

### MODELE ȘI DIRECȚIILE DE MODERNIZARE A COMERȚULUI INTERN DIN UCRAINA

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În articol sunt analizate aspectele teoretice și științifico-metodologice de modernizare a comerțului intern. Relevanța și necesitatea cercetării problemelor cu privire la această direcție este condiționată de lipsă justificărilor științifice și deformării în practică a procesului de modernizare a comerțului. Totodată, sunt propuse modele, domenii și direcții strategice de modernizare, precum și rezultatele așteptate.

**Cuvinte cheie:** comerț intern, modernizare, dezvoltare, competitivitate, eficiență.

The economic system of market-emerging in Ukraine the sphere of commodity circulation has a very important place. It provides commodity and money exchange buying and selling in quantities exceeding 1.8 trln. UAH (about \$ 210 billion) per year, 75-80% of material needs of the population, generates more than 15% of GDP. In addition, this sector plays a significant role in stabilizing the real economy, the expansion of cross-sectoral interregional exchange. It should be also noted that the growth rate of domestic trade outpaces the GDP.

However, the domestic trade of Ukraine accumulates significant adverse effects and complex problems: the unbalanced process of equivalent exchange, the deformed assortment policy, the excessive expansion of imports and internationalization of trade facilities, the destroyed wholesale, the highly differentiated regional location of retailers, the low resource output, the unobtrusive social orientation and the social responsibility of trading business.

There were unsuccessful attempts to develop the national domestic trade by means of fragmentary reforms and liberalization.

### MODELS AND DIRECTIONS OF MODERNIZATION OF DOMESTIC TRADE OF UKRAINE

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The article deals with theoretical and methodological aspects of the modernization of domestic trade. The relevance of the study was due to the lack of scientific evidence and deformation of the trade modernization in practice. The models, spheres and the strategic direction of modernization and expected results have been proposed.

**Key words:** domestic trade, modernization, development, competitiveness, efficiency.

**JEL Classification:** F14, F16, F17, F19

The contradictions and deformations remain, and some aspects are compounded. Meanwhile, Ukraine's integration into international economic relations, the globalization of commodity markets, the intensification of the real economy and growing consumer market require a competitive sphere of domestic trade, adapted to the new conditions. According to the foreign experience, the existing trade model can be transformed into highly-modernized one on the basis of innovation.

Scientific thought has proven and practice has confirmed that "...now the fundamental factors of any economic system are innovative ones" [Kushlyn V.; 6, p.22].

Modernization of domestic trade is the process of dynamic regulation of existing subsystems transformation, structures, mechanisms based on scientific knowledge and innovation in order to upgrade and enhance the competitiveness.

Based on the mentioned above we can determine some common models of modernization, which can be used in trade (Figure 1).

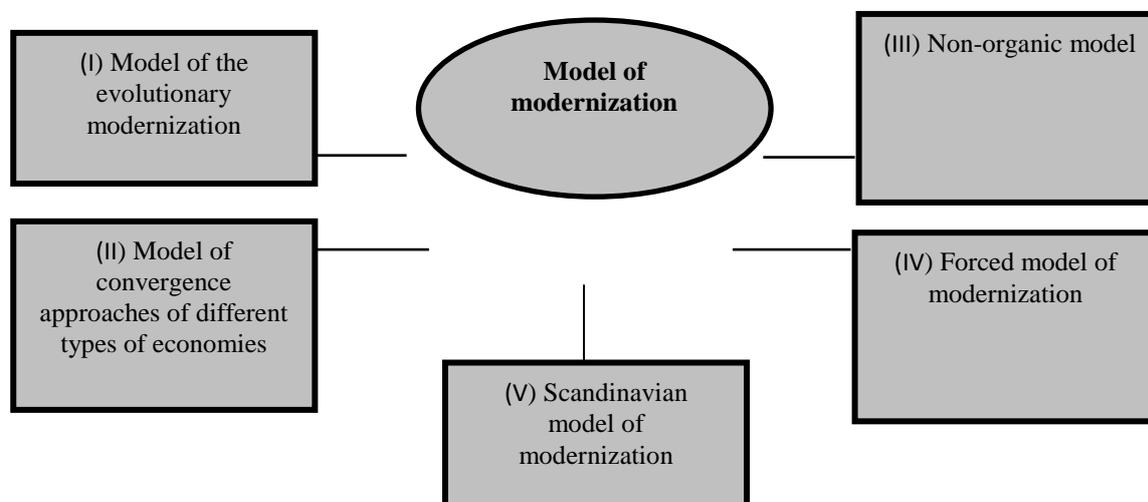


Fig. 1 Basic models of modernization of social and economic systems

We should consider the characteristics of each of the models presented in Figure 1 of modernization models.

The first model is the so-called evolutionary modernization. According to the model, we recognize the need for the certain phases of modernization (including initial capital accumulation, innovation, scientific knowledge and technology, the implementation of market reforms, modernization). It is necessary to save resources. But in the future we should create special conditions for the institutions to function according to the rules and laws of the sector being modernized.

The second model is the so-called the convergence approaches of different types of economy. It is a combination of practical experience of planning and economic development programming in market economic system and smart decentralization of management functions and resource allocation in planned economy including market mechanisms and channels of integration into the world economic system.

The third model is non-organic one or the so-called the catching one. According to this model, the state is the main initiator and generator of changes, not the market institutions or their environment. This leads to the nature of logic, strategy and rate of socio-economic transformation, the need for the political will and unity. Therefore, many modern scientists believe that the main cause of the reform inefficiency of the post-socialist economies is the selection of evolutionary type of modernization opposed to non-organic one. However, having chosen this model the threats are intensified by possible substantial management control system, with all its negative effects, the inconsistency in the implementation of reforms, suspension or even rejection of the pre-selected course of development.

The fourth model of modernization is the forced one where reform usually begins in one of the sectors of trade (e.g., in retail trade applying the innovative technologies), with the prerequisites for the rapid accumulation of capital, which subsequently flows into the other basic areas of wholesale, commercial mediation.

The fifth one is a Nordic model of modernization in which economic, social and technological aspects of modernization with the simultaneous creation of market infrastructure are consistently implemented. Obviously, the election of one (whether a combination of several) of the basic models outlined above modernization serves the initial phase of strategic planning of internal trade or its individual sectors. On this basis the vision of the modernization strategy, its mission and sequencing of the main accents is being formed.

The extent and nature of modernization tasks concerning domestic trade of Ukraine, resource provision, the peculiarities of the national economy, the expansion of globalization processes prove that choosing one of the above mentioned models as a key is now impossible. It is important here to choose from different models the most suitable individual strengths and combine them into an approach called endogenous and exogenous strategic approach.

We speak about modernization which is based on principles of using national and foreign innovation resources with maximum addressing characteristics and peculiarities of domestic trade of Ukraine. This model is the most appropriate in the active integration of the Ukrainian economy into the international relations. It provides deep transformations due to the use of a powerful capacity for innovation as well as adaptation of functioning mechanisms of internal trade to the requirements of the WTO and other international organizations, in accordance with the implementation such a model is recommended.

Introduction of endogenous and exogenous modernization requires taking into consideration active strategic forces. These forces strengthen influence on character, scales and types of domestic trade development in the conditions of international integration and innovative development of the national economy. The active strategic forces include:

- globalization of commodity markets;
- competition;
- innovative development of economy;
- state administration and regulation.

At the same time it is necessary to notice that active influence on the modernization should be expected from macroenvironment factors to which Tony Kent refers “political, economic, social and technological factors” [3, p.45].

Thus, strategic forces have an increasing impact on the process of modernization in trade. Each of the forces has proper function, direction and degree of influence (Picture 2).

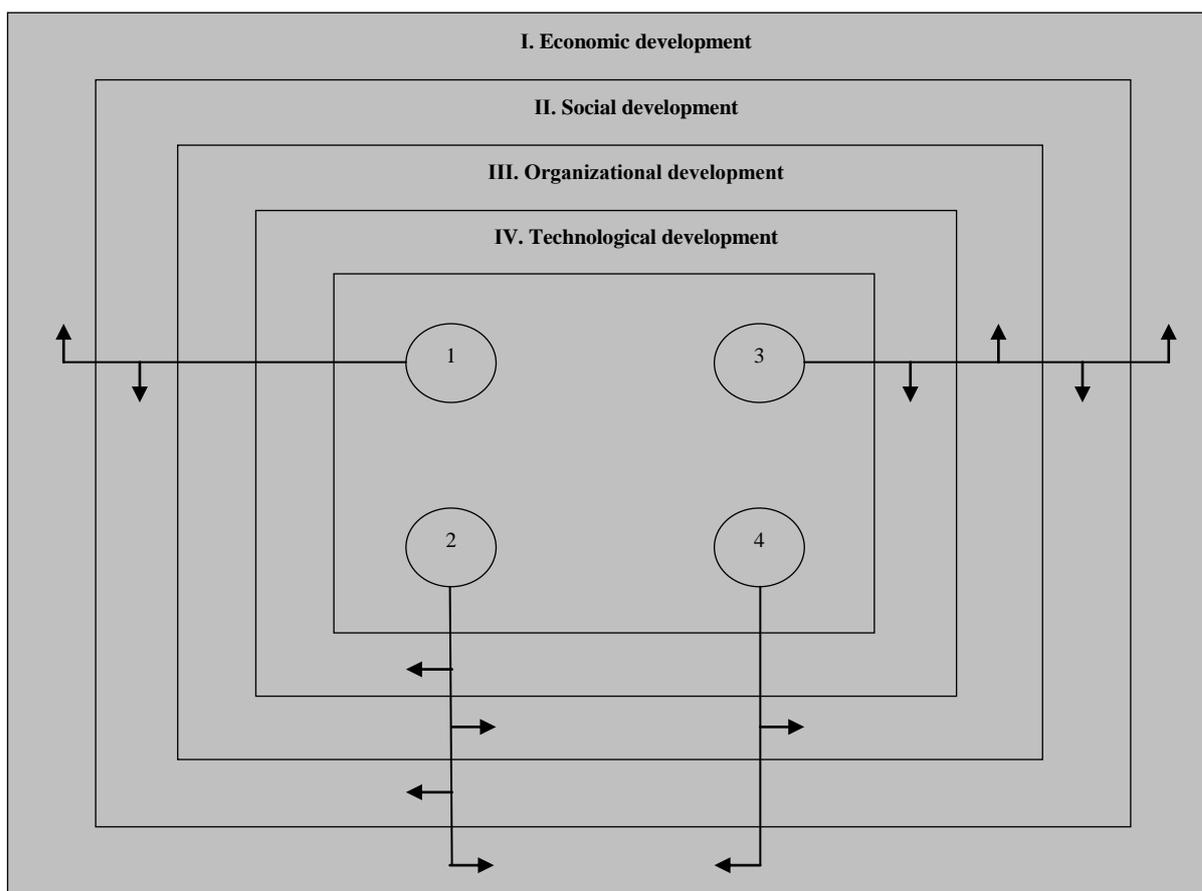
Data of Figure 2 affirm that strategic active forces are characterized by many-sided influence. If competition and innovative politics embrace all the directions, the globalization will mainly influence the economy and organization. Their direction determines proper strategic priorities of modernization.

Key direction of trade sphere modernization is economic development. The influence of all strategic forces is observed in this direction, that is why argumentation and choice of modernization priorities become more complicated.

Economic development is a very wide category. It includes the development of economic potential of trade, system of internal and external economic ties and economic relations, and economic mechanisms of regulation.

Domestic trade is the leading channel of economic exchange. Share of domestic trade in economic exchange of gross product forms on the average 65-75% of its output. It makes more than 1,6 trillion UAH per year. Large-scale exchange is a result of economic cooperation of trade and different industries.

Economic interaction between trade and other spheres of economy obtained large scales in market conditions. Its expenditures for formation of objects of intermediate consumption exceed 150 milliard UAH per year. At the same time extent of intermediate consumption of trade equals about 390 milliard UAH per year and continues to increase rapidly.



1- Globalization of commodity markets; 2 – Competition; 3 – Innovative politics; 4 – State administration and regulation  
**Fig. 2. Influence of active strategic forces on the spheres of domestic trade modernization**

It means that interbranch services of trade will become more expensive. Considerable discrepancies are observed in the development of production and commodity turnover, redistribution of income, restoration of resource potential. In the plain of economic development it is also necessary to consider rupture between rates of commodity turnover increase, labour productivity and fund of labour remuneration.

Significant lag is observed between capital investments, wear of fixed assets and reduction of share of active funds. This fact witnesses the backwardness of innovative development. Social development is also characterized by complicated problems of its deformation. Since commodity producers and trade are aimed at the maximization of economic effect, these problems are evinced in a weak social orientation of trade sphere, in absence of social responsibility of commercial business and in growing amount of hazardous goods on consumer market... [Warshavskyy A. 2 p. 163].

Tendencies of organizational development express transformations of organizational structure of trade, changes of organizational activity, complication of organizational relations and decline of organizational culture. It is necessary to emphasize that these tendencies are unstable and contradictory.

They show the necessity of modernization of organizational trade system which should be considered "...as aggregate integrity which includes organizational elements, organizational relations and performs organizational functions and aims" [Apopy V. 1 p. 18]. Indices of Table 1 show the deformation and disproportions of economic, social, technological and organizational development.

The data of Table 1 confirm the necessity for a comprehensive upgrade modernization of the trade sphere. A low level of involvement in the trade of commodity circulation resources of domestic production (trade covers no more than 50% of the gross output of goods and services) requires substantial activization of wholesale trade, strengthening its impact on production, improvement of economic relations and the entire system of trade relations. Essentially it goes about radical restructuring of wholesale trade and renovation of its functions.

Accelerated economic development of retail trade is closely associated with the modernization of retail chains, concentration and specialization of trade, the development of large trading enterprises, optimization of product range, activization of trade in foodstuffs, where the physical index of commodity circulation reaches only 71% of the 1990 level.

Table 1

**Indices of macroeconomic dynamics which cause the necessity of domestic trade modernization**

Indices	Units	Years			
		2000	2005	2010	2012
Part of trade in formation of gross value added	%	10,9	12,6	15,2	15,6
Gross output of commodities and services	Mlrd. UAH	485	1048	2516	2890
Retail commodity turnover <sup>1)</sup>	Mlrd. UAH	47,5	174,6	541,5	812,0
Part of produced in Ukraine commodities in turnover <sup>2)</sup>	%	75,3	70,1	64,3	58,4
Physical index of commodity turnover:					
- food stuffs <sup>3)</sup>	1990=	32	76	126	160
- manufactured goods	100%	22	36	55	71
		38	111	300	323
Degree of realization of population incomes <sup>4)</sup>	%	54,0	58,3	65,5	71,0
Amount of people engaged in trade sphere	Mln. people	3,1	4,1	4,8	4,8
Labour productivity of one worker	Hundreds UAH per year %	93	200	390	843
Part of salary of trade worker in relation to average level in Ukraine	%	98,2	88,4	83,6	89,3
Amount of trade subjects <sup>5)</sup>	Hundreds of units	113,7	122,1	145,4	87,0
Amount of objects of retail trade <sup>6)</sup>	Hundreds of units	138,7	105,6	88,2	83,8
Degree of wear of fixed assets	%	38,8	31,9	32,1	X
Part of unprofitable trade enterprises in their general amount	%	36,3	30,1	37,5	34,1

<sup>1)</sup> In actual prices; <sup>2)</sup> In a retail turnover; <sup>3)</sup> Soft drinks and beer; <sup>4)</sup> In the field of organized trade; <sup>5)</sup> Without physical entrepreneurs; <sup>6)</sup> Retail trade and restaurant business.

In general, economic development of trade largely depends upon the tax burden, investment activity and mechanisms of income redistribution. As an abnormal phenomenon one should consider the fact when chronically 30-35% of trading enterprises are unprofitable, while the share of trade in the formation of profit is constantly growing and makes 18-20%, being second only to the industrial sector. These economic mechanisms are becoming a subject to thorough modernization.

Analysis of the data of Table 1 show that together with the modernization of economic development the social aspects are particularly actual and relevant. The social development of trade is far behind because it requires new approaches, motivational mechanisms and levers to accelerate it. It is particularly important to focus on trade to ensure price and physical accessibility of the population to the shopping services, implementation of existing income population (currently this level makes 65-70%). It is also important to upgrade the mechanisms for the effective use of human resources, accounting for 25% of the resource potential of the country.

In social terms, the problem of liability of trading business, social support of consumers and their social protection from excessive prices, dangerous goods, creating an artificial shortage and excessive demand is very important.

Modernization of trade is also closely associated with a deep technical retooling of trading enterprises on innovative principles. Currently, the level of mechanization of commodity handling flows, warehousing, freight forwarding operations is very low. The proportion of manual labor here reaches 60-65%. The state of in-store and warehouse automation in technological operations is getting worse. The introduction of computer technologies is observed mainly in the retail trade at the stage of settlements with customers and the operative treatment of goods.

Modernization of the technological development is associated primarily with the development of modern technical projects of trading objects, the introduction of comprehensive mechanization, automation and computer technologies. Modern scientific analytical techniques that would give the opportunity to obtain information from the huge data warehouse to support a decision-making process are also very important" [Murali K, Mantrala; 4, p.151].

Thus, a total comprehensive modernization as the most effective way to upgrade the quality of domestic trade must be multifaceted (Table 2).

According to the Table 2 the process of modernization is complex. It includes all spheres of trade activity and is based on new approaches, modern mechanisms and principles. Main purpose of such wide modernization is to increase competition and social and economic functioning of domestic trade.

Table 2

## Main directions of home trade modernization

Sphere of modernization	Main directions of modernization	Means, mechanisms, approaches of modernization	Final result
Economic development	- optimization of social product creation - improvement of inter-branch and inter-regional exchange; - strengthening of trade economic potential; - stabilization of financial system	inter-branch relations and connections, inter-branch parity of prices, balance coordination of demand, supply and income, new mechanism of profit distribution, decrease of tax obligation	Achievement of equivalence in the process of exchange, transition from economic growth to economic development, increase of functioning effectiveness
Social development	- renovation of trade social function; - strengthening of trade social orientation; - strengthening of social responsibility of trade business	State trade policy, social funds and mechanisms, social-oriented objects of trade, social partnership, loyalty of consumers	Intensification of trade social content, social support of consumers and their social protection
Organizational development	- improvement of organizational structure; - regulation of managerial system; - concentration, specialization and typification in trade sphere; - integration and diversification of trade activity	Organizational forms, organizational mechanisms, managerial schemes, organizational relations, organizational approaches	Optimization of trade sectorial structure, renovation of wholesale trade functions, reversion of trade into managing way
Technological development	- strengthening of logistical base; - technical reequipping of wholesale and retail trade; - complex mechanization, automatization; - introduction of innovative technologies	Technical projects, complex systems of mechanization and automatization, norms of amortization, introduction of foreign experience, computer technologies and communication	High level of technical equipment. New technologies. High culture and quality of service

**Conclusion.** Modernization of domestic trade as a process of qualitative renovation of all its subsystems is objective necessity. It is also a strategic direction of this social and economic sphere transformation from the condition of qualitative increase into the trajectory of effective development.

Models of modernization, principles and strategic priorities are defined taking into consideration peculiarities

and resource possibilities of national economy.

However, the modernization can be realized just on the investment and innovative principles.

Modernization of commodity turnover sphere is multiform process and demands complex approach of its organization. It must include such trade subsystems as: economic, social, organizational and managerial and technical and technological.

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