

***GESELLSCHAFTSRECHTLICHE  
TRANSFORMATIONEN VON  
WIRTSCHAFTLICHEN SYSTEMEN IN DEN  
ZEITEN DER NEO-INDUSTRIALISIERUNG***

***Monographie***

*herausgegeben vom Doktor der Wirtschaftswissenschaften,  
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*Gesellschaftsrechtliche Transformationen von wirtschaftlichen Systemen in den Zeiten der Neo-Industrialisierung*

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der Akademie der Wirtschaftswissenschaften der Ukraine

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бути формування національної інноваційної екосистеми на основі системи “промисловість 4.0”, що передбачає більш тісну кооперацію між науково-дослідним і виробничим секторами. Такі заходи сприятимуть подальшій технологічній модернізації обох країн, що у перспективі забезпечить Україні вступ до ЄС, а Польщі – провідне місце у загальній інноваційній екосистемі ЄС.

### ***2.5 Household Savings as a Source of Investment in the National Economy***

The dynamic development of the modern economy is difficult to imagine without large-scale investment activity. Searching for sources of financing investment activity in the economy of any country is one of the urgent problems. Investments contribute to economic growth, provide a favorable financial climate for the country, are an additional source of investment in the national production of goods and services. The consequences of the implementation of investment projects and programs are the rise of economic well-being, saturation of the domestic market with competitive goods and services, the introduction of advanced technologies and modern management methods.

The scope of investment activity in the country is determined by the amount of savings. The relevance of this topic is due to several reasons. First, the amount of savings is one of the indicators of the state of the economy of the country: the increase in the amount of savings, on the one hand, indicates an increase in the level of monetary incomes of the population, and on the other - indicates the desire of the population to create a reserve of financial resources in case of adverse situations, as it was. as a result of the global financial crisis of 2008-2009. Secondly, population savings can be considered as one of the sources of investment of the country's economy. All this actualizes the problem of exploring the role of savings and their impact on the processes of economic growth.

Such famous scientists as AS Pigou and G. Hablerer, M. Friedman, J.M. Keynes, R. Stone, and others dealt with the problems of income and savings They explored the static and dynamic laws of changing economic indicators, including consumption and savings, the role of people's expectations in such models, and the adaptation of those expectations.

Among Ukrainian and Russian scientists can be distinguished works of M. Alekseenko, S. Belozorov, E. Nosova, A. Stepanova, V. Bulavinets, A. Kaplun, V. Osetsky, S. Panchishin, M. Savluk, etc. They studied in detail the role of household savings for economic development, the motives for formation of household savings, the mechanism for transforming savings into investment resources, the state and tendencies of population savings in the banking system and non-banking financial institutions, and the global experience of institutional investors in the sphere of savings.

In economic science, it is indisputable that savings are the only source of investment resources. For example, if you follow John Keynes' logic, income can be defined in two ways: as the amount of consumption and savings, or as the amount of expenditures on consumer goods and investment. Therefore, the equality of investments and savings is obvious and "stems from the bilateral nature of agreements between the manufacturer on the one hand and the consumer or buyer of capital goods on the

other."<sup>1</sup>

World practice indicates that countries have made significant investments based on a high rate of domestic savings, because the savings of the population are not only a criterion for living standards, but also an important investment resource of the economy.

Since 2010, the average savings to GDP in the world is 25%. Countries with less savings are lagging behind the growth of the world economy. Two groups of countries can afford it: the very rich for whom rapid growth is irrelevant, and the very poor for countries that do not have an economic policy of rapid growth.

For example, EU countries have had savings rates of 20-22% of GDP since 2010, US - 16-20%, Canada - 19-22%, UK - 12-13%.

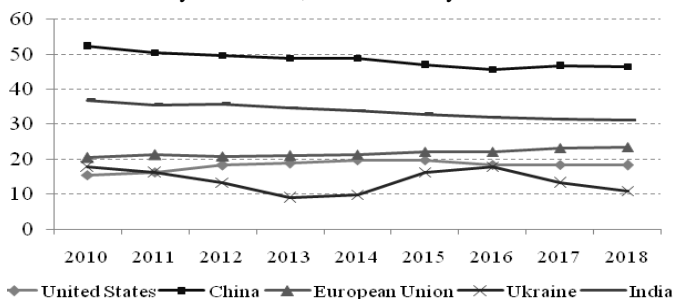
Those who strive to develop and get rich are the most economical ones. Over the last 20 years, the level of savings in China has never fallen below 35%, fluctuating at 40-50%. Over the past 30 years, South Korea's savings have never been below 31%, and in Malaysia this figure has never been less than 28%.

In 2018, gross savings in Ukraine, including the savings of the population, businesses and the state, accounted for 11% of GDP. (Figure 1)<sup>2</sup>.

For economic growth, financial resources are needed - investments of at least 27-35% of GDP. The main source of investment - domestic savings, foreign investment cannot be a significant proportion of the required investment.

If to consider 27% to GDP is the minimum level of savings, which allows growth at just above the world average, for only three years (2002-2004) in the last 20 years, Ukraine had savings above this level, because then the conditions for the country were extremely favorable on the world market.

However, in order to overcome poverty, the high level of savings - 27% and above - should not be for a year or three, but for 20-30 years in a row.



**Figure 1** - Gross saving dynamics in different countries, % of GNI

Source: made by author, using<sup>2</sup>

According to the State Statistics Service of Ukraine for 2017, 70% of the gross savings were provided by enterprises, mainly not financial ones. At the same time, gross savings in India were in the range of 31-35% of GDP, more than twice the

<sup>1</sup> Keynes, Jh. M. The General theory of employment, interest and money. Moscow: Russia: Progress 1978. p.118. [in Russian].

<sup>2</sup> The World Bank. (n.d.). worldbank.org. URL: <http://www.worldbank.org> [in English].

Ukrainian level. Moreover, 61% of gross savings in India were provided by households, 35% by enterprises, and 4% by the public sector. The result is rapid growth in India, decline in Ukraine.<sup>1</sup>

Redistribution of savings from enterprises to households is essential, as savings of enterprises that are transformed into intra-industry investments preserve the structure of the economy. In order to ensure the transition of Ukraine from the agrarian raw material economy to the high-tech, investors should be not enterprises, but specialized institutions: development banks, venture investment funds, innovative incubators, that is, institutions that have no sectoral affiliation.

In the Western economic literature, household savings are considered to be the main source of investment resources. The population participates in the financial provision of capital investments in the national economy by its means in the form of deposits accumulated by commercial banks and provided in the form of loans to economic entities.<sup>2</sup>

In terms of economic content, household savings are the part of monetary income that remains after taxes and is not used for current consumption. As a rule, it is an important source of future needs. There are different interpretations of the economic nature of savings in the scientific literature.

Even the representatives of classical political economy, above all A. Smith, considered thrift as a public good. K.R. McConnell and S.L. Brue considered savings as part of the tax-deductible income that was not used to purchase consumer goods.

According to J.M. Keynes's size of investment depends directly on the size of household income, and income can in turn be defined in two ways: as the amount of consumption and savings or as the amount of expenditure on consumer goods and investment.<sup>3</sup>

S. Belozyrov believes that savings are part of household financial assets that are used to meet individual needs and generate additional income in the future. In his view, a savings strategy is driven by the level of household income and the purpose with which it is generated: the creation of a reserve, the accumulation for further consumption or development. Depending on the level of households propensity to risk, they may adhere to the following strategies: risk minimization, maximization of income from the use of funds, combination of reliable and risky forms of savings.

From the point of view of statistics, the savings of the population is the accumulated balance of an individual's or family's (household's) cash as of a certain date<sup>4</sup>.

Household savings and their share of income can be considered according to the State Statistics Service of Ukraine (Table 1).

According to the Table 2, during 2014-2018, the share of purchases of goods and

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<sup>1</sup> Novikov V. Country of eating. Why the authorities do not encourage Ukrainians to save? URL: <https://www.epravda.com.ua/publications/2019/08/26/650910/>

<sup>2</sup> Feniak L. Role of household savings in the form of investment resources of the national economy. *Social, political, economic and humanitarian dimensions of Ukraine's European integration: Proceedings of the II International Scientific and Practical Conference*, Vinnitsa: VTEI KNTEU, 2014.

<sup>3</sup> Nosova E. Household saving as a source of investment resources in Ukraine. *Bulletin of Taras Shevchenko National University of Kyiv. Economics*. 2015; 2 (167), pp. 73-80.

<sup>4</sup> Official site of State Statistics Service of Ukraine. URL: <http://www.ukrstat.gov.ua/>

services by households increased from 86.8% in 2014 to 88.8% in 2018. The amount of savings over the analyzed period remained almost unchanged, but their share in current expenditures of the population decreased. Thus, if in 2014 they accounted for 2% of the population's income structure, then in 2018 - only 1%. Such a dynamics of savings is caused by the unstable political and socio-economic situation in the country.

**Table 1 - Household Income, Expenditure and Savings, 2014-2018**

	Years				
	2014	2015	2016	2017	2018
Revenues, UAH billion	1516,8	1772,0	2051,3	2652,1	3248,7
Expenses, UAH billion, including:	1516,8	1772,0	2051,3	2652,1	3248,7
for the purchase of goods and services, UAH billion	1316,8	1568,2	1840,3	2359,9	2884,9
Share of purchase of goods and services,%	86,8	88,5	89,7	89,0	88,8
Savings, UAH billion	30,8	31,1	12,6	30,6	31,5
Share of savings in household income,%	2,0	1,8	0,6	1,2	1,0

*Source: made by author, using*

The main determinant of savings is income. Wealthy people save more than the poor. Very poor people do not save at all. Moreover, they spend more than they earn (living in debt or spending previously accumulated funds). This situation is typical for many countries during the period of economic reforms. Decreasing average per capita income leads to a decline in purchasing power and a tendency to save.

In early 2019, Ukraine led the anti-rating of European countries in terms of average wages, and continues to hold this position until now. Even citizens of Moldova, Azerbaijan, Armenia and Georgia were more secure than Ukrainians.

Scandinavia is the traditional leader in wages. In Denmark, for example, the cost of one hour of work is 42 EUR (1345 hryvnia), but this is the minimum pension in Ukraine, which is paid (alas) not for one hour, but for a whole month. Even citizens of Moldova, Azerbaijan, Armenia and Georgia were more secure than Ukrainians.<sup>1</sup>

According to a sample of 2018 self-perceived households, only 8.0% of them are able to save. The share of households refusing the most necessary, except food, was 40.6%. The lowest in the last 20 years was 32.9% in 2008.

When analyzing the formation of savings should take into account the motivation of the subjects of these processes. It is the impact of the external economic environment that determines what motive for household savings will be dominant: deferral of funds for unforeseen expenses, reserve for recurrent expenses, education of children, children or inheritance, celebration of solemn dates and events. living in old age, buying clothes, furniture, cultural goods, buying an apartment, house or car, organizing a vacation and hiking, organizing or expanding your own business additionally profit from investing and more. A. Stepanova proposes to classify the motives that affect household savings as follows (Figure 2).

According to the forecasted economic and political situation in the country, namely: the possibility of forecasting the main macroeconomic indicators and forecasting the gradual growth of incomes and the standard of living of the population,

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<sup>1</sup> The average salary in Ukraine, Europe and the world in 2019. URL: <https://bistrozaim.ua/blog/srednyaya-zarplata-v-ukraine-stranah-evropy-i-mira-v-2018-godu>

the motives for equal consumption and heritage will be dominant. In other cases, where there are risky and unpredictable processes in the economy, the population will focus on accumulating cash in the form of reserve savings.

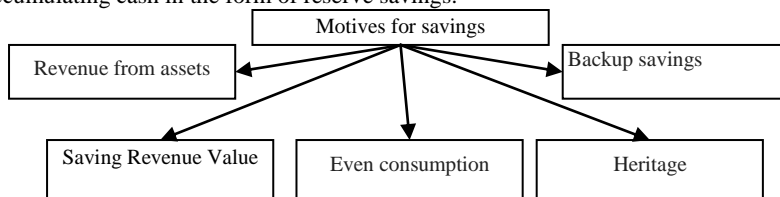


Figure 2- Types of motives that affect household savings<sup>1</sup>

The behavioral motives of households cause the formation of their savings in organized and unorganized forms (Figure 3).

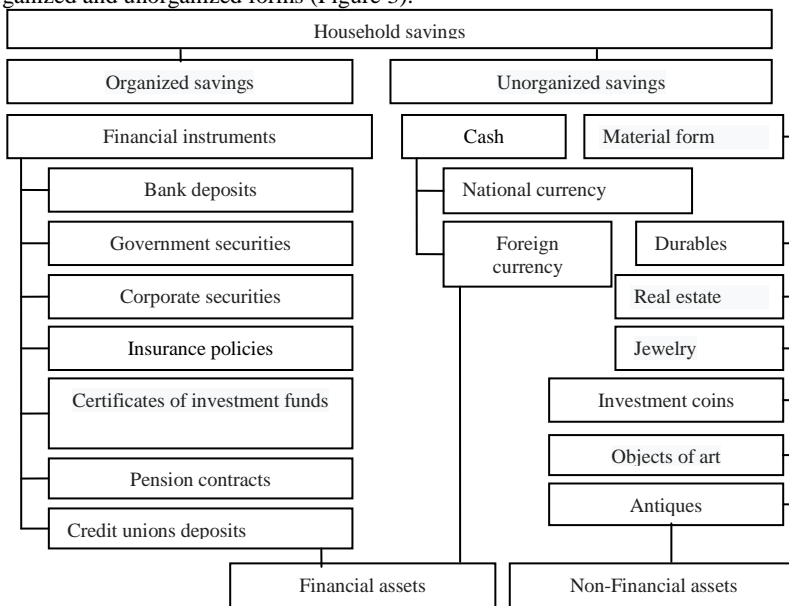


Figure 3 - Forms of household savings and their structure<sup>2</sup>

When choosing between alternative investment options, criteria such as profitability, risk and affordability, as well as the period for which the investment is made, are taken into account. Determining the most effective form of investment is a very difficult task, but the correct implementation of it will depend on the possibility of earning income and maintaining the main investment amount.

<sup>1</sup> Stepanova A., E. Udod. Households saving as important investment resources of the country. Bulletin of Taras Shevchenko National University of Kyiv. Issue 136, 2012, pp.45-50.

<sup>2</sup> Bulavynets V. Features of saving behavior of households in Ukraine. *Efektynna ekonomika*. [Online], 2018 vol. 12. URL: <http://www.economy.nayka.com.ua/?op=1&z=6788>.

The most popular ways of investing funds among Ukrainian households are to place them on deposits with banks, as well as to transfer to foreign currencies such as Euros and dollars. Also, if there is a significant amount of savings, the population invests in real estate by buying it in the secondary market or the primary market, including acting as a participant in construction and real estate financing funds.

The allocation of funds in deposits and securities is significantly affected by the general economic situation, this is the main type of investment, which most clearly reflects the reaction of the population to the phenomena occurring in the economy.

The availability and effectiveness of organized savings largely depends on the level of development and stability of the financial and credit system, its credibility, the diversity and profitability of financial instruments, as well as the level of financial literacy of the population. Due to the lack of development of the national non-banking financial services market, the banking system, which is the main sector of the market financial infrastructure, is mainly engaged in the formation of organized savings of individuals. The implementation of organized savings is accompanied by the interaction of households with various financial and credit institutions, which causes the transformation of savings into investment potential for economic development. However, not all household savings are converted to investment resources, so the Ukrainian economy is experiencing a sharp deficit. Reducing foreign investment in Ukraine caused by socio-economic instability and military conflict in the East requires effective domestic investment policies based on its own financial resources. In developed countries, such a source is the financial-credit system, which provides financial support for structural restructuring of the economy.

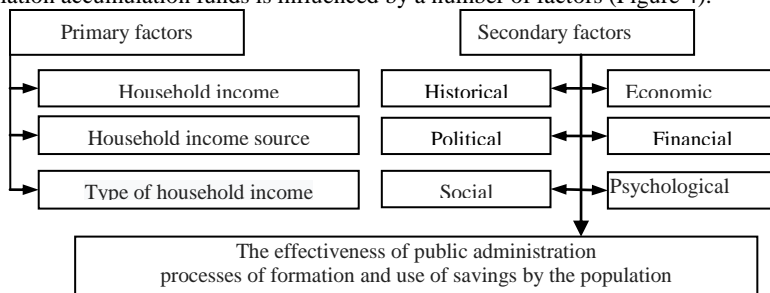
Unfortunately, in Ukraine the investment potential of the population is not fully utilized. According to experts, more than 70% of the funds from the national amount of savings of individuals is accumulated outside the credit and savings system. Much of it is stored in the form of unorganized cash savings that do not go to financial institutions. Cash savings reduce consumer spending and, consequently, aggregate demand and adversely affect aggregate supply as they are outside the investment process. According to experts of the Association of Ukrainian Banks, outside the banking system is now in the range of 500-700 billion UAH. These funds could be a significant potential source of investment in the national economy, but the optimization policy implemented by the National Bank of Ukraine in recent years has led to changes in the structure and functioning of the banking system, which have adversely affected the formation of organized household savings. Thus, the exit from the investment environment of Ukraine a significant number of foreign banks, reducing the network of domestic commercial banking institutions (in 2008 there were about 175, including 47 - with the participation of foreign capital, and in 2017 their number was only 88, 38 (with foreign capital) reflected on the security of household deposits and caused distrust in the financial and credit system in general<sup>1</sup>.

As a result, according to the results of the survey of the population on their behavior in the sphere of savings: 33% of citizens do not keep savings in banks at all; 49% have a small portion of organized savings; 7% invest half of their savings in banking instruments and only 11% of respondents keep most of their savings in banks.

The gap between the volume of savings and investment indicates that the available resources are not used today as investments due to the underdeveloped mechanism of capitalization of savings. The consistent transformation of household



savings into investment resources is a reliable factor in stabilizing and strengthening the national economy and the economy as a whole. The formation and investment of population accumulation funds is influenced by a number of factors (Figure 4).<sup>1</sup>



**Figure 4** - Factors affecting the formation and investment of savings of the population

The presented factors can be divided into two groups:

1) micro-level factors, which include the influence of the household itself, as well as commercial and non-profit organizations;

2) macro-level factors, which include the direct influence of the state (through social and insurance payments, direct taxation, the establishment of minimum social standards); indirect influence of the state (through indirect taxation, compulsory insurance of bank deposits, etc.); financial market influence; the impact of the general economic situation.

The greatest influence on the saving behavior of households is exerted by micro-level factors, since this sphere of financial relations is the least regulated by the state, in addition, there are no instruments directly affecting the distribution of disposable income of households.

The human factor is also of great importance, because it is the household members who make these or those financial decisions related to the forms of income generation and the directions of their use. The role of commercial organizations (primarily as employers) in the formation of the household budget and its spending areas is connected with the wage system and staff motivation, as well as with the establishment of retail prices for the goods and services they offer, the issue of shares and bonds, and forms of participation in the authorized capital enterprises.

The influence of the financial market is associated with the possibility of obtaining income from investment, but its role in Ukraine is still insignificant. The role of the general economic situation is connected with the state of the economy at a certain point in time, depending on it, the population makes decisions on the use of various forms of savings and investment.

It should be noted that in Ukraine this factor is of greater importance in the worsening economic situation than in improvement. In a state of crisis, households reduce consumption and translate their savings into cash, while when the economic situation improves, they respond very slowly to changing situations.

<sup>1</sup> Kaplun A. Finances of households: essence and role in expanding the investment potential of Russia. *Herald of AGTU*. 2015. №4. pp.80-91.

Therefore, household savings are one of the important links in managing investment processes. In the current context, they can become an important tool for enhancing economic development. In general, the saving behavior of households at the current stage of economic development of Ukraine is characterized by the following features:

- an increasing in the amount of unorganized savings (mainly in foreign currency);
- directing savings for the purchase of durable property (apartments, cars, etc.);
- weak development of relatively new ways of investing savings (mutual investment institutions, mutual funds, etc.);
- a small amount of savings placed in securities;
- the impact of the economic and political situation in the country.

However, in order to effectively attract free funds of the population in the investment process, it is necessary to develop the principles of public policy based on long-term interaction of its main participants: households, producers and the state and restore the level of confidence of their people to financial and credit institutions, government policy.

Based on the identified conditions and problems of the transformation of population incomes into organized savings, we can distinguish the main directions of state policy, which should be aimed at stimulating the saving behavior of households:

Population income growth and, consequently, poverty reduction and smoothing household inequalities in terms of income;

Increasing financial literacy of the population, trust in the financial system of the state;

protecting the economic interests of the population and providing guarantees of the safety of savings (including pension); development of the activities of financial and savings institutions, as well as the monitoring of their activities; maintaining the stability of the savings system and the economy as a whole;

improving the savings and investment climate in the country.

In-depth study of the experience of foreign countries and analysis of the dynamics and motives of savings of domestic households will allow to attract free financial resources in the country's economy on time and to the fullest extent, to turn them into assets that create value in the country. Therefore, further study of this issue is extremely important and relevant.

## ***2.6 Інноваційні трансформації в розвитку зовнішньоекономічної діяльності суб'єктів світового господарства***

Сучасному етапу функціонування світового господарства притаманні постійні трансформації, які відбуваються на світовому ринку і пов'язані з гео економічними, торговельно-політичними, культурно-соціальними, глобально-інфраструктурними процесами, що здійснює значний вплив на розвиток зовнішньоекономічного співробітництва. Разом з цим, на етапі формування інформаційного суспільства відбуваються кардинальні зміни в системі формування інструментарію господарської взаємодії між суб'єктами світового ринку, ставленні до традиційних способів, методів, інструментів розвитку зовнішньоекономічної діяльності. Крім того, інтенсифікуються процеси підвищення ефективності виробничої структури, розвитку внутрішнього ринку та

університету (підрозділ 2.19).

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