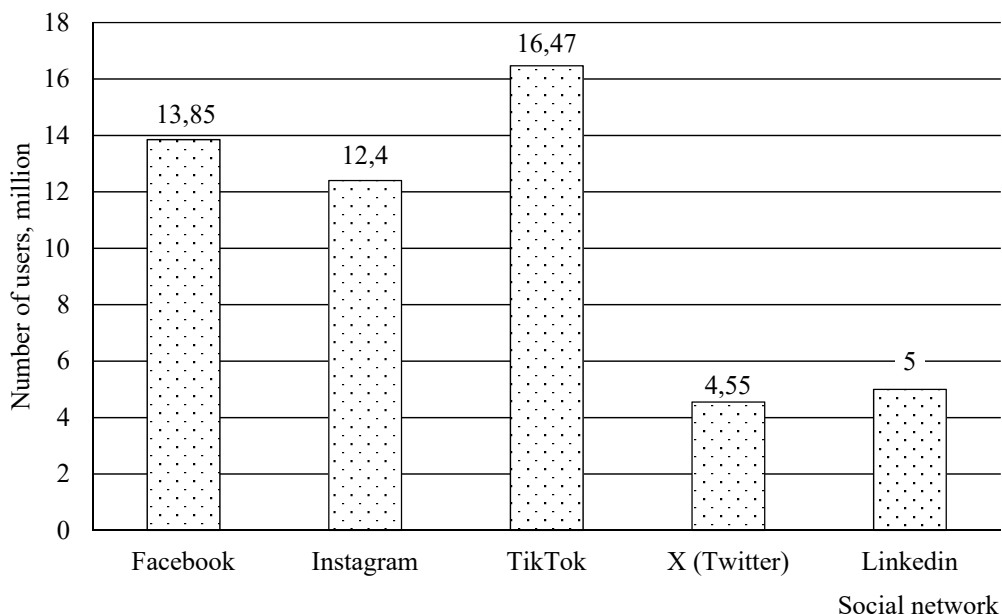


Figure 2. Number of users in social networks

*Source:* systematized by the authors according to the data (SimilarWeb, 2024; DataReportal, 2024).

In connection with the full-scale war, the TikTok network disabled the function of setting up advertisements in Ukraine, therefore, for the most part, the specified platform is not relevant for RTE. In turn, the advertising platform Meta Ads is available for targeting ads and has two powerful social networks: Facebook and Instagram with 13.85 and 12.4 million users, respectively. Other social networks have a much smaller number of users: X (Twitter) 4.55 million and LinkedIn 5 million (SimilarWeb, DataReportal, 2024).

Because Facebook and Instagram have the largest audiences available for targeting, it makes sense for RTEs to primarily focus marketing and advertising efforts on these networks. Therefore, we will further analyse the Facebook and Instagram networks from the point of view of demographic indicators (*Figure 3*).

According to the indicators of the *Facebook* network, the largest age cluster of the audience is between 25 and 44 years old. *Instagram* has an advantage among the younger audience – 18–34 years old. It can be noted that the 35–44 cluster is practically the same for both social networks.



Therefore, a business targeting this age group can run digital advertising on both platforms. For RTEs, which have a target audience over 45 years old, the more relevant social network in terms of the number of potential consumers will be Facebook (NapoleonCat, 2024a; NapoleonCat, 2024b).

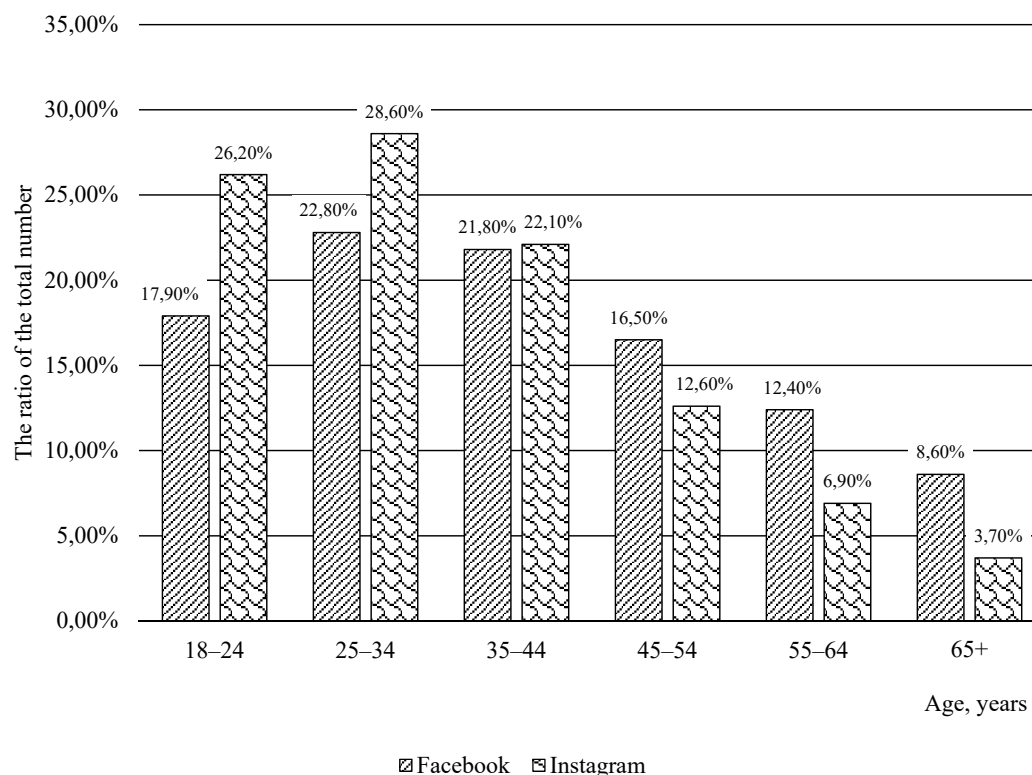


Figure 3. Demographic structure of Facebook and Instagram social networks by age

Source: systematized by the authors according to the data (NapoleonCat, 2024a; 2024b).

In terms of gender, women predominate in both networks: Instagram (63.4% vs. 36.6%) is the most prevalent, while Facebook is slightly more prevalent (58.7% vs. 41.3%) (NapoleonCat, 2024a, 2024b). Therefore, for RTEs that focus, for example, on selling products for women, it makes sense to focus on digital advertising on Instagram.

Therefore, retail trade enterprises using Meta company’s Facebook and Instagram social networks, which have a large enough audience, can create effective digital advertising and increase their overall effectiveness.

## 2. Meta Ads: advantages and disadvantages for retail businesses

Digital advertising in social networks using the Meta Ads advertising tool has significant advantages for RTE.

*Firstly, broad selection and audience preparing.* The Facebook and Instagram platforms have a large audience – more than 12 million users each (SimilarWeb, DataReportal, 2024), which opens up various opportunities for

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audience segmentation by demographics, interests and behavioural characteristics. This allows you to target ads to specific audience clusters. For example, for an online store selling cosmetic products, it is relevant to adjust advertising to women who live in Ukraine and have "beauty and health" interests. Also, the platform provides an opportunity to target the audience based on data from the website or customer list.

*Secondly, the variety of formats and placements of advertising.* The Meta ecosystem offers four platforms for advertising (Facebook, Instagram, Messenger, Audience network). Platforms, in turn, have various placements for targeted impact on a potential consumer. Generalization and description of placements is presented in the *Table 1* (Meta Help Centre for Business, n. d.; Rakovic, 2024; Tkachenko, 2024, June 18).

*Table 1*

Placements of the Meta Ads advertising system

Placement	Showing ads	Platform			
		Facebook	Instagram	Messenger	Audience network
Feeds	In the news feed	Facebook Feed Facebook profile feed Facebook Marketplace Facebook video feeds Facebook right column Facebook Business Explore	Instagram feed Instagram profile feed Instagram Explore Instagram Explore home	Messenger inbox	-
Stories and Reels	In the feed of stories or Reels	Facebook Stories Facebook Reels	Instagram Stories Instagram Reels Instagram profile reels	Messenger Stories	
Search results	In the search results	Facebook search results	Instagram search results		
In-stream Ads for Videos and Reels	In the middle or after the main video	Facebook in-stream videos Ads on Facebook Reels		-	
Messages	In the form of a direct message in the messenger			Messenger sponsored messages	
Apps and sites	In applications and websites that are part of the Meta ecosystem	-	-	-	
				Audience Network native, banner and interstitial Audience Network rewarded videos	

*Source:* systematized and adapted by the authors based on (Meta Help Centre for Business, n. d.; Rakovic, 2024; Tkachenko, 2024).

*Thirdly, extended functionality for retail trade.* First of all, it is an opportunity to display advertisements of all available products on the basis of the website without the need to create separate advertisements; in addition, dynamic remarketing, which also does not require the creation of ads, since it uses images and texts from the website and shows only viewed products according to each user.

At the same time, with a significant number of advantages and opportunities, digital advertising in Meta Ads also has disadvantages (Tkachenko, 2024):

*high competition.* Companies need to pay enough attention to competitors, their own value proposition and the quality of advertising materials in order to successfully compete with other advertisers for consumer attention;

*blocking risk.* Meta Ads has strict rules regarding advertising, non-compliance with which may result in banning of the advertising account and the account. Ads may also get blocked due to user appeals caused by behavioural factors;

*low level of trust in technical support.* According to advertisers' feedback, Meta Ads technical support often does not solve problems that arise when setting up or running ads. That is, the problem remains unresolved, so the advertiser needs to find a solution independently, which can negatively affect the financial results of the enterprise depending on the size of the problem and the duration of its solution (Trustpilot, 2024).

Therefore, the analysis of advantages and disadvantages showed that the customization options and diversity in the choice of placements will allow the RTEs to achieve its own marketing goals through digital advertising in Meta Ads. At the same time, in order to reduce the risks of the impact of existing flaws, companies need to cooperate with Meta Ads advertising experts. These can be digital agencies or individual specialists in the status of an employee or freelancer who have the necessary experience in working with the tool and a portfolio of successful advertising cases on the specified platform. The right choice of a contractor or employee is the key to the success of advertising in Meta Ads.

### **3. Meta Ads: development prospects in Ukraine**

Meta Ads continues to evolve, integrating new technologies and approaches to remain a key digital advertising tool. Through changes in consumer behavior and technological innovations, Meta Ads adapts to the demands and potential needs of advertisers to achieve their own business goals. The integration of AI and machine learning will play an increasingly significant role in all digital solutions, including Meta Ads. These technologies will increase targeting accuracy, allowing advertisers to reach the most relevant audiences with personalized content (Pascucci et al., 2023; I. Ponomarenko & D. Ponomarenko, 2024).

Currently, Meta Ads has generative AI functions for ads and Advantage+ AI tools (Shtyrlov, 2022; Ad Strategy, 2023; Voloboiev, 2024).

Generative AI allows you to save time and resources while increasing productivity when customizing digital ads.

According to a survey of advertisers participating in early AI testing of Meta, most expect to save 5 or more hours per week and be able to create multiple variations of creatives with the click of a button, reducing the time spent between creative and media teams on time-consuming editing tasks, in order to redistribute labor resources to more strategic tasks (Ad Strategy, 2023).

AI generative functions for ads include:

*image expansion*: the ability to change the image or video format according to the placement, which eliminates the need to create separate advertising materials for each placement;

*background generation*: the possibility of creating a series of backgrounds to complement the existing image;

*text variations*: the possibility of creating additional versions of ad texts based on the advertiser's original text in order to better reach the audience.

During the testing of these functions, it became possible to increase the reach of digital advertising by 9% and improve advertising indicators by 32% (Ad Strategy, 2023).

Another direction of AI Advantage+ focuses on simplifying the process of creating digital advertising as a whole, namely: independent creation of the structure of advertising campaigns, automatic selection of the audience for targeting, and automatic display of necessary advertising materials depending on the target audience and product. That is, as in the case of generative AI, it makes it possible to save time and change the focus in favor of strategic tasks.

The functionality of Advantage+ AI tools includes:

*Advantage+ Shopping Campaigns*: eliminate the need to run a large number of advertising campaigns with different targeting and ad settings;

*Advantage+ Creative*: the ability to improve advertising materials by adding additional music, 3D animation, changing image contrasts, using the functionality of generative AI;

*Advantage+ Audience*: the ability to automate audience targeting through AI. In this case, artificial intelligence analyses the website audience, data of current consumers, previous advertising activities of a certain advertiser and selects an audience that will meet the advertiser's request. So, AI technology is built on learning, so the audience will improve during digital advertising.

According to internal tests, the Meta company notes that the average price for attracting a client decreased by 28% (Ad Strategy, 2023).

Among the prospects for the development of AI in Meta Ads, we note the development of social networks. Instagram and Facebook are constantly evolving, adding various innovations to the functionality, which primarily

creates new advertising opportunities, such as content placements. For example, the introduction of the Reels platform for hosting short videos, similar to the TikTok or YouTube Shorts formats, has contributed to the emergence of new advertising formats.

The trend of personalization of advertising continues as one of the key prospects of this area: 94% of advertisers determine that personalized ads increase sales; at the same time, the trend towards privacy and data protection is gaining popularity among users of social platforms, which reduces the possibilities of personalization (Yankovets, 2023; HubSpot, 2024). This is because personalization is based on user data that Meta Ads collects through tracking systems on advertisers' websites. Prohibiting the tracking of user sessions on a website will affect statistical performance in the short term, and in the long term, it will reduce the effectiveness of the digital advertising tool in social networks. Therefore, in the perspective of the coming years, advertisers and social networks need to learn how to combine personalization and personal data protection (Parfeniuk, 2024). To do this, Meta Ads needs to create a solution based on machine learning. For example, specialists from Google LLC in this context presented Behavioural Modeling, which will model the behaviour of visitors who refuse to provide personal information (Google, n. d.).

Therefore, generative functions are not yet sufficiently developed to meet the expectations of advertisers. But as the leaders of Meta assure, "this is only the beginning" (Ad Strategy, 2023) and the company plans to continue developing in this direction, offering more possibilities of generative AI to meet the needs of advertisers. Therefore, for the future period, it is possible to expect more useful functions that will have a positive impact on the effectiveness of digital advertising. Unlike the functions of generative AI, the functionality of Advantage+ is more advanced, as it satisfies most of the key needs when setting up digital advertising, for example, creating an audience, optimizing advertising materials and simplifying the structure of digital advertising campaigns. This is especially relevant for RTEs that have more than 1 000 products, various categories and subcategories, and previously required significant labour resources to create digital advertising. Prospects for the development of social networks and the trend of personalization also have a positive impact on the effectiveness of digital advertising of RTEs. At the same time, adapting to new user privacy requirements will be an important task for advertisers in the coming years.

Thus, for Ukrainian RTEs, such development trends can improve results and maximize efficiency when working with Meta Ads digital advertising tools. This is especially relevant in the conditions of the war and post-war period, when companies not only need to focus on marketing or the product, but also take care of the safety of workers, energy supply and perform an active social role.

### Conclusions

As the digital advertising landscape continues to evolve, RTEs that take full advantage of Meta Ads will likely stay ahead of the competition and can not only resume digital advertising activity, but also significantly improve it. Further developments in artificial intelligence, machine learning and privacy regulations will undoubtedly shape the future of Meta Ads, creating a more powerful tool for advertisers.

Meta Ads offers businesses in general and retail businesses in particular unique opportunities to increase brand awareness and attract new customers through social networks and, accordingly, increase sales. With the predicted growth of marketing budgets from Meta Ads, it is important to keep up with technological changes and continue to improve digital marketing and advertising strategies.

The conducted research confirms the hypothesis about the prevalence and effectiveness of the Meta Ads digital advertising tool in social networks. Its use will contribute to the restoration and scaling of business activities of RTEs in Ukraine in the war and post-war periods.

Further research will be devoted to the study and systematization of existing digital advertising tools with the aim of adapting them for the implementation of RTE digital marketing strategies.

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**ASSESSMENT  
OF BRAND VALUE**

*With regard to the valuation of brands, there are many studies, concepts, methods, standards, recommendations and legal decisions. However, not all of them can be applied in practice, because evaluating the value of a brand from an economic point of view and the value of a brand in accordance with existing accounting and financial accounting standards is not an identical valuation process, which is complicated by the procedure for recognizing a brand as an intangible asset, the opportunities and conditions for clarifying its value, understanding its market capitalization and its reflection in the balance sheet or the impossibility and inexpediency of such reflection, understanding the strength of the brand (on the example of the Apple brand) and branding (on the example of the Apple and Microsoft brands). This situation requires to study: the conditions under which a brand can be recognized as an intangible asset; what exactly can be considered the value of the brand as an intangible asset; exactly what brand value can be reflected in the company's balance*

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**ОЦІНКА  
ВАРТОСТІ БРЕНДУ**

*Існує багато досліджень, концепцій, методів, стандартів, рекомендацій та юридичних рішень щодо оцінки вартості брендів. Проте не всі вони можуть бути застосовані на практиці, адже оцінити вартість бренду з економічного погляду і вартість бренду відповідно до існуючих стандартів бухгалтерського та фінансового обліку не є тотожним процесом, який ускладнюється процедурою визнання бренду нематеріальним активом, можливістю та умовами з'ясування його вартості, розуміння його ринкової капіталізації та її відображення в балансі або неможливості та недоцільності такого відображення, розуміння сили бренду (на прикладі бренду Apple) і брендингу (на прикладі брендів Apple та Microsoft). Така ситуація потребує дослідження: умов, за яких бренд може бути визнано нематеріальним активом; що саме може вважатися вартістю бренду як нематеріального активу; яка саме вартість бренду може бути відображена в балансі компанії та за яких умов; чому має місце шалений розрив між*



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sheet and under what conditions; why there is a frantic gap between the company's book value and its market capitalization, what can be affected by a change in the market capitalization of the brand and how reputational risks can affect a change in the market capitalization of the brand. A comprehensive overview of the complexity and multifactorial nature of assessing the value of brands and its reflection in the financial statements of companies is offered. Hypothesis: There is only one meaningful form of value for evaluating and verifying the brand value: the price a buyer is willing to pay for the brand in a real deal.

In the process of research, scientific methods of theoretical generalization and grouping were used (to systematize methods, methodologies, estimates of the value of brands and their analysis); formalization, analysis and synthesis (for interpretation of analytical materials); logical generalization of results (formulation of conclusions). The existing opportunities, conditions and procedures for recognizing a brand as an intangible asset and assessing its value were considered and analysed; it was found that brands are increasingly not recognized as an intangible asset and their value is not included in the balance sheets of companies. Estimating the value of a brand as a separate intangible asset remains a problematic issue because of the valuation itself, its confirmation and annual revaluation, value fluctuations, which is complicated by the lack of an effective (active) market and a consistent procedure and practice for assessing brand value.

*Keywords:* brand, intangible asset, brand value assessment, brand value, brand worth, tangible asset, market capitalization, goodwill, brand equity

**JEL Classification:** F6, L20; M30, M31, M41.

### **Introduction**

Previous studies of the main methods and methodologies for assessing brand value using the rating approach (Chepelenko & Tserkovnyu, 2024) from the global holding company for media, marketing and corporate communications Omnicom Group Inc. Interbrand, the specialized consulting company Brand Finance and the world leader in the field of marketing research, consulting and analytics Kantar indicate that brands are increasingly recognized as an asset and their value is included in the balance sheets of companies.

However, no matter how long brands were researched theoretically, it is necessary to understand how these researches correlate with legal, economic and accounting requirements, opportunities and feasibility.

балансовою вартістю компанії та її ринковою капіталізацією; на що може впливати зміна ринкової капіталізації бренду і як репутаційні ризики можуть впливати на зміну ринкової капіталізації бренду. Запропоновано комплексний огляд складності та багатofакторності оцінювання вартості брендів та її відображення у фінансовій звітності компанії. Гіпотеза: існує лише одна значуща форма вартості для оцінки і перевірки вартості бренду: ціна, яку покупець готовий заплатити за бренд у реальній угоді.

Використано наукові методи теоретичного узагальнення та групування (для систематизації методів, методологій, оцінок вартості брендів і їх аналізу); формалізації, аналізу та синтезу (для інтерпретації аналітичних матеріалів); логічного узагальнення результатів (формулювання висновків). Розглянуто та проаналізовано існуючі можливості, умови і процедури визнання бренду нематеріальним активом та оцінки його вартості; з'ясовано, що бренди все частіше не визнаються як нематеріальний актив і їх вартість не включається в баланси компанії. Оцінювання вартості та цінності бренду як окремого нематеріального активу залишається проблемним питанням через саму оцінку вартості, її підтвердження та щорічну переоцінку, коливання вартості, яке ускладнюється відсутністю ефективного (активного) ринку й узгодженої процедури та практики оцінювання вартості бренду.

*Ключові слова:* бренд, нематеріальний актив, оцінка вартості бренду, вартість бренду, цінність бренду, матеріальний актив, ринкова капіталізація, гудвіл, капітал бренду.

The results of a joint study by Interbrand, B2B market research leader *NewtonX* and integrated communications agency Brodeur Partners (*Interbrand*, 2024) indicate that 67% of companies on the *S&P* 500 list may be misvalued due to a misunderstanding of a key business asset – the brand (as an intangible asset).

What exactly is a brand, from the point of view of law and accounting in Ukraine, is currently an undefined issue.

The study of normative legal acts of Ukraine and intergovernmental agreements on the term "brand" (Verkhovna Rada of Ukraine, 2024) raised even more questions. Firstly, the term "brand" is not written in any regulatory legal act of Ukraine (with the exception: the term "brand of the organizer of gambling games" is used in the meaning given in the Law of Ukraine "On state regulation of activities regarding the organization and conducting the gambling games" (Law of Ukraine No 768-IX, 2020, July 14, Art. 1); secondly, the association of the "brand" with the "trademark" and/or other objects of intellectual property (as intangible assets) has not been formally proven; thirdly, the National regulation (standard) of accounting 8 "Intangible assets" (NR(S)A 8, 1999) also contains methodologies for accounting information about the brand.

A study of International Accounting Standard 38 "Intangible Assets" (IAS 38, 2012) provides an opportunity to understand that:

*the terms "brand" and "brand name" are often used interchangeably with trademarks and other brands, but the first ones are generic marketing terms that are mostly used to refer to a group of connected assets such as trademarks (or service marks) and are associated with the corresponding trade name of the product, formulas, recipes and technological expertise (IAS 38, 2012, p. 37);*

*a class of intangible assets is a group of assets that are similar in nature and use in the business entity's activities. Individual classes may, for example, include:*

- brand names;
- titles and edition names;
- computer software;
- licenses and privileges;
- copyrights, patents and other industrial property rights, service and exploitation rights;
- recipes, formulas, models, projects and prototypes;
- intangible assets at the development stage (IAS 38, 2012, p. 119);

*At the same time:*

*"internally generated brands...should not be recognized as intangible assets" (IAS 38, 2012, p. 63);*

*"spending on internally generated brands... cannot be separated from expenses on business development as a whole". Consequently, such objects are not recognized as intangible assets (IAS 38, 2012, p. 64);*

"an active market (IAS 38, 2012, p. 78) cannot exist for brands... trademarks, because each such asset is unique". In addition, although intangible assets are bought and sold, contracts are concluded between individual buyers and sellers, and transactions occur relatively rarely (IAS 38, 2012 p. 78);

"the price paid for one asset cannot provide a sufficient indication of the fair value of another asset" due to the uncommon practice of buying and selling intangible assets (IAS 38, 2012, p. 78);

"price information is often not publicly available" (IAS 38, 2012, p. 78).

Thus, summarizing information about intangible assets, we can affirm that intangible assets are generally non-physical assets/intellectual assets (patents, trademarks, franchise or license agreements, copyrights and company brands) that:

- are used for a long time;
- have the difficulty of determining their value;
- have the problem of proper assessment and accounting largely due to the difficulty of determining their value;
- have shortcomings in terms of measurement reliability, costs associated with them;
- have uncertain future effects;
- the useful life of an intangible asset can be identified or not identified;
- can increase the possible future value of the company and can be much more valuable than its tangible assets.

Brand equity can be considered as an intangible asset, since the value of a brand is determined by the perception of the company's customers and is not a physical asset.

Therefore, intangible assets are shown on the company's balance sheet as long-term assets, valued according to the purchase price and amortization schedules only if they are *identifiable, controllable, and there are future economic benefits from their use*.

The aim of the proposed study is to clarify problematic issues regarding: assessing the cost and value of a brand as a separate intangible asset and the unsettledness of the term "brand" itself; restrictions and/or impossibility of recognizing brands as intangible assets; excess of market capitalization over the value of the company's assets.

Hypothesis: There is only one meaningful form of value for evaluating and verifying brand value: the price a buyer is willing to pay for the brand in a real transaction.

Scientific methods of theoretical generalization and grouping (for the systematization of methods, methodologies, brand value estimates and their analysis); formalization, analysis and synthesis (for interpretation of analytical materials); logical generalization of results (formulation of conclusions) were used.

The scientific study, the main part of which is laid out in three sections, focuses on the analysis and the possibility of applying the requirements of the ISO 10668 and ISO 20671 standards regarding the assessment of brand value

and their correlation with International Financial Accounting Standards, which provides an opportunity to find out brand equity as an intangible asset, the correctness of the brand value assessment and the consequences of a change in such value.

**1. Key approaches to the disclosure of information on intangible assets and features of brand valuation**

The study of key approaches, changes and requirements for intangible assets and goodwill, set forth in *FASB* standards, provides an opportunity to understand the nature and the need to clarify the criteria for recognizing intangible assets and the value of goodwill, which should contribute to future cash flows and reflect the expectations of the business entity (*Table 1*).

*Table 1*

Approaches, changes and requirements for intangible assets and goodwill by *FASB* standards

<i>FASB</i> standard	Intangible assets	Goodwill
<i>FASB ASC 350 Recognition of intangible assets</i>	Intangible assets must be identifiable; the business entity must be able to demonstrate control over the future economic benefits of the intangible asset	Internally generated goodwill is not subject to registration; goodwill arising from a business combination is not subject to amortization; goodwill is verified for devaluation at least annually
<i>FASB 142 Amortization of intangible assets</i>	Intangible assets with limited useful lives must be amortized over their useful lives, while intangible assets with indefinite useful lives are not amortized but are subject to annual verification for devaluation	Reflects the expectation of the business entity that the value of the goodwill will contribute to future cash flows
<i>FASB 141 Approach to intangible assets in business combinations</i>	Requires each identifiable intangible asset to be measured and reported separately from goodwill if it arises from contractual or legal arrangements, or if it can be separated and sold; the method of consideration of intangible assets during business combinations has been revised	

*Source:* compiled by authors in accordance with (*FASB* 350, 2021; *FASB* 142, 2001; *FASB* 141, 2001).

The main information disclosure requirements for intangible assets according to *FASB* standards are the mandatory disclosure by business entities of the gross book value and accumulated amortization of intangible assets and methods, terms of useful life, changes that have occurred with intangible assets.

In 2001, *FASB* 141 (*FASB* 141, 2001) introduced a requirement for identifiable assets (tangible and intangible) of US companies to capitalize acquired intangible assets taking into account liabilities and contingent liabilities at their fair value. Intangible assets should be the separate net balance between the total amount of acquired net assets disclosed in the

consolidated statement of the acquiring company and the acquisition cost treated as goodwill.

One of the controversies associated with this type of intangible asset, such as a brand, is the determination of brand value through goodwill. According to FASB standards, the brand value assessment can be determined by a contract for the purchase and sale of net assets, after which goodwill is reflected (recorded) in the financial statements as the excess of the amount paid for the net assets over their fair market value, while internally generated goodwill is not subject to registration.

There are similarities between FASB standards and international recommendations of the International Accounting Standards Board (IASB) on intangible assets as to determining fair value and verifying for devaluation, and differences concerning to criteria for recognition and further evaluation of intangible assets. However, the IASB's recommendations have specifics regarding the criteria for recognition and further evaluation of intangible asset.

The existing international brand evaluation standards ISO 10668 Brand Valuation (ISO 10668, 2010) and ISO 20671 Brand Evaluation (ISO 20671, 2021) indicate that a brand "is an intangible asset" that is designed to create "distinctive images and associations in the minds of stakeholders, thereby creating an economic benefits/values".

In order to standardize approaches to brand evaluation (including those brand evaluations conducted by analysts, investors and lenders), the International Organization for Standardization (*ISO*) involved standardization committees from around the world, developed and published ISO 20671 Brand Evaluation, which is an international meta-standard, has a stable structure and a set of principles for conducting systematic brand evaluation, requires proactive management of brands and their verifying (at least once a year), because in financial accounting brands are too often considered as incidental business costs.

ISO 20671 is used by marketing professionals to explain branding's contribution to business value.

In addition, the global standard for brand valuation recognizes that the primary purpose of a brand is to "increase the overall value of the business, reduce risk and continue the sustainable existence of the company that owns the brand" (ISO 20671, 2021).

Therefore, ISO 20671 Brand Evaluation is intended to help business entities understand and identify ways to increase brand value, which is determined by improving financial indicators, its strength and effectiveness.

Brand evaluations (Brand valuation and Brand evaluation) are related and interact with each other, but brand evaluation according to ISO 20671 Brand evaluation is broader and includes non-monetary considerations.

ISO 10668 Brand Valuation (ISO 10668, 2010) is an international meta-standard that defines the structure of monetary valuation of a brand,

including objectives, valuation bases, valuation approaches, valuation methods and sources of qualitative data and assumptions, defines reporting methods for the results of such valuation, etc.

Brand valuation according to ISO 10668 Brand Valuation is determined from the point of view of the company that owns the brand (brand value is measured using relevant indicators that assess the impact of the brand on customers/users) and all stakeholders and includes both monetary considerations (i.e. brand value) and non-monetary considerations (i.e. brand strength and equity), its value (the price (premium) a consumer is willing to pay for a particular brand over a base level).

The framework of brand value assessment is a set of interrelated parts that determine the interconnection between the assessment of the value and worth of the brand, each of which is based on the previous part, while the term "brand worth" is mostly used to denote "the present value of the expected future monetary flows attributable to the brand" (ISO 10668, 2010), and "financial value of the brand" (FVB) refers to the estimation of the total monetary value of the brand at a given point in time. The method that should be chosen for calculating or evaluating the financial value of the brand depends on the purpose of the evaluation: purchase, sale, lease or increase of financial result.

The practical application of ISO 20671 and ISO 10668 creates a feedback cycle for continuous improvement of the brand, which will contribute to increasing its value over time, and by changing the composition and level of brand inputs based on such feedback, there can be a potential opportunity to improve brands, to ensure their effectiveness and certain advantages and a better experience for consumers and stakeholders.

## **2. Global status of intangible assets (brand recognition and information disclosure)**

Most intangible assets are not recognized due to restrictions imposed by financial reporting rules which state that internally generated intangible assets such as brands cannot be disclosed on a company's balance sheet.

Accounting standards (international and national) prevent companies from recognizing the most part of the value of the intangible assets they create. Instead, intangible assets are recognized when they are acquired or identified as an asset separately from goodwill if the asset is acquired in a business combination.

This approach to recognition and intangible assets can lead to distortion of information about the value of the company that owns the intangible asset.

For companies whose shares are in free turnover, the question of the value of intangible assets in the composition of assets is not as critical as for other companies, since their market value is determined by market capitalization. The excess of market capitalization over the value of a

company's assets means that investors value the company higher than its book value, which may indicate high expectations for the company's future growth, its profitability, or the presence of unique intangible assets such as a brand or intellectual property.

Globally, disclosed intangible assets in 2023 generally remain unchanged, but further analysis by classes of intangible assets shows that for the first time since 2008, the value of disclosed intangible assets has shifted from goodwill to specific intangible assets such as brand, technologies and relationships (Brand Finance, 2021).

During 1996–2023, intangible assets show rapid growth from USD 6 trillion up to USD 61.9 trillion in 2023, i.e. by 1031% (Figure 1) (Brand Finance, 2023).

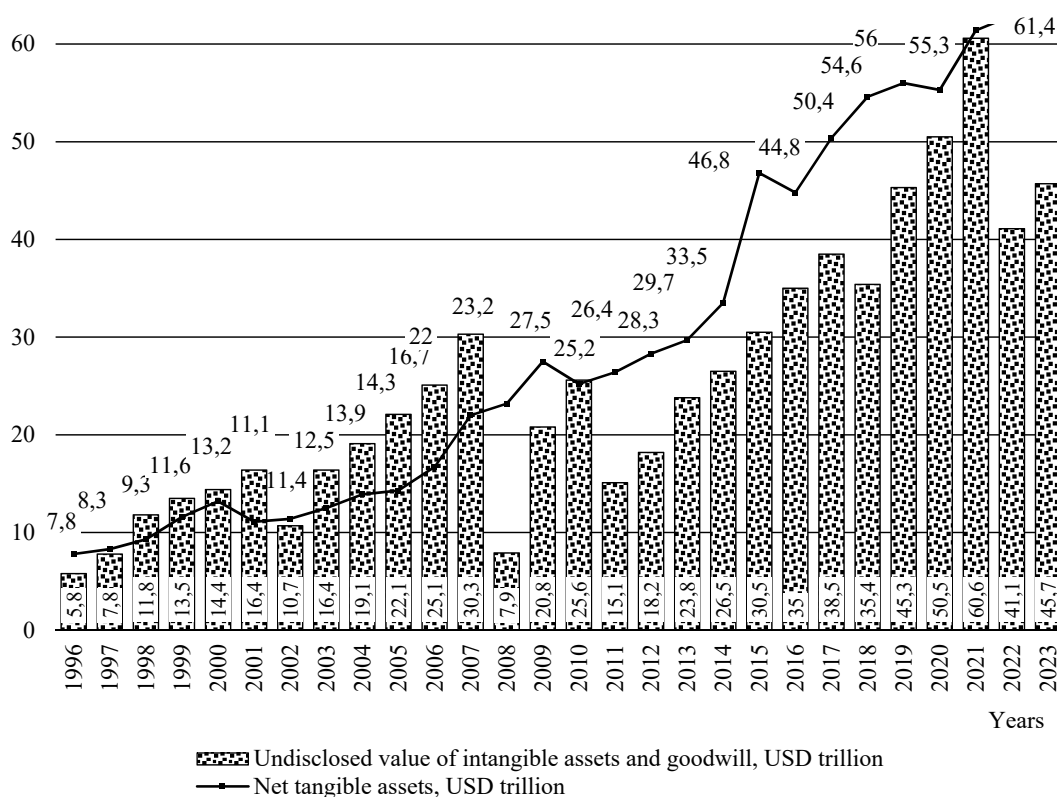


Figure 1. The trend in the composition of global value according to Brand Finance for 1996–2023, USD trillion

Source: (Brand Finance, 2023).

Brand Finance research also shows that in 2023 the US market remains intangible (73% of US corporate value accounts for intangible assets, including technologies and brands) compared to the global average index (50%), while in China only 16% of assets are valued as intangible.

In 2023, global intangible value recovered, surpassed pre-pandemic level and grew by 8% from USD 57.3 trillion in 2022 to USD 61.9 trillion in 2023, that is almost 3 times higher than the US GDP. During the same period, the value of global tangible net assets remains stable.



The intangible intensity of the US is driven by some of the largest technical, internet and media giants that have US jurisdiction. Apple, the company with the highest intangible value in the world, provides 8% of total US intangible value.

As indicated in the Global Finance GIFT report (Brand Finance, 2023), the non-monetary assets of the most powerful brands (without physical substance) are grouped into three broad categories: rights (including leases, agreements and contracts); relationships (including trained workforce); intellectual property (including brands, patents and copyrights).

### 3. Evaluation of the value of the Apple brand

The results of the research on the valuation of brands using the rating approaches of world-renowned companies prove that in 2023, brands that have diversified and are represented in several sectors and that are focused on expanding the brand, its dynamic development compared to competitors, will continue to dominate. Thus, the value of the Apple brand, which for 11 years in a row occupies the first place in the ratings for 2013–2023, increased: by more than 5.11 times according to the Interbrand methodology; 3.4 times – according to the Brand Finance methodology and 4.76 times – according to the BrandZ methodology from Kantar Group (*Figure 2*).

Research on brand value assessment using rating approaches demonstrates not only different results of their value assessment, but also a significant gap (inconsistency) between tangible book value, net tangible book value and market capitalization of brands.

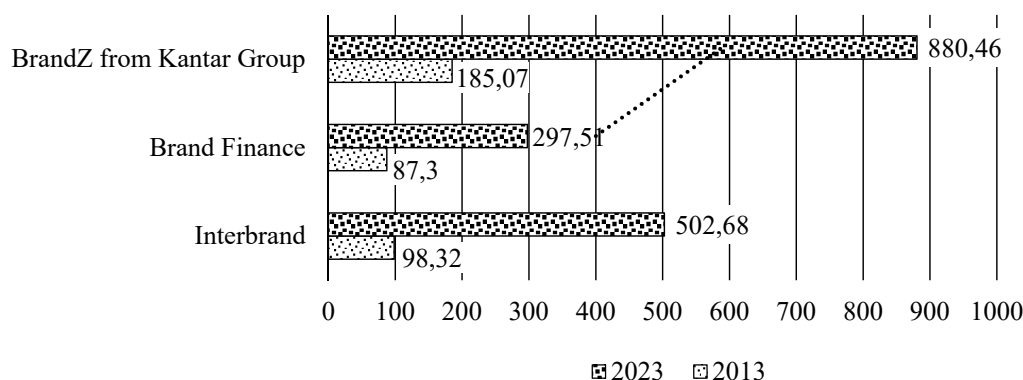


Figure 2. Estimated value of Apple according to Interbrand, Brand Finance and Kantar BrandZ methodologies for 2013–2023, USD billion

Source: compiled by the authors based on data (Chepelenko & Tserkovnyy, 2024).

For example, the net tangible book value of Apple in 2023 was USD 40.32 billion, on the other hand, the material cost was equal to USD 74.1 billion, that is, USD 30.78 billion is the value of intangible assets, and relative to market capitalization, the value of intangible assets is more than 93 times (see *Figure 3*).

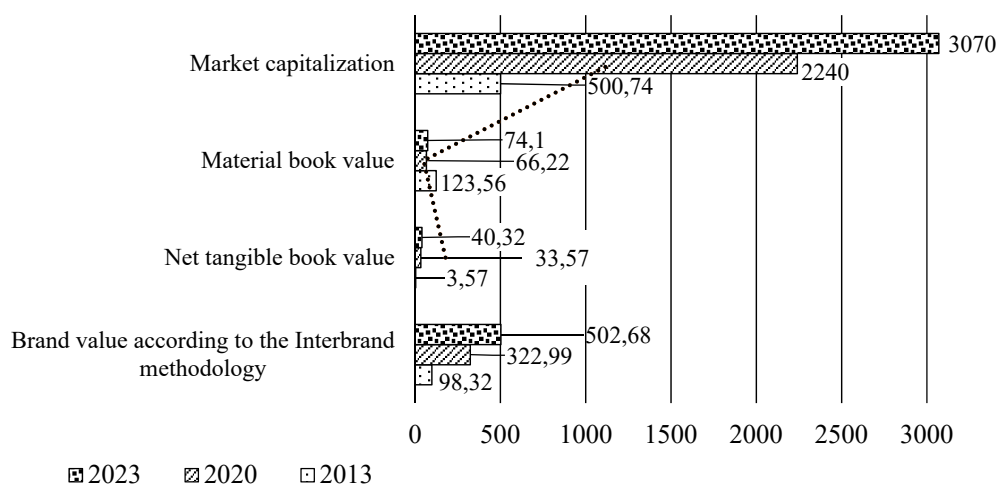


Figure 3. Dynamics of tangible book value, net tangible book value and market capitalization of Apple for 2013–2023, USD billion

Source: compiled by the authors based on data (Apple Balance Sheet 2009–2024, 2024; Market capitalization of Apple (AAPL), 2024).

In 2013, the share of tangible assets was 2.89% of the book value of assets (97.11% – the share of intangible assets), in 2023 – 54.41% of the book value of assets (45.59% – the share of intangible assets) (Figure 4).

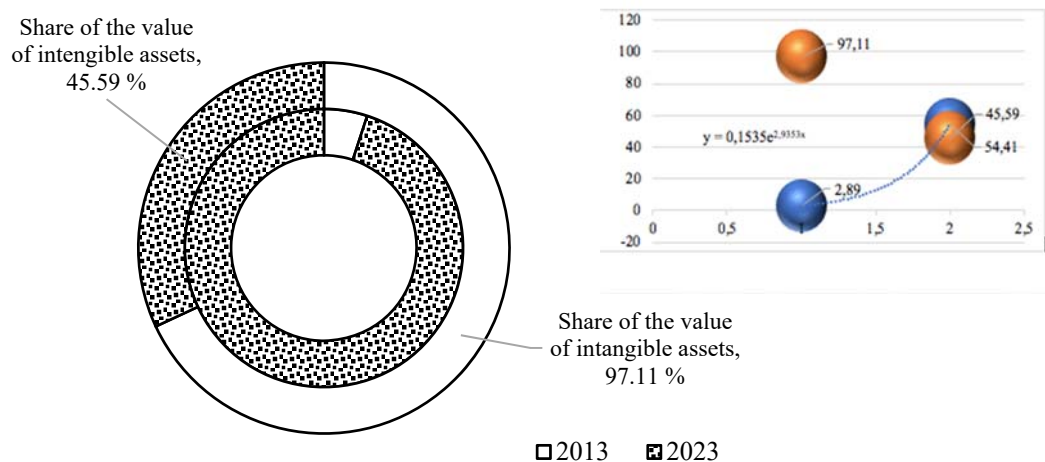


Figure 4. Dynamics of Apple’s asset structure for 2013–2023, USD billion

Source: compiled by the authors based on data (Apple Inc. Form 10-K, 2013, 2023).

Internally developed intangible assets are not reflected as such in the company’s balance sheet. Although an intangible asset such as the *Apple* logo has total recognition, it does not appear on the company’s balance sheet because the logo is an internally developed intangible asset and does not have a price at which the fair market value could be determined, as it would, if the logo was the part of an acquisition of another company (Table 2).

*Table 2*

Apple’s consolidated balance sheet (assets) for 2013, 2020 and 2023, USD billion

Assets	As of:		
	28.09.2013	28.09.2020	28.09.2023
<i>Current assets</i>			
Banknote roll and its equivalents	14.259	38.016	29.965
Short-term marketable securities	26.287	52.927	31.590
Accounts receivable less reserves in the amount of USD 99 and USD 98 respectively	13.102	16.120	29.508
Commodity stocks	1.764	4.061	6.331
Deferred tax assets	3.453		
Supplier’s non-trade receivables	7.359	21.325	31.477
Other current assets	6.882	11.264	14.695
Total current assets	73.286	143.713	143.566
<i>Non-current assets</i>			
Long-term marketable securities	106.215	100.887	100.544
Fixed assets, net	16.597	36.766	43.715
Goodwill	1.577		
Purchased intangible assets, net	4.179		
Other assets	5.146	42.522	64.758
Total non-current assets	73.079	180.175	209.017
<i>Total assets</i>	<i>207.0</i>	<i>323.888</i>	<i>352.583</i>

*Source:* compiled by the authors based on data (Apple Inc. Form 10-K, 2013, 2020, 2023).

The results of a study of Apple’s financial statements indicate that the company’s goodwill in 2013 amounted to approximately USD 1.577 billion, acquired intangible assets amounted to USD 4.179 billion, intangible assets are not included in current assets because they are used in the business for more than one accounting period, that is, they have a long useful life. Intangible assets with indefinite useful lives, such as goodwill, are not amortized systematically. Instead, they are included on the balance sheet, as Apple has done, and periodically are reviewed for devaluation (Apple Goodwill and Intangible Assets 2010–2024 AAPL, 2024).

In 2023, Apple’s revenues fell by 2.8% compared to 2022, but Apple has a long-term non-linear trend: declining revenues (2016, 2019 and 2023) against the background of a steady trend of increasing market capitalization (from USD 500.74 billion in 2013 to USD 3.07 trillion in 2023).

Since December 1, 1998, Apple’s market capitalization has increased from USD 4.60 billion up to USD 3.45 trillion, increasing by 74 887.64% and showing a cumulative annual growth rate of 29.32%.

Apple’s market capitalization as of August 23, 2024 was USD 3.45 trillion and already in 2024, the growth of market capitalization is 23.95% (Market capitalization of Apple (AAPL), 2024).

In 2011, Apple overtook the world’s most valuable public company, Exxon Mobil, to become the stock market leader, starting an era of technological superiority and its own steady growth. The 2023 results state that the value of the shares has slowed down in 2023 in favour of such powerful brands as Microsoft, Nvidia and Alphabet, Google (the parent company), whose total value has increased by USD 2.5 trillion for the year.

Bloomberg experts (Bloomberg, 2024) attribute this dominance to the emphasis of brands on generative artificial intelligence.

These transformations are part of a shift in the stock market's priorities with the appearance of generative artificial intelligence, a technology that can not only answer questions, create images and write code, but also has the powerful potential to both disrupt and create businesses.

Since September 30, 2008, the price ratio of Apple Inc. to the material book value increased from 3.97 to 51.66 as of August 23, 2024. Apple Inc. average price ratio to the tangible book value for 2008–2024 was 14.73 (Apple Price to Book Ratio 2010-2024 AAPL, 2024).

Reflecting the market capitalization of the value of the company's brand in the balance sheet is a formally inconsistent issue, since it requires the separation of the brand from other intangible assets and it is not observed in Apple's consolidated balance sheet (see *Table 2*) and, as in the case of the Perrier problem, the value of such intangible assets may decline rapidly due to increased reputational risks and stock market reactions.

Instead, a decline in revenue in 2023 could indicate that Apple has reached the limit of growth, that is a common problem for successful companies related to life cycle, cash flow and achieving significant size.

In addition, according to the estimates of the consulting firms IDC and Counterpoint, the global slowdown in demand for new smartphones by 3–6% indicates a worsening of market conditions and Apple, which has traditionally relied on iPhone sales, faces the risk of limited growth paths related to hardware sales, services and payments.

Market saturation, unsustainable growth rates in the long-term lead to a critical saturation point where there is no room for further expansion, which can lead to reduced profitability due to reduced returns or loss of scale economy.

Legal and regulatory issues (governments, as representatives of customers and consumers, generally frown on monopolies unless they are in the public domain) arising from Apple's desire to dominate the market are also a general constraint on growth, as companies that occupy a dominant position in the market, risk being nationalized or forced to abandon certain activities, often accompanied by significant fines.

For Apple, 2024 also began with a number of obstacles:

- preparation of an antitrust case by the US Department of Justice against Apple;
- Apple contractor Foxconn Technology Group (India) reported on a falling profit compared to 2023.
- financial (Barclays) and investment (Piper Sandler) partners downgraded the company's shares (WIPO Report, 2024);
- Microsoft left behind Apple in market capitalization (Microsoft ended the day at USD 2.89 trillion, 1% higher than Apple's USD 2.87 trillion) (Bloomberg, 2024).

However, this did not prevent Apple from increasing its market capitalization, which as of August 23, 2024 increased by 15.18% to USD 3.4489 trillion.

This achievement became possible, including thanks to:

- to a significant increase in measured actions after a positive report from the investment bank Wedbush Securities Inc. (Wedbush Securities Inc., 2024), whose analysts praised Apple's initiatives in the field of artificial intelligence and believe that Apple's ecosystem can become the basis for a consumer revolution in the field of artificial intelligence, and such powerful brands as Google and Meta will adapt their software for working with the Apple platform;

- the presentation at the 2024 Apple Worldwide Developers Conference (June 10, 2024) of Apple's new products and the announcement of the integration of artificial intelligence GPT-4o into its software ecosystem, focusing on the possibilities of using artificial intelligence for writing texts and creating images;

- predicting the launch of Apple App Store for artificial intelligence applications for a potential US\$ 5 billion increase in service revenue annually until 2025;

- speculation regarding Apple's strategic move to acquire ESPN assets, changes of the content and service landscape (Apple's acquisition of US cable sports television channel ESPN from The Walt Disney Co.);

- the development and creation of a system to ensure the protection of confidential user information and the recognition of «Apple Account» fraud attempts (with the release of new versions of the operating systems iOS 18, iPadOS 18, macOS Sequoia and watchOS 11;

- according to the forecast of Wedbush Securities Inc. analysts (Wedbush Securities Inc. 2024), that Apple will become the first company with a market capitalization of USD 4 trillion in 2024, with Microsoft falling behind in early 2025 as the AI revolution begins (Wedbush Securities Inc., 2024).

Taking into account Apple's sustained long-term dominance of the high-class smartphone market and significant financial backing from marketable securities, Apple's dependence on diversifying iPhone business is obvious. In this regard, in 2024 it is planned to introduce a new Apple product (the company's first new hardware in a decade) – the Vision Pro virtual reality headset, which will be the first major new product category that the company has released since the Apple Watch in 2014. (Wedbush Securities Inc., 2024). It should also be remembered that brands are vulnerable due to their dependence on such intangibles as reputation and people's perception of them. Building a certain/desired brand perception can take years as reputation is built with repeated evidence that the brand justifies its position.

### **Conclusions**

The ranking approach to brand valuation is a reminder that brands are a valuable corporate asset, but the different results and range of valuations

for the same brand make it difficult for owners, managers and investors to make effective decisions about further branding.

Doubts about the accuracy of brand value estimations are not news, because there are too obvious inconsistencies:

- brands whose value doubles or doubles annually;
- brands that are more valuable than the entire company they belong to;
- the value of the brand varies by 2–4 times depending on the issuer.

The problem lies in a qualitative rather than a quantitative approach to assessing the value of brands, which, firstly, is subjective; secondly, it does not take into account real-time changes in the market, thirdly, it does not take into account and/or cannot find out the price that the buyer is willing to pay for the brand in a real transaction, so the proposed hypothesis on the existence of only one significant value form to evaluate and verify brand value: the price a buyer is willing to pay for a brand in a real deal is confirmed.

The conducted research proves that the assessment of the value and worth of the brand as a separate intangible asset remains a problem due to the very assessment of the value, its confirmation and annual reassessment, because there is a fluctuation in the value, which is complicated by the lack of an effective (active) market and an agreed procedure and practice for assessing the value of the brand.

Estimating the value of a brand as a separate intangible asset remains a problematic issue, primarily due to the lack of an agreed procedure and valuation practice, as well as the regulatory and legal unsettlement of the term "brand" itself.

Most intangible assets are not recognized as assets due to restrictions imposed by financial reporting rules, which state that internally generated intangible assets, such as brands, cannot be disclosed on a company's balance sheet (IAS 38, NR(S)A 8).

Among the justifications for this approach is the impossibility of a reliable brand assessment:

- expenditure on internally generated brands... cannot be separated from expenditure on business development as a whole;
- an active market cannot exist for brands... trademarks because each such asset is unique;
- the price paid for one asset may not provide a sufficient indication of the fair value of another asset.

Instead, intangible assets are recognized when they are acquired or identified as an asset separate from goodwill if the asset is acquired in a business combination.

This approach to recognition and intangible assets can lead to distortion of information about the value of the company that owns the intangible asset.

For companies whose shares are in free turnover, the question of the value of intangible assets in the composition of assets is not so critical, since

their market value is determined by market capitalization. The excess of market capitalization over the value of a company's assets means that investors value the company higher than its book value, which may indicate high expectations for the company's future growth, its profitability, or the presence of unique intangible assets such as a brand or intellectual property.

Further research is planned to be directed to the development of a procedure (algorithm) for the formation and evaluation of the brand value as a separate intangible asset, which will make it possible to reliably evaluate the company's assets and provide users of financial statements with true and unbiased information about the financial state.

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## SDGs – CENTRIC APPROACH TO STRATEGIC PLANNING OF COMMUNITY DEVELOPMENT

*The research of the community growth and the formation of strategies for their development in the context of an approach focused on achieving sustainable development goals have been conducted. The problems of the sustainable community development and their crucial understanding of achieving the Sustainable Development Goals (SDGs) at all levels of management have been considered. The research is based on the hypothesis that taking into account the features of the Central*

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## ЦСР-ЦЕНТРИЧНИЙ ПІДХІД ДО СТРАТЕГІЧНОГО ПЛАНУВАННЯ РОЗВИТКУ ГРОМАД

*Проведено дослідження розвитку громад і формування стратегій їхнього розвитку в контексті підходу, орієнтованого на досягнення цілей сталого розвитку. Розглянуто проблеми сталого розвитку громад та їх розуміння важливості досягнення цілей сталого розвитку (ЦСР) на всіх рівнях управління. В основу дослідження покладено гіпотезу, що врахування особливостей ЦСР-центричного підходу до стратегічного планування розвитку*



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*Development Center approach to the strategic planning of the community development in Ukraine will lead to the improvement of sustainable development indicators at the current stage of the community growth and the sustainable development of Ukraine. Such research methods were used, as: assessment of qualitative, quantitative and social indicators, as well as methods of positional analysis, focus groups, diagnostic interviews, expert assessments, measurement and comparison, system analysis and modeling. The basic concepts and components of sustainable development were analyzed. It has been proposed to define the features of the Central Development Center-centered approach to the strategic planning of community development. The role of intersectoral cooperation between local authorities, business and civil society in the context of achieving the SDGs was considered in detail. The article focuses on the integration of environmental, social and economic aspects into strategic planning, and explores the problems and challenges faced by communities in implementing these approaches. The importance of building the institutional capacity of communities for the effective implementation of the SDGs and their adaptation to the changing conditions of the post-war period was separately emphasized. Recommendations were given for improving the methods of monitoring and evaluating the SDGs achievement at the local level. It is substantiated that only in the presence of a high-quality strategy, joint efforts and mutual understanding of all stakeholders it is possible to achieve the goal of "rebuilding better than it was". It was emphasized that the reconstruction of the country should be carried out by joint efforts, on the basis of transparency, innovation and strategic vision. The leadership role of communities in the Ukrainian post-war reconstruction was defined, the significance of state regional policy and the Road Map adoption of decentralization, as well as the consideration of the need to achieve the sustainable development goals in communities, were revealed. The ranking of the sustainable development goals for the communities of Vinnytsia was carried out.*

*Keywords:* sustainable development, sustainable development goals, community development strategy, strategic planning, post-war reconstruction, sustainable recovery.

**JEL Classification:** R12, R58, Q56.

## **Introduction**

Theoretical studies of the issue have proven that the concept of "sustainable development" has a rather wide range of interpretations. For the

громад в Україні приведе до покращення індикаторів сталого розвитку на сучасному етапі функціонування громад і до сталого розвитку України. Методологія дослідження містить: оцінку якісних, кількісних і соціальних показників, а також методи позиційного аналізу, фокус-групи, діагностичного інтерв'ювання, експертних оцінок, вимірювання та порівняння, системного аналізу та моделювання. Проаналізовано базові поняття і складові сталого розвитку. Запропоновано визначення особливостей ЦСР-центричного підходу до стратегічного планування розвитку громад. Детально розглянуто роль міжсекторальної співпраці між місцевими органами влади, бізнесом і громадянським суспільством у контексті досягнення ЦСР. Акцентовано на інтеграції екологічних, соціальних та економічних аспектів у стратегічне планування, а також досліджено проблеми та виклики, з якими стикаються громади під час впровадження цих підходів. Окремо наголошено на важливості розбудови інституційної спроможності громад для ефективної реалізації ЦСР та їх адаптації до змінних умов повоєнного періоду. Надано рекомендації щодо вдосконалення методик моніторингу й оцінювання досягнення ЦСР на місцевому рівні. Обґрунтовано, що лише за наявності якісної стратегії, об'єднаних зусиль і взаєморозуміння всіх стейкхолдерів можливе досягнення мети "відбудувати краще, ніж було". Акцентовано на тому, що відбудова країни має здійснюватися спільними зусиллями, на засадах прозорості, інновацій та стратегічного бачення. Визначено лідерську роль громад у післявоєнній відбудові України, розкрито значення державної регіональної політики та прийняття Дорожньої карти децентралізації, а також врахування потреби досягнення цілей сталого розвитку у громадах. Проведено ранжування цілей сталого розвитку для громад Вінниччини.

*Ключові слова:* сталий розвиток, цілі сталого розвитку, стратегія розвитку громади, стратегічне планування, повоєнна відбудова, стале відновлення.

first time, this concept was proposed by the UN World Commission on Environment and Development in 1987, in the Brundtland report, where it was determined that "...development that meets the needs of the present, but does not jeopardize the ability of future generations to meet their own needs in the future" (Gerald & Filipenko, 2003). Sustainable or sustainable development is a general concept that involves the need to establish a balance between meeting the current needs of humanity and protecting the interests of future generations, in particular, their need for a safe and healthy environment (Shvorak et al., 2022). Datsenko (2023) studied the conceptual foundations of the problems of sustainable development of the national economy of Ukraine. In recent years, in scientific works on regional economy and management, emphasis on increasing the efficiency of social and economic growth has been transferred to the local level, which is due to the spread of the decentralization theory of management in the countries of the world (Pavlikha et al., 2022). Therefore, the study of the development of communities and the formation of strategies for their development in the context of an approach focused on achieving the goals of sustainable development (hereinafter referred to as the SDGs-centric approach) require detailed study and implementation.

Panchyshyn and Vdovin (2023) studied the components of sustainable development of territorial communities and regions under the conditions of social and political challenges. Derun and Kocherga (2021), O. Vasylieva and N. Vasylieva (2018) considered the features of strategic planning for the sustainable development of territorial communities. Scientists T. Fesenko and G. Fesenko (2020) studied the innovative environment of the city as a factor in the sustainable development of the community. The work of Dynnyk (2023) is devoted to the strategizing of regional development under martial law. In turn, Kovalenko (2018) analyzed the state and prospects for the implementation of the Sustainable Development Goals in Ukraine. In the work of Radzihovska et al. (2023) determined the peculiarities of evaluating the results of regional development programs in Ukraine. Among modern foreign scientists, we can single out the publication of Clement et al. (2023), where the smart grid strategy is considered as a driver of local achievement of the SDGs. Also noteworthy is the work of Conroy and Wilson (2024) on revising sustainable development planning in light of contemporary changes and human needs.

According to the Mapping Innovations Patents and the Sustainable Development Goals (2024) research on technological industries, there is a relationship between, for example, goals such as SDG 9 "Industry, Innovation and Infrastructure" and SDG 3 "Strong health and well-being". At the same time, each SDG covers a variety of technologies aimed at achieving the respective goal, although there is some duplication, for example,

"Reducing greenhouse gas emissions" appears in both SDG 9 "Industry, innovation and infrastructure" and SDG 13 "Combating climate change" (Figure 1).

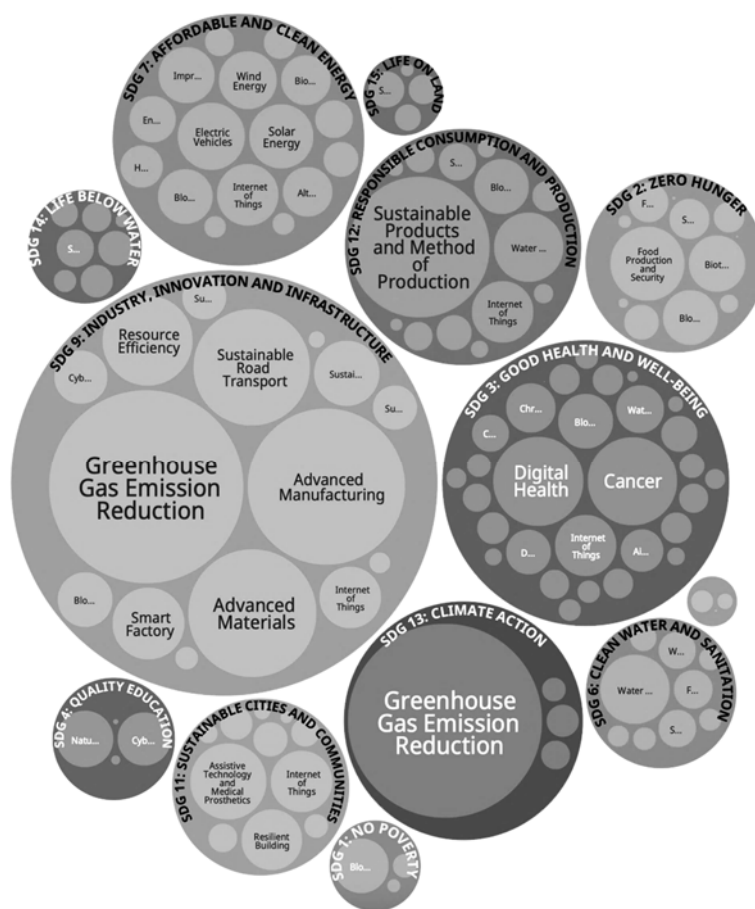


Figure 1. Study of 100 technologies related to the SDGs

Source: (Mapping Innovations Patents and the Sustainable Development Goals, 2024).

Despite active research on the specifics of strategic planning for the achievement of the SDGs, issues of the specifics of planning the achievement of the SDGs remain outside the attention of domestic scientists, not at the global, but at the regional and local levels, namely at the level of regions and communities. It is also important that the strategies and programs of social and economic development of different levels do not duplicate each other and do not have a fragmentary nature, complementing the implementation of local strategies for the implementation of national and global strategies, in particular in the field of Central Development.

The aim of the research is to develop proposals for taking into account the features of the Central Committee-centered approach to the strategic planning of the development of communities in Ukraine and the achievement of sustainable development indicators at the current stage of the functioning of communities on the example of the communities of Vinnytsia.

The research is based on the scientific assumption that taking into account the features of the Central Committee-centered approach to the strategic planning of the development of communities in Ukraine will lead to the improvement of indicators of sustainable development at the current stage of the functioning of communities and to the sustainable development of Ukraine.

The theoretical and methodological foundations of the research were the works of domestic and foreign scientists regarding the concept and features of strategic planning, the specifics of community development, as well as inclusion in the program documents of the Central Development Program and the development of indicators of their achievement. The research used the assessment of qualitative, quantitative and social indicators, as well as the methods of positional analysis, focus groups, diagnostic interviews, expert assessments, measurement and comparison, system analysis and modeling.

The main part of the article consists of three sections, which consistently consider the issue of the essence of the SDGs-centric approach to the formation of program documents in communities, determine the degree of correlation of the SDG with the strategic goals of communities, provide suggestions for taking into account the SDGs-centric approach to the strategic planning of community development in the context of sustainable restoration of Ukraine.

### **1. The essence of the SDGs-centric approach to the development of program documents in communities**

At the regional and local levels, appropriate sustainable development strategies of regions and individual cities already exist and will continue to be adopted, but they do not take into account all the Goals of global sustainable development and SDGs for Ukraine, in particular, as their modern legal framework does not take into account. Local strategies are a document of public agreement, ideally a mutually beneficial contract signed by its participants, who thereby accept obligations for its implementation (Derun & Kocherga, 2021). Therefore, it can be concluded that the implementation of the SDGs in strategic documents at the local level, in particular at the level of territorial communities, is a complex but inevitable process. In this context, it is worth emphasizing the importance of the 17 goals of sustainable development "Partnership for sustainable development" and involving local authorities, active public and business in this process.

In general, *a strategic plan* is a long-term program (roughly 8–12 years) for the city community to achieve an independently set goal. The criterion of *long-term planning* means that the plan defines new opportunities (sources, volumes and structure of income and expenses), in contrast to a short-term (operational) plan, in which opportunities are predetermined (volumes and

structure of expenses are fixed in advance). The strategic plan consists of the Community Development Strategy and the Strategy Implementation Plan. *The community development strategy* (hereinafter referred to as the strategy) is a conceptual document that contains a vision of the future, development directions, and a target block of a number of strategic and operational goals.

*Strategic planning* is the implementation of a conscious choice: goals; means of solving problems (and/or realization of opportunities); the desired "scenario" of events (the desired "trajectory" of changes) with the possibility of consciously influencing this "scenario" during its implementation (Methodical recommendations, 2018).

Regarding the sequence of strategic planning, various scientists name from 5 to 7 different stages of strategy formation. However, in the context of this research, it is extremely important that the strategic and operational goals of the strategy should be aligned with existing community and regional (regional) strategies and specific programs. In addition, in our opinion, it is important to ensure the sustainability of the development of the community, however, it must be ensured in several aspects. Ensuring sustainability means allowing the process to continue for a long time.

So, *program sustainability* is the vitality and vigor of the process of learning and growth in the community. *Environmental sustainability* means the prosperity of the natural systems on which life on earth depends. *Social and cultural sustainability* is how development affects the social and cultural environment of people's existence. *Economic sustainability* means the continued provision of wealth and prosperity. Economic sustainable development, like biological development, increases the variety of strategies. Economic sustainability means not only production, but also the fair distribution of goods in such a way that all members of society can meet their basic needs. *Political stability* is a process of decision-making, establishment and distribution of power. The process of community development is not viable if the political forces opposing it are stronger than the political forces supporting it. Therefore, it is very important to enlist the support of organizations and leaders that influence the political and economic environment. The challenge for the development of communities is the harmonization of environmental, social, economic, political and cultural needs, and not the development of some types of needs thanks to others (16 principles, 2024).

### **2. Degree of correlation between the SDGs-centric and the strategic goals of communities**

During December 2023, 2 focus groups were prepared and held with representatives of Vinnytsia communities within the framework of the project "Strengthened partnership for sustainable recovery" with the support of the Swedish government and the United Nations Development Program (UNDP) in Ukraine (*Figure 2*).

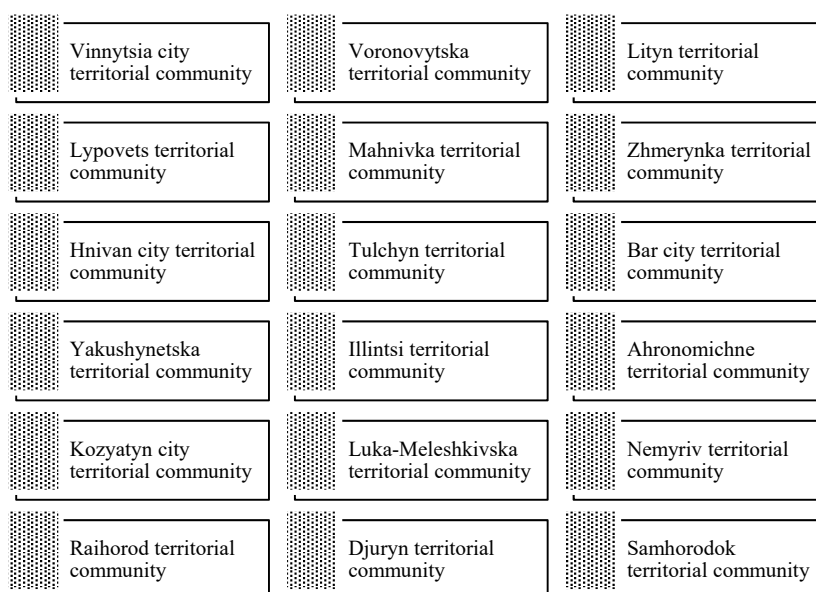


Figure 2. Representation of communities in Vinnytsia region in the focus group

Source: compiled by the authors based on the analysis of the focus group results.

The focus group method as a form of moderated group discussion is a type of qualitative research (collection of qualitative data, verbal and non-verbal information), discussion of a certain topic with a small homogeneous group of representatives of the target audience under the guidance of a moderator. The quantitative composition of the focus groups is represented by 25–28 participants from 18 territorial communities of the Vinnytsia region. A focus group allows you to quickly obtain in-depth information; identify differences in understanding or perception of a certain problem, event or phenomenon, motivation. Focus groups are most often used to generate ideas, test hypotheses, clarify data, interpret results; studying the specifics of a certain situation (Ibrahimova, 2019).

In *Figure 2* it is shown that representatives of Vinnytsia communities took part in the discussion in two focus groups, mostly from Vinnytsia CTC, Stryzhavska TC, as well as from those quite far from the regional center, for example, Lypovetska TC, Barska CTC, Illinetska TC and others. Thanks to reaching the audience, the moderators tried to identify the problems and needs of the Vinnytsia communities in understanding the importance of a Central Development Strategy-centered approach to strategizing at the local level. Representatives of local self-government bodies and local executive bodies took part in the meetings. Belonging to local public authorities makes this target group homogeneous and relevant to the research objectives.

Another question that the participants discussed during the focus group was how well the respondents had information about the Global Sustainable Development Goals 2030 (*Figure 3*).

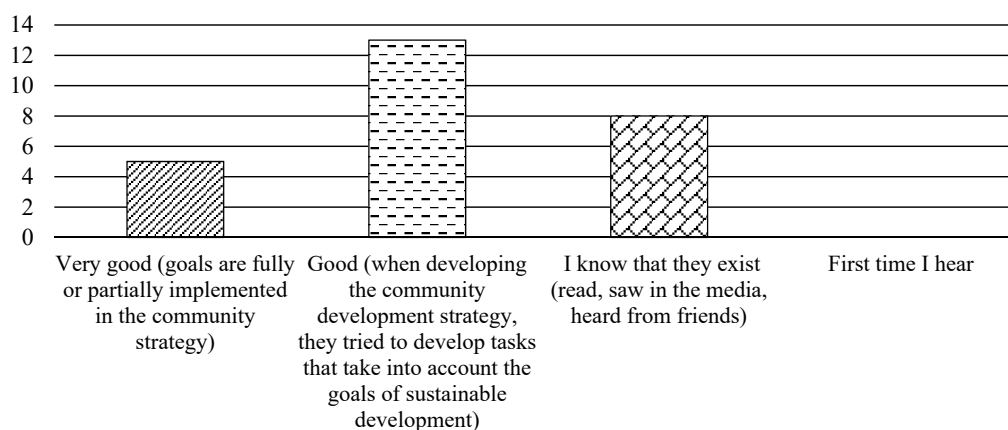


Figure 3. Distribution of focus group participants by level of awareness of the Global Sustainable Development Goals 2030

Source: compiled by the authors based on the analysis of the results of the focus group.

Thus, 5 participants answered that "they are very well aware, the goals are fully or partially implemented in the community strategy. 13 participants noted that the knowledgeable "well, when developing a community development strategy, they tried to develop tasks that take into account the goals of sustainable development." 8 participants of the focus group noted that they know about the existence of the Central Bank and have read about them in the media. It is important that representatives of Vinnytsia communities who know nothing about the Central Committee were not identified.

The next stage of the research was the determination of the significance of the Central Bank for a specific community (Figure 4).

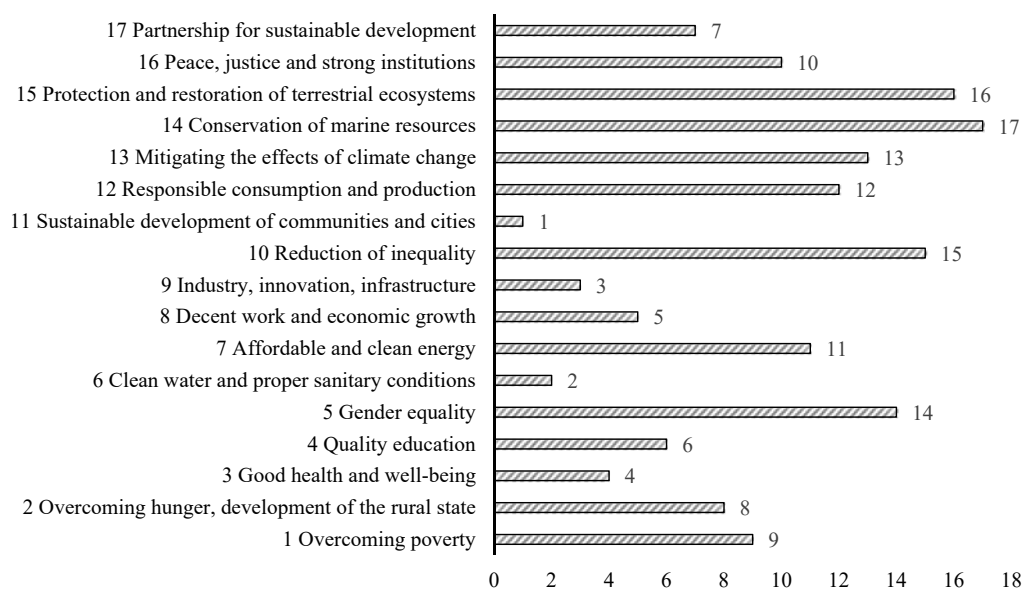


Figure 4. Importance of the Central Bank for your community

Source: compiled by the authors based on the analysis of the results of the focus group.



Based on *Figure 4*, it can be concluded that, for the most part, for Vinnytsia communities, the most important SDGs are goal 11 "Sustainable development of cities and communities", goal 6 "Clean water and proper sanitary conditions", goal 9 "Industry, innovation and infrastructure".

At the same time, the focus group analyzed which SDGs are implemented in the strategy of the territorial community, so the following visualization is observed (*Figure 5*). In addition, participants could choose up to three answers to this question.

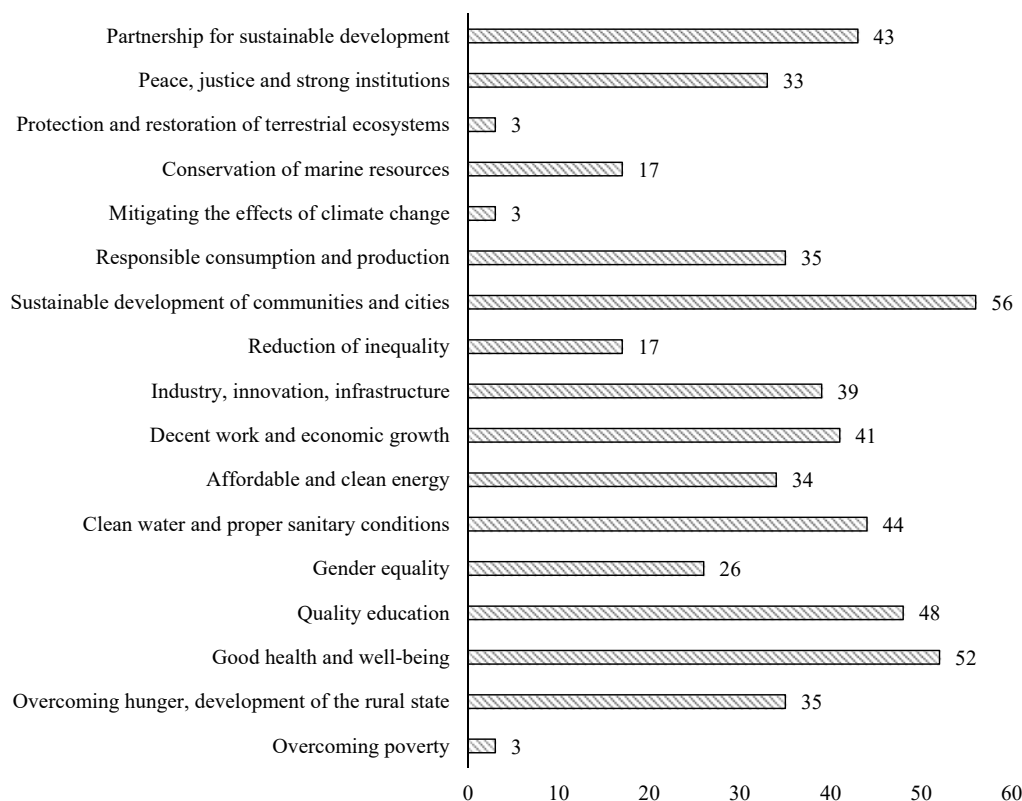


Figure 5. The CSR implementation of the TC development strategy, according to the results of the focus group, %

Source: compiled by the authors based on the analysis of the focus group results

As it can be seen from *Figure 5*, the most implemented SDGs in existing community development strategies are goal 11 "Sustainable development of cities and communities", goal 3 "Strong health", goal 4 "Quality education". We propose to compare the SDGs that are most needed by Vinnytsia communities and which are the most implemented in order to understand whether the needs of the communities are met, and to identify gaps and needs for the formation of further recommendations. We assign a rating of 17 to the goals that received the most votes, and a rating of 1 to the goals that were considered the least relevant by the representatives of certain communities (*Figure 6*).

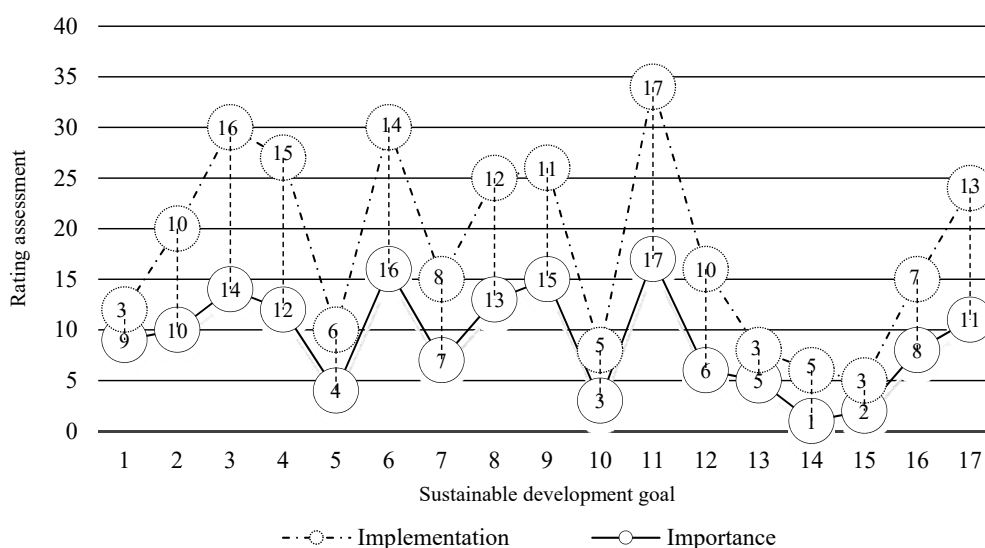


Figure 6. Correlation between the SDG importance for the community and the degree of their implementation in the development strategies of Vinnytsia communities

Source: compiled by the authors based on the analysis of the focus group results.

From *Figure 6*, it can be observed the ratio of important goals for the community and already implemented SDGs. So there is a logical relationship for almost all purposes. Needs and implementation correlate well for goals 2, 7, 8, 11, 16. However, we see unmet needs in other goals. Thus, according to goal 6 "Clean water and proper sanitary conditions", the need prevails over the implementation by 2 points; goal 9 "Industry, innovation and infrastructure" the identical difference is 4 points; goal 13 "Combating climate change" – a difference of 2 points. According to the focus group, the degree of implementation prevails over the defined need for other goals. Therefore, it can be concluded that the strategies of local development of Central and Eastern Europe (at different levels) somehow take into account or are determined by the need to solve problems of local importance. So the most important goals for the community (received the highest ranking scores) are goals 11, 6, 9, 3, 8 (in descending order). That is, these are 5 goals that community representatives consider the most important for their own communities.

It's considered how high the probability of their achievement is, according to the Voluntary National Review "Ukraine's Sustainable Development Goals" (2021). During the preparation of the Review for Ukraine, an innovative method for the country was used, namely: a methodology was developed and adapted for a detailed assessment of the state of achievement for each of the 17 goals according to national indicators. Based on the results of calculations using this methodology, analysis of calculation data and their comparison with the target values of benchmarks for achievement in 2020 (established in the basic Report on the Central Development Strategy), the goals were ranked according to the degree of probability

of achievement (high, medium, low, very low). Ukraine managed to ensure progress on 15 out of 17 goals (Voluntary National Review, 2021). This method has three consecutive steps: calculation of the actual average annual growth rate; calculation of the necessary (target/theoretical) growth rate to achieve the goal; calculation of the ratio of required and actual growth rates (Figure 7).



Figure 7. Ranking of goals according to the integral assessment of progress in CDS achieving, in the section of each according to the relevant indicators

Source: (Voluntary National Review, 2021).

So, according to the Voluntary National Review (2021) and according to Figure 7, it should be noted that goal 11 has weak positive dynamics that needs significant acceleration, goal 6 has positive dynamics that needs some acceleration, goal 9 is almost unattainable, has negative dynamics and a low probability of achievement, goal 3 is achieved or has a high probability of achievement, goal 8 is a positive dynamic that needs a certain acceleration.

### 3. Proposals for taking into account the SDGs-centric approach to the strategic planning of community development in the context of the sustainable recovery of Ukraine

The main task is to make local authorities, businesses, civil society organizations, and every member of society aware of the necessity, expediency, and significance of the CDS implementation in the process of strategic planning and programming (Derun & Kocherga, 2021). The process of CDS integration into local strategic documents has several stages:

- conducting information companies, trainings, focus groups, information sessions on the importance of SDG achieving till 2030 at all levels of management;
- goals coordination of local strategies with the Central Development Strategy, determination of priorities in solving problems of local importance, taking into account the threefold essence of sustainable development;
- integration of program documents with work plans of relevant public administration bodies and other stakeholders, effective partnership;
- transparency and reporting on CDS achievement and fulfillment of set tasks. Informing the public and involving it at all stages of interaction.

It should also be remembered that communities act as an important factor in ensuring harmony between economic, social and ecological development, according to the Roadmap presented by the Ministry of Community Development, Territories and Infrastructure of Ukraine regarding the continuation of the reform of local self-government and territorial organization of power in Ukraine (Decentralization Roadmap, 2024).

The decentralization roadmap provides for taking into account the requirements for the activities of local government bodies, so that they meet European standards and principles of good governance. Also among the main tasks of the continuation of the decentralization reform: the creation and use of local statistics, the collection of accurate digital data, the improvement of the system of public consultations and internal control, strengthening the financial stability and efficiency of local communities, including tax reform, as well as the development of urban associations, etc. The decentralization roadmap is aimed at carrying out reforms in the coming years. This document must comply with the State Strategy for Regional Development until 2027 and the Development Plan of Ukraine. Therefore, communities as leaders of reconstruction will have the characteristics defined in *Figure 8*.

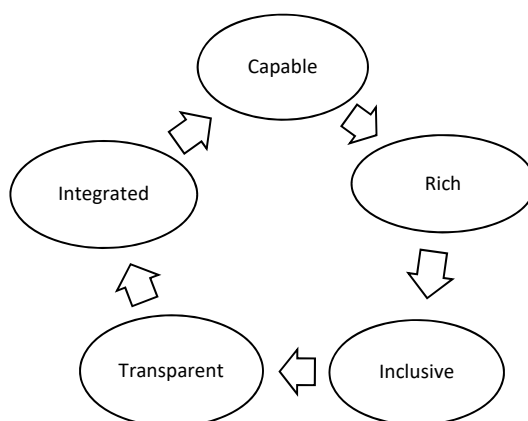


Figure 8. Signs of communities are leaders of reconstruction

Source: (Decentralization Roadmap, 2024).

These features of the community should serve as the basis for the reconstruction of Ukraine on the basis of sustainable development, and the communities should be the leaders of this process. Each community can use these principles as a way for its own reconstruction and development. Characteristics of a capable community are the main indicators that determine the effectiveness and sustainability of local communities in their development and functioning.

An important aspect of a community sustainable development strategy is the adaptation of goals to the conditions caused by war and taking into account the consequences of destruction and damage. The Recovery Plan of Ukraine, which has 15 national programs, is becoming a key tool for

achieving sustainable development, as it takes into account and responds to the country's basic needs in the context of the conflict and the recovery process. Adapted sustainable development goals will contribute to the effective integration of national efforts in the restoration and creation of sustainable and developed communities (Bondar, 2023).

In difficult circumstances, but with the support of international partners, such as the United Nations Development Program (UNDP), Ukraine adopts the concept of "Build Back Better" or BBB (Build Back Better), (UN Program, 2024).

According to the analysis of the importance of the goals of sustainable development for representatives of the communities of Vinnytsia (based on the data of *Figure 4, 6*), the third chapter of the publication focuses on the concept of "Restore better than it was". Communities, in particular, identify Sustainable Development Goal 11 "Sustainable development of cities and communities" as important, but progress remains limited. In our opinion, active efforts of all stakeholders are needed to achieve the goals, especially in the context of environmental challenges and emergency management. It is impossible to ignore both the economic block of the problem (because the economic base of the development of the community and society can become the basis for achieving other goals of sustainable development), and the social component (the citizen usually does not care who provides the services, the main thing is that those services are of high quality, accessible and inclusive, took into account the needs of all interested parties and were comfortable when receiving the service, as well as in the process of living in a certain area).

### **Conclusions**

A SDGs-centric approach to the reconstruction of Ukraine and community development is important because of the complexity of solving development problems, including economic development, social stability, environmental protection, and the establishment of peace and justice. Each goal is important in the general context, but success in achieving them is possible only under the condition of interaction and cooperation at all levels of management, as evidenced by the goal of sustainable development 17. In the research, we have identified the features of the SDGs-centric approach to strategic planning of community development, analyzed the level of achievement Central Committee in Vinnytsia communities, identified weak points that should be paid attention to in order to update local strategies and formed an evidence base for proving the hypothesis based on the research.

A number of proposals have been developed taking into account the indicators of sustainable development at the current stage of community functioning. During the research, it was found that the most important goals for Vinnytsia communities are: 11 "Sustainable development of cities and communities", 6 "Clean water and proper sanitary conditions"; 9 "Industry, innovation and infrastructure", 3 "Strong health and well-being", 8 "Decent

work and economic growth". However, it has been proven, according to the Voluntary National Review "Ukraine's Sustainable Development Goals" (2021), that the degree of their achievement remains different: from positive dynamics that need to be accelerated (goal 8) to almost unattainable (goal 9). In view of the above, local public administration bodies are recommended to record in their program documents the achievement of these goals and relevant indicators for the sustainable development of communities and Ukraine in general.

Thus, community development strategies must be updated and worked out in accordance with changing conditions and available resources, taking into account external and internal risks. Without a quality strategy, joint efforts and understanding, it will be impossible to achieve the goal of "Rebuilding better than it was". Therefore, communities need to have information about existing strengths and growth points, take responsibility for their development and rebuild the country with joint efforts, based on transparency, innovation and strategic vision.

Further research will be concerned with monitoring and evaluating how effective updated community development strategies are in conditions of instability and what factors influence their successful implementation. It is also worth investigating innovative methods and tools that can be used by communities in managing external and internal risks, in particular, how communities can predict and minimize the impact of these risks on their development.

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### HOSPITALITY DEVELOPMENT STRATEGY: REGIONAL CONTEXT

*Having a strategy for the development of the hospitality sector for any region will not only contribute to the establishment of a structured dialogue between the authorities and business in the service sector, but will also ensure the effective use of resource potential, the creation of new jobs, an increase in revenues for budgets of all levels, stable development and realization of export potential region European integration processes and economic problems caused by Russia's aggression actualize this issue, particularly in the context of determining its impact on the social and economic development of the region and the country in general. Within the framework of the research, the hypothesis was put forward that the development of the hotel-restaurant and tourism business in the region depends on the priorities of strategic development and the formation of the regional strategy for the development of the hospitality sector. The research was carried out on the basis of the study of foreign experience, diagnostics of the activities of hospitality enterprises of the Chernivtsi region, surveys of entrepreneurs in the field of hospitality, the use of comparison and*

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### СТРАТЕГІЯ РОЗВИТКУ СФЕРИ ГОСТИННОСТІ: РЕГІОНАЛЬНИЙ КОНТЕКСТ

*Наявність стратегії розвитку сфери гостинності для будь-якого регіону не тільки сприятиме налагодженню структурованого діалогу між владою та бізнесом у сфері послуг, але й забезпечить ефективне використання ресурсного потенціалу, створення нових робочих місць, збільшення надходжень до бюджетів усіх рівнів, стабільний розвиток і реалізацію експортного потенціалу регіону. Євроінтеграційні процеси та економічні проблеми, спричинені агресією росії, актуалізують цю проблематику, зокрема у контексті визначення її впливу на соціально-економічний розвиток регіону та країни загалом. У межах дослідження висунуто гіпотезу, що розвиток готельно-ресторанного та туристичного бізнесу в регіоні залежить від пріоритетів стратегічного розвитку і формування регіональної стратегії розвитку сфери гостинності (РСРСГ). Дослідження здійснено на основі вивчення закордонного досвіду, діагностики діяльності підприємств гостинності Чернівецької області, опитування підприємців сфери гостинності, використання методів порівняння та*



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modeling methods. According to the results of the survey, additional criteria to the basic guidelines defined by the Law of Ukraine "On the Basics of State Regional Policy" were revealed, which must be taken into account when forming the regional strategy for the development of the hospitality sector for a specific region. A structural model of the formation of the regional strategy for the development in Chernivtsi region has been developed. Based on the research of relevant European experience, it was established that the formation of regional strategy for the development should be aimed at creating conditions for the full realization of the region's tourism potential, building infrastructure in accordance with international standards and creating new competitive advantages. The results of the research confirm the relevance of the formation of the hospitality development strategy, especially in those regions where there is adequate resource provision and development prospects. In practice, the results of the research can be used by local authorities, public organizations and businesses. Due to the fact that the regional strategy for the development of the hospitality sector has a three-part character, combining state, regional and interregional (cross-border) policies, the issue of determining its impact on the social and economic development of the region and the country in general requires further research.

**Keywords:** organization, regional strategy, region, development, hospitality industry, European experience, criteria, structural model.

моделювання. За результатами опитування розкрито додаткові критерії до основоположних орієнтирів, визначених Законом України "Про засади державної регіональної політики", що мають бути враховані за формування РСРСГ для конкретного регіону. Розроблено структурну модель формування РСРСГ у Чернівецькій області. На основі вивчення відповідного європейського досвіду встановлено, що формування РСРСГ має бути спрямоване на створення умов для повноцінної реалізації туристичного потенціалу регіону, розбудову інфраструктури щодо міжнародних стандартів та створення нових конкурентних переваг. Результати дослідження підтверджують актуальність формування РСРСГ, особливо в тих регіонах, де є відповідне ресурсне забезпечення та перспективи розвитку. На практиці результати дослідження можуть бути використані місцевими органами влади, громадськими організаціями та бізнесом. Через те, що РСРСГ має триєдиний характер, поєднуючи державну, регіональну і міжрегіональну (транскордонну) політику, питання визначення її впливу на соціально-економічний розвиток регіону та країни загалом потребують подальших досліджень.

**Ключові слова:** формування, регіональна стратегія, регіон, розвиток, сфера гостинності, європейський досвід, критерії, структурна модель.

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## **Introduction**

In the conditions of martial law and the difficult economic situation caused by Russia's aggressive war against Ukraine, an effective regional strategy for the development of the hospitality sector can become a stabilizing factor in the production and provision of services and a source of currency and material and technical income for the structural restructuring of the region's economy. Considering the regional policy of the EU, where the main goal is to solve the problem of territorial, social and economic imbalance that exists between different regions and should be aimed at creating jobs, business competitiveness, economic growth, sustainable development and improving the quality of life (Van Lierop & Margaras, 2019), the formation of the hospitality development strategy for any region will not only promote dialogue between the authorities and business in the field of hospitality, but will also ensure the effective use of resource potential, the

creation of new jobs, an increase in revenues for budgets of all levels, stable development and realization of export potential region Solving the problems of the formation of regional strategy for the hospitality development, in particular, determining regional features, establishing additional criteria and developing a structural model of the strategy in the region, will ensure an increase in the number of enterprises in the field of hospitality, increase the quality of service and create conditions and promote the sustainable development of the industry.

The question of forming a regional strategy for the development of the hospitality industry has been studied by many foreign and domestic scientists. Thus, Šabić and Vujadinović agree with the prevailing opinion that regional development is closely related to the use of internal potential, and the regional strategy should be formed taking into account the identity and unique features of the region. They consider natural and human resources, the level of technological development, capital, knowledge, institutional and legislative framework, values, ethics and commitment to be the main factors of the region's development (Šabić & Vujadinović, 2017). Akilina and Panchenko focus their attention on promising tasks related to the continuation of the reform of regional development, in particular, "the new state regional policy requires legislative changes and synchronization of legislation in many areas. Regional development should combine the following components: state interests, regional interests, local interests, interests of legal entities and individuals located in a certain territory" (Akilina & Panchenko, 2021). Characterizing approaches to the formation of regional policy, tools and directions of response in the conditions of modern challenges, Storonyanska and Benovska note: "Although European principles have been introduced into the new regional policy in Ukraine, it has a number of development features related to its integration into the system of industry policies, and is therefore characterized by dependence on them, a shift in emphasis from the regional to the local level, and a decrease in the resource and institutional capacity of the regions" (Storonyanska & Benovska, 2023).

The issue of the development of the hospitality industry, especially during the pandemic and hostilities in Ukraine, was studied by a group of scientists led by Mazaraki, who determined the level of security of investments in hotel real estate and developed general recommendations for its provision (Mazaraki et al., 2022, p. 182). Many scientific works are devoted to the development of tourism. Thus, Tkachenko and Kozoriz prove that tourism is highly elastic to respond to any external and internal environmental influences, reacts vulnerable to large-scale social, political and economic events, and obviously did not become an exception to the negative transformations in the country associated with a full-scale war. In particular, inbound tourist flows have significantly decreased, the number of operating enterprises and the number of employed have decreased; negative dynamics can be traced in the indicators of net income and profitability of enterprises; the vast majority of regions showed a significant decrease in

revenues from tourist tax, etc. (Tkachenko & Kozoriz, 2024, p. 457). At the same time, analyzing the level of development of the hotel services market in the regions of Ukraine, Gerasimchuk and Sydoruk claim that "the assessment of the level of development of the hotel services market in the regions of Ukraine involves the analysis of partial indicators that reflect significant disparities in the state of development of regional hotel services markets, which in many cases is caused by irrational the use of resources, differences in the provision of hotel infrastructure, insufficient financial support of hotel complexes, changes in the socio-economic situation in the country, as well as taking into account the state of use of hotel services in the region" (Gerasimchuk & Sydoruk, 2014, pp. 79–80).

In addition, the analysis of the latest publications shows fragmentary studies of the activities of hotel, restaurant and tourism businesses and the lack of conscious activity of regional authorities aimed at the development of the hospitality sector, which requires a comprehensive approach and the formation of an appropriate regional strategy for the development of the hospitality sector, which will cover all the most important types services: their production and sale; population employment; placement of service facilities; stimulation of tourism development, etc.

In the course of the research, the hypothesis was put forward that the development of the hotel-restaurant and tourism business in the region depends on the priorities of strategic development and the formation of a regional strategy for the development of the hospitality sector.

The aim of the research is to develop a structural model of the regional strategy for the development of the hospitality sector on the basis of the generalization and implementation of advanced foreign practices, diagnostics of the activities of enterprises in the hospitality sector; determination of additional criteria for a specific region to the basic guidelines defined by the Law of Ukraine "On the Basics of State Regional Policy"; and establishing separate requirements that must be taken into account when forming the regional strategy for the hospitality development.

The research was carried out on the basis of the study of foreign experience, diagnostics of the activities of hospitality enterprises of the Chernivtsi region, surveys of entrepreneurs in the field of hospitality, the use of comparison and modeling methods. In the first section of the main part of the article, the European experience of forming a regional policy for the development of the hospitality sector is considered and regional opportunities are established. In the second, approaches to the formation of a regional strategy for the development of the hospitality sector were proposed and a diagnosis of the activities of the enterprises of the hotel and restaurant business of the Chernivtsi region was carried out. In the third section, regional features and additional criteria are established, and the structural model of the regional strategy for the development of the hospitality sector in Chernivtsi region, developed by the authors, is presented.

## **1. European experience in the formation of regional hospitality development policy and cross-border opportunities**

In the conditions of martial law and the acute shortage of financial resources in Ukraine, carrying out organic changes at the regional level can become one of the self-sufficient sources of activation of economic and social development. Scientists Melnyk and Adamyk note that "the experience of solving the problem of regional development of European countries, modernizing their regional policy in view of the influence of global factors, assessing the possibilities of further implementation of international practices and standards in accordance with the priorities of the policy of European integration of Ukraine deserves attention" (Melnyk & Adamyk, 2013, p. 58).

According to the results of the study of various models of regional policy, it can be determined that the most effective in Europe are the German and Irish institutional models of regional policy. This is best demonstrated by the example of the successful restructuring of Germany's eastern lands. Experts note that German regional policy owes its success to several factors, the most important of which is the perfect organization of institutions responsible for regional development, as well as significant financial and organizational assistance to the eastern states from the federal government and the western states. Responsible for regional policy in Germany is mostly regional self-government (land), which has at its disposal not only powers, but also appropriate funds. Therefore, lands develop their own development strategies and independently take measures to implement investment projects (Bereza, 2005, p. 276). Regarding the Irish institutional model of regional policy, the Irish government has created quasi-regional advisory structures, which include representatives of local authorities and other social partners, the purpose of which is to develop a network of cooperation between local authorities, entrepreneurs, public organizations and development agencies (Bereza, 2005, p. 272), which directly belongs to the formation of a regional strategy for the development of the hospitality sector.

The experience of the Suceava County (Romania) in the formation of the regional strategy for the hospitality development contributed to the identification of the main components of the regional policy model. Thus, the hospitality development policy is aimed at the implementation of the Tourism Development Strategy in Suchavsky District, which provides for the formation of the external image of the region, the effective use of natural potential, the development of infrastructure, the preservation of cultural and historical heritage, the development of gastronomic tours, professional training of specialists, hospitality, etc. (Municipiul Suceava, 2022). The experience of Suchavsky District shows that regional strategy for the hospitality development should be formed on priority services in the field of hospitality, characteristic of the region.

In general, the European experience of the formation of the regional hospitality development confirms that it is not only the policy of the center

regarding the determination of tax payments and benefits, the creation of investment attractiveness of territories, the legal provision of social, environmental, institutional and other support mechanisms for peripheral regions, but also the internal regional policy, which is carried out by the governing bodies independently taking into account national interests in order to increase the welfare of the population, efficient management, social justice and political stability of the local community.

In Ukraine, the Presidential Decree "On the Concept of State Regional Policy" (2001) determined that "the main goal of state regional policy is to create conditions for the dynamic, balanced socio-economic development of Ukraine and its regions, to raise the standard of living of the population, to ensure compliance with state-guaranteed social standards for each of its citizens, regardless of place of residence, as well as deepening the processes of market transformation based on increasing the efficiency of using the potential of regions, increasing the effectiveness of management decisions, improving the work of state authorities and local self-government bodies."

Cross-border factors are important for the border regions bordering the countries of the European Union and Moldova, especially in the processes of European integration.

One of the tasks of the state regional policy is to "establish international cooperation in the field of regional policy, bring the national legislation on this matter closer to the norms and standards of the European Union, as well as the development of cross-border cooperation as an effective means of strengthening interstate relations and solving regional problems" (Decree of the President of Ukraine "About the Concept of State Regional Policy", 2001). As Šabić and Vujadinović emphasize: "Regional development and regional policy, aimed at expanding opportunities for establishing relations with international companies, have advantages that increase the competitiveness of regional companies and the region itself" (Šabić & Vujadinović, 2017). To improve state regulation in the field of state regional policy implementation, it is envisaged to "stimulate the development of cross-border and interregional economic ties based on industrial cooperation and integration, the creation of appropriate industrial and financial groups, other modern forms of business; it is envisaged to develop proposals on the legislative expansion of the capabilities of local executive bodies and local self-government bodies for the development of cross-border and interregional economic cooperation and on the regulation of such cooperation" (Decree of the President of Ukraine "On the Concept of State Regional Policy", 2001).

The generalization and implementation of the European experience in the formation of the regional hospitality development will ensure the effective use of the hotel and restaurant infrastructure and other resources of the region for long-term economic growth and strengthening the competitiveness of hospitality services.

## 2. Approaches to the formation of a regional strategy for the development of the hospitality sector and the activities of enterprises of the hotel and restaurant business in the Chernivtsi region

Using the example of the Chernivtsi region, which borders Romania and the Republic of Moldova, it was established that cross-border cooperation, the activities of the Euroregions "Upper Prut" and "Carpathian", participation in the EU Strategy for the Danube region, which contribute to the expansion of ties, are significant advantages in the formation of the regional strategy for the hospitality development with foreign business partners and are important components of the social and economic development of the region.

A special place in the foreign economic interests of the Chernivtsi region is occupied by relations with the border regions of Romania as an EU country. Andreyko, quoting the former Extraordinary and Plenipotentiary Ambassador of Ukraine to Romania Yu. Malka, notes: "Such a situation is caused by many factors: geopolitical location, historical heritage, significant reserves and unrealized potential opportunities in the field of trade and economic development, the participation of Ukraine and Romania in regional and international organizations, as well as Romania's membership in NATO and the European Union, which today is of the greatest importance for the development of regional cooperation" (Andrejko, 2010).

As for the regional strategy formation of the hospitality development, it should take into account various trends that are under the influence of almost all regions of Ukraine. These are primarily exogenous factors, which include military actions on the territory of Ukraine, processes of globalization, digitalization and innovative development, and the growth of competition.

According to the proposal of scientists of Bukovyna, regional hospitality development should be based on "regional features and modern trends in the development of the hotel and restaurant business, the influence of internal and external factors on the development of the hospitality sector, and determine ways to optimize the activities of hotel and restaurant enterprises of the region in crisis conditions" (Kyfyak et al., 2021).

It is also necessary to take into account the strategic goals defined by the State Strategy for Regional Development for 2021–2027 (Resolution of the Cabinet of Ministers of Ukraine No. 695, 2020), and the outline of the priority tasks of regional policy, which provide for "accelerating the economic growth of regions, increasing their competitiveness on the basis of effective use internal potential, creation of new jobs, improvement of population employment, creation of conditions for return of labor migrants to their homeland. It is this that can provide a rapid and sustainable increase in the quality of life of a person, regardless of where he was born, where he lives now and where he will live in the future", as well as the Development Strategy of the Chernivtsi region for the period until 2027 (Decision No. 1-36/ 20 of the XXXVI session of the VII convocation, 2020), where strategic goal No. 1 is defined as "SMART Increasing the competitiveness of the region through the sustainable

development of agriculture, processing industry and tourism" and operational goal 1.3. "Development of tourism and recreation". Therefore, the regional strategy formation of Chernivtsi region hospitality development should be aimed at creating conditions for the full realization of the region's tourism potential, building infrastructure in accordance with international standards, and creating new competitive advantages in the field of hospitality.

At the same time, the situation in the market of hotel, restaurant and tourist services in Chernivtsi region is unsatisfactory. The dynamics of hospitality enterprises that provided temporary accommodation and catering services in Chernivtsi region for 2020–2022 indicate a reduction in the number of enterprises and the number of employees, as well as the unprofitability of their activities (*Table 1*).

*Table 1*

Dynamics of performance indicators of hospitality enterprises of Chernivtsi region for 2020–2022

Indicator	Year			Absolute changes, +/-	Relative changes, %
	2020	2021	2022		
Number of enterprises (units)	90	92	71	-19	-21.1
Number of employed workers (persons)	608	508	244	-364	-59.9
Volume of sold products and services (UAH million)	47.0	76.6	79.7	32.7	69.6
Financial result of activity (UAH million)	-23.7	-21.9	-19.9	3.8	16.0

*Source:* compiled by the authors according to (Statistical yearbook of the Chernivtsi region for 2022, 2023, pp. 342–360).

According to the Table 1, the number of enterprises in the field of hospitality in the Chernivtsi region for 2020–2022, as well as the number of employees employed in the field of hospitality in the region, has significantly decreased. Restructuring of the tourism market as a result of the pandemic and focusing demand on the domestic market in 2021, migration of the population of Ukraine in 2022 due to the war to the west and, accordingly, 100 percent filling of hotels in the Chernivtsi region in the first months of the war with refugees from regions of active hostilities, devaluation of the national currency and the growth of the consumer price index - all this led to a significant increase in the volume of services in the field of hospitality. However, the financial results of the region's hospitality enterprises during the research period were characterized by negative values, which indicate unprofitable activity. At the same time, the increase in the volume of sales led to a decrease in the absolute value of losses.

One of the reasons for this state of affairs is the lack of a complex of decisions of local authorities and the implementation of administrative and economic measures that would contribute to the most effective functioning of hospitality enterprises, which caused an urgent need for the formation of the appropriate strategy for hospitality development.



### 3. Determination of regional features, establishment of additional criteria and a structural model development of a regional strategy for the hospitality sector development in Chernivtsi region

Global trends in the development of the hotel, restaurant and tourism business show that the field of hospitality can contribute to overcoming the uneven development of individual territories of the region, revitalize the regional economy thanks to the attraction of investments and additional revenues to the local budget, support entrepreneurship, ensure employment of the population by forming an effective strategy for hospitality development taking into account regional characteristics. For this aim, a survey was conducted of 187 managers and owners of hotels, restaurants and tourist enterprises in the city of Chernivtsi, among which 35 are representatives of hotels, 133 are representatives of restaurants, and 19 are representatives of tourist enterprises. Respondents were asked questions and given the opportunity to independently make suggestions regarding the definition of features and additional criteria to the Law of Ukraine "On the Basics of State Regional Policy", which should be taken into account when forming a regional policy for the development of the hospitality sector of Chernivtsi region (*Table 2*).

*Table 2*

Survey results of managers and owners of hotels, restaurants and tourist enterprises in Chernivtsi regarding the definition of additional criteria for the formation of a regional strategy for the development of the hospitality sector

Variant of answers and suggestions	The share of respondents who chose the answer, %
Digital transformation of hospitality services and the use of AI	63
Development of infrastructure and formation of investment attractiveness	57
Support by local self-government bodies for the expansion of production and provision of rehabilitation, treatment and recovery services for the military and civilian population	51
Reduction of energy and capital intensity of production and provision of hospitality services	46
Effective use of cross-border cooperation and transport accessibility	42
Formation of a regional brand	39

*Source:* compiled by the authors based on the results of the survey.

According to the survey results (*Table 2*), options for answers and proposals were selected that scored 30 percent or more, which made it possible to establish additional criteria to the Law of Ukraine "On the Basics of State Regional Policy" for the regional strategy for the hospitality development, which must meet the modern requirements of the services market. In particular:

*digital transformation of hospitality services and the use of artificial intelligence.* The direct results of digitalization of services are the operational efficiency of service provision, active involvement and satisfaction of consumers, increased productivity, quick entry to the market and consolidation on it, brand recognition, etc. The expansion of digital services opens up

opportunities for early internationalization, meaning that the more digital a service is, the less effort is required to scale up or introduce the service in a new business environment. This implies a huge potential for rapid growth and intensification of international activity;

*development of infrastructure and formation of investment attractiveness of the hospitality sector*, which will ensure stable consumer demand and make it possible to increase production and provision of services, diversify and expand the list of export services;

*support by local self-government bodies for the expansion of production and provision of rehabilitation, treatment and recovery services for the military and civilian population* affected by military actions and services that cause a multiplier effect of the development of other sectors of the economy. Support and stimulation of the development of small and medium-sized businesses in the service sector;

*reduction of energy intensity and capital intensity of production and provision of hospitality services*, which will significantly affect the cost of services and increase their competitiveness;

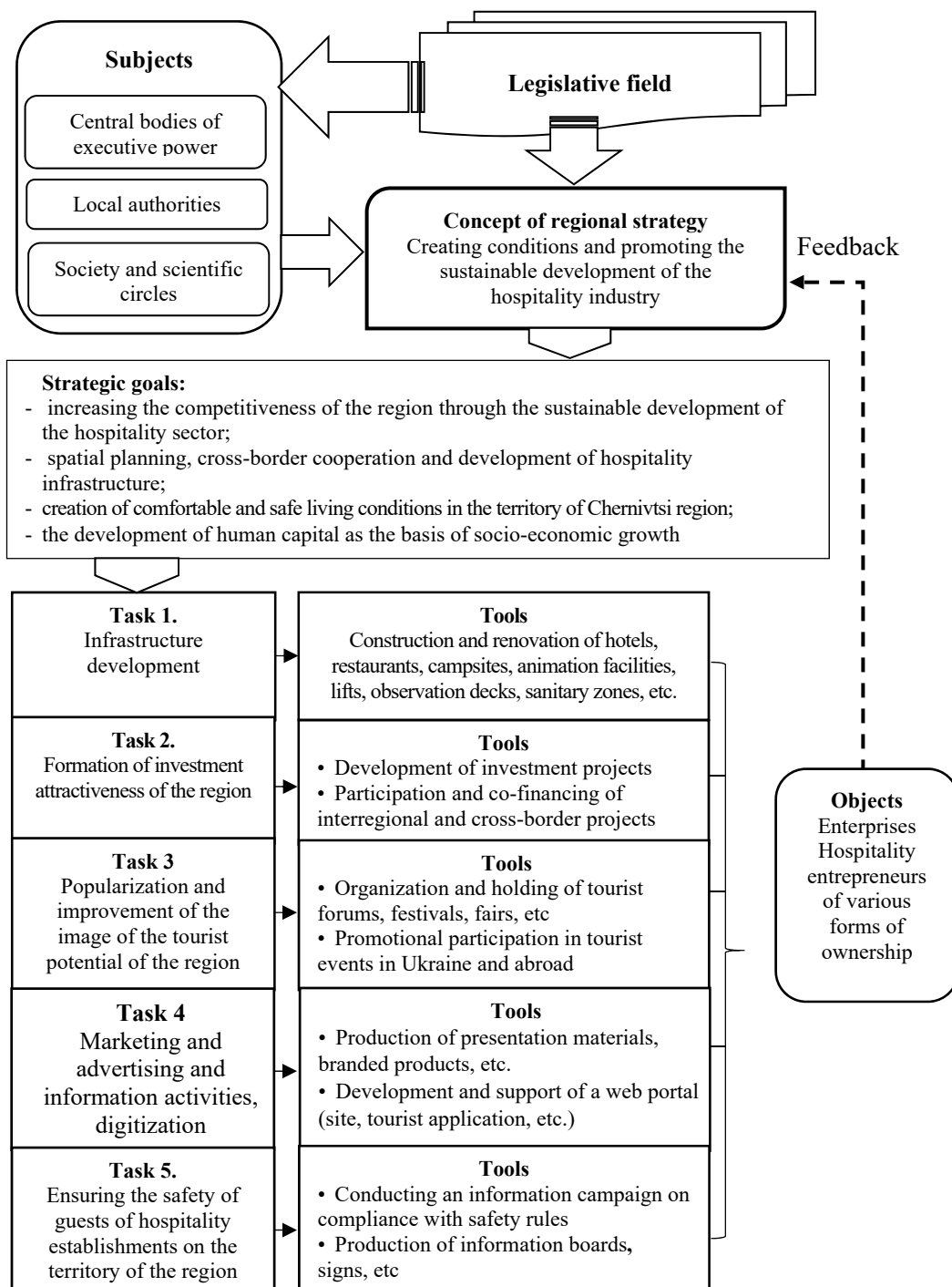
*transport accessibility and effective use of cross-border cooperation*, in particular the Euroregions "Upper Prut", "Carpathian", the EU Strategy for the Danube Region and other cross-border entities;

*formation of a regional brand* and use of opportunities of the Chernivtsi Chamber of Commerce and Industry to promote hospitality services to interregional and cross-border markets, promotion and positioning of the region through its branches and partnerships.

An important task of the formation of the regional strategy for hospitality development is the typology of its subjects and objects, which makes it possible to conduct a theoretical analysis in a direction that has an impact on the understanding of the essence of the process of formation and isolation of the economic component of the activities of enterprises in the field of hospitality. Understanding how subjects and objects perform certain actions, what motives and economic interests are behind their actions, what determinants can influence further steps and measures taken by them, contributes to highlighting the features of the region and its specificity.

The typology of subjects and objects of the regional hospitality development policy involves not only their classification by scale, value, spatial characteristics, structural construction and interaction with the regional economic system, but also the specification of the object itself depending on the selected criterion, as well as the definition its institutional purpose in the socio-economic system of the region.

The study of foreign experience in the formation of the strategy for hospitality development, the analysis of the activities of enterprises in the field of hospitality in the Chernivtsi region, the determination of criteria and regional features contributed to the development of the structural model in the Chernivtsi region, the components of which are the concept of regional policy, defined strategic goals, tasks, subjects and objects, toolkit of achievement and performance (*Figure*).



The structural model of the regional strategy for the development of the hospitality industry in Chernivtsi region

Source: compiled by the authors.

Determined by the Development Strategy of the Chernivtsi Region for the period until 2027 (Decision No. 1-36/20 of the XXXVI Session of the VII Convocation, 2020) 4 main strategic goals, which are the basis for the effective development of the region, correlate with the main requirements for the formation of a regional strategy for the development of the hospitality sector, and the tasks are

outlined in the Comprehensive Program for the Development of Tourism in the Chernivtsi Region for 2024–2025 (Decree No. 1319-r, 2023).

Institutional support at the state and regional level, which is carried out by state authorities, local self-government, regional development agencies, coordination councils and other state, regional and public associations that participate in the implementation, should play an important role in the formation of a regional strategy for the development of the hospitality sector state regional policy within the limits of their powers defined by legislation.

### **Conclusions**

So, as a result of the research, it was established that the regional strategy formation of the hospitality development is one of the main factors influencing the level and dynamics of the development of the hospitality industry, which allows the continuation of the activities of its enterprises even in crisis and post-crisis periods, with the implementation of individual adjustments.

The study of foreign experience, interviews of entrepreneurs and diagnostics of the activities of hospitality enterprises contributed to the development of a structural model and the establishment of separate requirements for the formation of a regional strategy for the development of the hospitality sector, in particular:

- regional policy regarding the development of the hospitality sector should be carried out within a single legal space and provide for the existence of subject-object relations between the state, regions and enterprises of the hospitality sector;

- in the process of formation of the regional strategy for the hospitality development, it is necessary to foresee the realization of the economic, educational, and scientific potential of territorial communities;

- the strategy for the development of the hospitality sector of the Chernivtsi region must take into account the peculiarities of the region and additional criteria defined for a specific region, including: digital transformation of hospitality services and the use of artificial intelligence; development of infrastructure and formation of investment attractiveness of the hospitality sector; support by local self-government bodies for the expansion of production and provision of rehabilitation, treatment and recovery services for the military and civilian population; transport accessibility and effective use of cross-border cooperation, in particular the Euroregions "Upper Prut", "Carpathian", the EU Strategy for the Danube Region and other cross-border entities; formation of a regional brand and use of opportunities of the Chernivtsi Chamber of Commerce and Industry, etc.;

- the responsibility for the formation of a regional strategy for the development of the hospitality sector rests with regional self-government bodies, which must have at their disposal not only powers, but also appropriate budget funds.

Regional policy in terms of the development of the hospitality sector should become the basis for determining the priorities of regional development, developing own strategies and organizing measures for the implementation of investment projects.

Established institutions responsible for regional development and interested in increasing the efficiency of hotel-restaurant and tourism

business enterprises should provide organizational and financial support to local self-government bodies for the formation and implementation of a regional strategy for the development of the hospitality sector.

Thus, the formation of an effective regional policy taking into account the strategy of the development of the hospitality sector will significantly strengthen the competitiveness of the region and contribute to economic growth and increased employment.

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