

У випуску представлені дослідження актуальних проблем економічної теорії, страхування, управління ризиками, перестрахування, державного управління, міжнародної економіки, економіки підприємства, менеджменту, маркетингу, управління інвестиціями, теорії фінансів, банківської справи, статистики та шляхи й засоби вирішення цих проблем.

Для наукових працівників, практиків, викладачів, аспірантів, студентів.

В выпуске представлены исследования актуальных проблем экономической теории, страхования, управления рисками, перестрахования, государственного управления, международной экономики, экономики предприятия, менеджмента, маркетинга, управления инвестициями, теории финансов, банковского дела, статистики, а также пути и средства решения этих проблем.

Для научных работников, практиков, преподавателей, аспирантов, студентов.

The research results on current problems of economic theory, insurance, risk management, reinsurance, public administration, international economics, business economics, management, marketing, investment management, theory of finance, banking, statistics, the ways and means of solving these problems are released in the issue.

For researchers, practitioners, teachers and students.

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## ЗМІСТ

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<b>Лютий І., Осецька Д.</b> Макротеоретичні засади фіскальної консолідації .....	6
<b>Ігнатюк А.</b> Бізнес-розвідка для страхових компаній .....	10
<b>Таубаєв А., Доскалієва Б., Акенов С.</b> Роль соціально-підприємницьких корпорацій в Казахстані в розвитку механізмів державно-приватного партнерства .....	15
<b>Міттал А.</b> Вплив часу очікування сатисфакції на лояльність клієнтів на шляху до багатоступінчастої послуги в ресторані повного обслуговування: дані по Індії .....	22
<b>Оболадзе Д.</b> Стратегічне планування як необхідна передумова успішного програмного бюджетування в Грузії .....	26
<b>Піменова О.</b> Перспективи розвитку малих та середніх підприємств в сільському господарстві України .....	33
<b>Таубаєв А., Оринбасарова Е., Малєлов Н.</b> Можливості застосування в Казахстані досвіду розвитку національної інноваційної системи окремих країн Європейського союзу .....	38
<b>Додаток 1</b> Анотація та література (латинізація) .....	43
<b>Додаток 2</b> Інформація про авторів .....	49

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## СОДЕРЖАНИЕ

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<b>Лютый И., Осецкая Д.</b> Макротеоретические основы фискальной консолидации.....	6
<b>Игнатюк А.</b> Бизнес-разведка для страховых компаний.....	10
<b>Таубаев А., Доскалиева Б., Акенов С.</b> Роль социально-предпринимательских корпораций в Казахстане в развитии механизмов государственно-частного партнерства .....	15
<b>Миттал А.</b> Влияние времени ожидания компенсации на лояльность клиентов на пути к многоступенчатой услуге в ресторане полного обслуживания: данные по Индии .....	22
<b>Оболадзе Д.</b> Стратегическое планирование как необходимое условие успешного программного бюджетирования в Грузии.....	26
<b>Пименова Е.</b> Перспективы развития малых и средних предприятий в сельском хозяйстве Украины .....	33
<b>Таубаев А., Орынбасарова Е., Малелов Н.</b> Возможности применения в Казахстане опыта развития национальной инновационной системы отдельных стран Европейского союза .....	38
<b>Приложение 1</b> Аннотация и литература (латинизация).....	43
<b>Приложение 2</b> Сведения об авторах.....	49

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## CONTENTS

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<b>Liutyi I., Osetska D.</b> Macrotheoretical Foundation of Fiscal Consolidation .....	6
<b>Ignatiuk A.</b> Business Intelligence for Insurance Companies .....	10
<b>Taubayev A., Doskaliyeva B., Akenov S.</b> The Role of the Social-Entrepreneurship Corporations in Kazakhstan in the Development of the Public Private Partnership Mechanisms .....	15
<b>Mittal A.</b> The Influence of Waiting Time Satisfaction on Customer Loyalty Towards Multi-Stage Services in a Full-Service Restaurant: Evidence from India .....	22
<b>Oboladze D.</b> Strategic Planning as a Necessary Prerequisite to Successful Program Budgeting in Georgia.....	26
<b>Pimenova O.</b> Prospects of Development of Small and Medium-Sized Enterprises in Ukrainian Agriculture.....	33
<b>Taubayev A., Orynbasarova E., Malelov N.</b> Capabilities of Using Experience of Individual Countries of the European Union in the Development of National Innovations System in Kazakhstan .....	38
<b>Annex 1</b> Extended abstract in English and References (in Latin): Translation / Transliteration/ Transcription .....	43
<b>Annex 2</b> Information about Authors (Meta-Data) .....	49

**MACROTHERORETICAL FOUNDATIONS OF FISCAL CONSOLIDATION**

*The article analyses the unexplored category of "fiscal consolidation". The study shows a different interpretation of the content of fiscal consolidation. It was emphasized that in today's fiscal policy in the EU aims mainly at implementing fiscal consolidation programs that provide sustainable public finances by implementing measures to limit the fiscal imbalances (especially deficit of governance and public debt). The paper analyses the fiscal consolidation program aimed at stabilizing of public finances and improve their sustainability. The research proved that fiscal rules and norms contribute to the process of fiscal consolidation.*

**Keywords:** *fiscal policy, fiscal rules, fiscal consolidation, budget balance, public debt, structural and cyclical changes sustainability of public finances.*

**1. INTRODUCTION**

The imperative of sustainability of public finances, fiscal consolidation appears as a set of measures to optimize budget spending, structural reforms, increasing the revenue not only through changes in the tax system, but with the use of measures to stimulate the economy and business [1]. These results were obtained by radical changes in fiscal regulation, implementation of new approaches to fiscal policy in the post-crisis period. Fiscal policy is primarily aimed at solving problems arising in the coordination of fiscal space. Mechanisms of fiscal policy (within the program of fiscal consolidation), to reduce public spending, are considered a more effective tool in comparison with measures reforming the tax system. Changes in government spending should not lead to containment of economic growth.

Also, the need for fiscal consolidation due to the fact that for any type of economic system the main purpose is to provide the public finances financial investments of needs that can not be met through the market mechanism. In order to limit public sector imbalances in most countries decided to enhance the rigidity of fiscal policy. It introduced a variety of approaches to achieve fiscal sustainability targets, which included: institutional reforms in the fiscal sector, the implementation of programs of fiscal consolidation, the introduction of new and old reform fiscal rules, the medium-term budget planning, improving transparency in fiscal, etc. [2]. However, in recent years, fiscal balances, even in developed countries with a deficit reduced, reaching its highest level in 2009. In these circumstances, many governments are forced to move to a policy of fiscal stimulus (macroeconomic tools of fiscal consolidation). The ultimate objective of fiscal consolidation is to ensure sustainability of public finance violations during the systemic crisis of the world economy 2008-2009.

**2. ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS**

Retrospective shows that the formation of financial theory in the early twentieth century took place mainly in the form of crisis development concepts, launched on ideas A. Berle, T. Veblen, P. Krugman. In particular, the provisions regarding the effectiveness of stabilization measures in view of the experience of governments of countries with stable economies (US, UK, Austria), which in 1920-1930., were not yet ready to support the balance of national financial systems during the devastating waves of financial crises and had no effective tools needed to overcome stagnation and deflation. Therefore, recipes and ideas on macroeconomic regulation J. Keynes [3] and M. Friedman [4] for a while considered effective enough for further levelling to the financial instability. However, despite the number of studies of sufficient financial and economic crisis, and the government's attempt to avoid the mistakes of the Great

Depression, fiscal imbalances that emerged in national economies in the late twentieth century were almost the same as in 1930. At that time conventional macroeconomic measures proved ineffective, as the achievement of budget balance was needed to develop and implement measures of fiscal adjustment. Generally accepted methodology for evaluating fiscal consolidation does not exist. International institutions and specific countries use different methodologies on fiscal consolidation, but there is no "finished methodology" which we could attach to assess fiscal consolidation in Ukraine. We can assume that within certain theoretical ideas about the nature of public finance and macroeconomic stability tools of public finance, fiscal consolidation is self-sufficient problem. Such an approach aims to demonstrate the lack of institutional factors to effective fiscal consolidation and extension of anti-crisis mechanisms in the context of fiscal space increase revenues, optimize costs, reducing the debt burden on the public finance sector.

**The purpose** of the article – is a comprehensive study of the effect of macroeconomic methods and instruments for fiscal consolidation, the implementation of measures to ensure the sustainability of public finances in the systemic financial crisis.

**3. RESULTS**

Fiscal consolidation as a special type of macroeconomic policies aimed at maintaining budget balance that stabilizes budget deficits and public debt at some specified level [5]. It is the failure of most countries to maintain a high level of government spending from current tax revenue caused many focusing reputable foreign and domestic scientists and governments in many countries on the policy of fiscal consolidation. Theoretical understanding of fiscal consolidation in times of economic instability is associated mainly with new phenomena and processes in the global economy, their nonlinear dynamics at the end of the XX – XXI century, while institutional theory, in particular financial, fiscal, regulation has an earlier period of formation [6]. Currently, the scope of the category of "consolidation" is quite broad. This category has long crossed the fiscal framework of understanding, as a concept, is caused by the movement patterns of financial systems, and became general. In theoretical understanding of the terms "consolidation" and "treasury", "definition", "fiscal consolidation" is a "strengthening and consolidation of the budget" [7, p. 92].

Today in the economic literature presents different approaches to defining the essence of fiscal consolidation. For example, "Financial Times Lexicon reduces it to reduce the prevailing fiscal deficits. It is not intended to eliminate public debt [8]. In the context of the proposed definition it is emphasized that fiscal consolidation is carried out in the public system to reduce deficits and stopping the accumu-

lation of public debt. Ignoring the problem of public debt leads to an escalation of the fiscal sphere.

Thus, supporters of discretionary fiscal policy believe that fiscal consolidation is reduced to imbalance of the budget by the application of discretionary fiscal policy for a specified period or the period after which they are introduced. Balance of the budget means balance of financial operations of the general government [9].

According to J. Sachs, fiscal consolidation is to eliminate fiscal and quasi-fiscal deficit, which is the cause of high inflation. This consolidation always implies a sharp reduction in subsidies, and substantial reductions in government spending on investment with the transfer of the bulk of these expenditures from the budget to the enterprises themselves [10]. Some outstanding Western scholars such as S. Barrios, S. Langedijk and L. Pench interpret this question differently, according to which fiscal consolidation is reduced to improving the cyclically adjusted primary balance by at least 1.5% during one or for three years if a year balance does not deteriorate by more than 0.5% of GDP (gradual consolidation). Given this approach, the annual consolidation is seen as an episode, as each coming year of consolidation of many years is the episode of its implementation [11]. Hence a clear appeal to the fact that fiscal consolidation is related not only to overcoming the problem of protracted deficits, but also to budget deficits and public debt, and is the basis of most scientific approaches of the interpretation of the meaning of this definition.

So fiscal consolidation is designed to change the modeling sustainability of public finances. The directions of such fiscal constraints include shortage of general government with the aim of reducing deficits and improving the structure of public debt. It is in this sense, that the definition of fiscal consolidation R. Price is more fundamental. Target definition according to R. Price is "maintaining budgetary balance that budget deficits and stabilize public debt at some specified level" [12]. According to R. Price, the definition of consolidation means that in the economy there is a certain optimum level of public debt, which is necessary to reach otherwise a society will face unjustifiably costly welfare if a debt burden drops significantly. Given the current macroeconomic context, fiscal consolidation is not a momentary event but is a targeted permanent regime of a fiscal policy.

Highlighting the meaning of multidimensionality, R. Price's fiscal consolidation stresses that it is designed to minimize the risks of debt lingering budget deficits. According to the researcher: "At its broadest sense, and from the most normative point of view, fiscal consolidation may be defined as a political process aimed at achieving a sustainable fiscal balance, where sustainability means the issuing of debt to finance government expenditure only to the extent that it creates a future debt burden that does not interfere with the attainment of macro-economic objectives: excessive government borrowing can be inflationary, economically destabilising, allocationaly distorting and generationally arbitrary in its impact." [12].

Analysis of the expanded definition shows that fiscal consolidation is not only macroeconomic imperative, as it implies that the mechanism of balancing the budget in the medium term affects diverse political and economic interests of many stakeholders, can cause political risks that would cast doubt on the possibility of reducing the deficit and restoring sovereign solvency. Fiscal consolidation process as political economy assumes that its implementation requires the introduction of fiscal rules agreed for a period that is a direct consequence of the fact that, according to fundamental R. Price's definition it is not a momen-

tary event, but not a permanent regime of fiscal policy. It is no accident that fiscal consolidation is implemented as a program that includes changing budget deficits, implementation of target on initial balanced budget, structural reforms oriented to improve the sustainability of public finances as a prerequisite for the formation of efficient market structures, but also financial security reforms in all areas, including administrative reform, implementation of new macroeconomic tools to build an effective fiscal policy. A. Sokolovskaya noted that these instruments can be considered the optimization of public spending and effective use of budget funds, which operate on the public finances through its impact on investment and economic growth [2, p. 91].

It is important to note that the matrix budget balance and public debt clearly indicates that fiscal consolidation will be effective if the implementation of the program of fiscal consolidation will be aimed at improving the sustainability of public finances through instrumental use of targets on budget balance to minimize public deficits and reduce government debt [13].

To implement these programs and consolidate them administration of new rules, monitoring the process of institutionalization of fiscal policy has been proposed: expenditure policies, income generation and financing of the general government. For the Ukrainian economy optimization of institutional spending on economic growth and macroeconomic stability indicates the formation of a new quality of financial system modernization and the need for space, based on – the formation of an effective mechanism of fiscal consolidation. What is important according to S. Hasanov, Vladimir Kudryashov, G. Balakyn they in public expenditure embarked on optimization of volumes and rationalization of the structure and efficiency of spending public resources. Measures aimed at increasing the revenue of the general government are being introduced on conditions of preventing pressure on the development of business activities in a real sector. Revenue growth is achieved mainly by adjusting a tax system (introduction in some countries taxes on wealth and financial transactions, securities transactions, etc.), as well as improving efficiency of tax payment administration. Particular attention is paid to the legalization of the economy, improving credit conditions, improving real sector of state support of small and medium-sized businesses [14].

Reforming a tax system is considered complicated and risky, so commonly used in countries where the share of taxes in GDP is relatively low. However, amendments to the tax system is often a signal about efforts to stop structural reforms [15].

During the economic crisis of 2008-2009. Significant fluctuations in the rate of dynamics of the expenditures and revenues of the general government in Ukraine were observed. These trends persisted during the period after the crisis (Table 1).

Ukraine has failed (due to the aggravation of the situation in both economic and political spheres) to much reduce fiscal imbalances in recent years. So the question remains relevant that needs updating fiscal adjustment. EU experience in the development of programs of fiscal consolidation, determining mechanisms of its implementation, enhancing institutional reform (introduction of fiscal rules, rehabilitation of the financial sector, increasing transparency of fiscal operations, etc.), the management of public debt, changes in monetary policy to maintain economic growth is quite important for our country. Its relevance is increasing during the implementation of the Association Agreement "Ukraine – EU".

**Table 1. The dynamics of growth / decline in revenues and expenditures (including transactions of lending) of general government in Ukraine, % to previous year**

Index	2007	2008	2009	2010	2011	2012	2013	2013 to 2007
Income	29,47	35,70	-6,54	16,62	23,53	12,38	1,18	106,90
Expenditures	28,80	38,50	2,37	18,27	13,07	15,68	1,74	123,11
The difference between the growth in expenditures and revenues	-0,67	2,80	8,91	1,65	-10,46	3,30	0,56	16,21

Note: Compiled by the author's calculations based on: State Statistics Service of Ukraine. Special Data Dissemination Standard of the IMF. Economic and financial performance. Fiscal sector.

Source: <http://www.ukrstat.gov.ua>.

It is also necessary to consider that efforts to implement the program of accelerated fiscal consolidation may lead to increased negative impacts on the socio-economic development. Achieving fast results in fiscal sphere involves substantial public spending cuts or increased tax burden, which is often accompanied by a decline in economic growth. In case of implementation of measures of fiscal consolidation by reducing public expenditure social problems exacerbate and funding economic reform programs is restricted. A sharp decline in government borrowing and changes to their structure may change position on the financial markets [2, p. 13].

In the event of a significant reduction of economic growth during the implementation of programs of fiscal consolidation measures, countries with low measure, can usually stop the fiscal regulatory efforts with expectations of favourable forecasts of economic growth. According to the views of foreign researchers, fiscal adjustment needs to implement macroeconomic policies that take into account the priorities and rules of behaviour of world economic activity. Given the fiscal consolidation policy cycle should focus primarily on purpose structured or cyclic regulation [16].

A number of structural and cyclical changes in fiscal policy started in many countries, designed to change the very structural model of public finances and their institutional influence that goes beyond the mechanical balancing of the budget. The base vector take of implementation of structural and cyclical changes in the model of public finance concerns going exclusively beyond focus on fiscal rules. Controversial experience of their effectiveness as a limiter biasing deficit requires a comprehensive solution to the problem of motivation change in fiscal consolidation [17]. Despite the fact that the rules that include the cyclical component of the fiscal adjustment, continue to be perceived positively [18], we must admit that they themselves are not a guarantee of debt sustainability in the long term. As G. M. Milesi-Ferretti shows, [19], if the government is prone to "creative accounting", the introduction of fiscal rules can indeed be a compromise between the real fiscal adjustment and politicians attempt to "earn points" in the eyes of the electorate. Having flexible fiscal rules and norms and the combination of the objectives of stability of public finances, needs the flexibility to respond to financial and economic shocks, making them vulnerable to prolonged economic shocks and distort the symmetry of reactions on structural and cyclical changes in the mechanism of fiscal consolidation.

But for fiscal rules and regulations to become an effective regulator of the macroeconomic situation in the country, they should be supplemented by additional institutional structures, designed to influence the direction of fiscal policy coordination rather than signal a limitation. Thus, the institutional model of public finances should be based on multi-level and effective control of fiscal rules in the mechanism of fiscal consolidation. Fiscal rules are beginning to increasingly seen as an integral element of neutrali-

zation of possible negative consequences of the implementation of fiscal consolidation programs to strengthen control over the debt of the general government, as well as the general government budget balance.

In recent years, many countries have begun to adopt fiscal rules of the future generation and combine them with the objectives of fiscal sustainability with the needs of flexibility to adjust to the financial and economic shocks. Overall fiscal rules tied to the phases of the economic cycle, focus on stabilization targets of fiscal policy and at the same time are designed to ensure sustainability of public finances during the implementation of programs of fiscal consolidation in the long term [2, p. 36].

#### 4. CONCLUSIONS and DISCUSSION.

Conducting research makes it possible to formulate a number of conclusions.

In modern scientific literature the unity of views of the interpretation of the meaning of fiscal consolidation that demonstrates theoretical explication and summarizes etymological nuances of the concept has not been established.

The study confirmed that fiscal consolidation as a system of discretionary fiscal policy measures to improve the budget balance, structural and institutional reforms, requires continuous in-depth study, especially from the perspective of justification of the main public finances issues to be addressed during the period. It has been reasoned that fiscal consolidation program are aimed at stabilizing public finances and improving their sustainability.

Structural and cyclical changes in fiscal sphere and implementation of fiscal consolidation programs were accompanied by the extension of the fiscal rules, which should be an effective regulator of the macroeconomic situation in the country.

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### МАКРОТЕОРЕТИЧНІ ЗАСАДИ ФІСКАЛЬНОЇ КОНСОЛІДАЦІЇ

*У статті аналізується малодосліджена категорія "фіскальна консолідація". Наведено різні трактування змісту фіскальної консолідації. Наголошено, що в сучасних умовах фіскальна політика у країнах ЄС націлена переважно на реалізацію програм фіскальної консолідації, які передбачають забезпечення стійкого стану державних фінансів шляхом здійснення заходів із обмеження фіскальних дисбалансів (передусім дефіциту сектору управління та державного боргу). Проаналізовано програми фіскальної консолідації, спрямовані на забезпечення стабілізації розвитку державних фінансів та підвищення їх стійкості. Доведено, що фіскальні правила і норми сприяють процесу фіскальної консолідації.*

*Ключові слова: фіскальна політика, фіскальні правила, фіскальна консолідація, бюджетний баланс, державний борг, структурні та циклічні зміни, стійкість державних фінансів.*

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### МАКРОТЕОРЕТИЧЕСКИЕ ОСНОВЫ ФИСКАЛЬНОЙ КОНСОЛИДАЦИИ

*В статье анализируется малоизвестная категория "фискальная консолидация". Приведены различные трактовки содержания фискальной консолидации. Отмечено, что в современных условиях фискальная политика в странах ЕС нацелена преимущественно на реализацию программ фискальной консолидации, которые предусматривают обеспечение устойчивого состояния государственных финансов путем осуществления мероприятий по ограничению фискальных дисбалансов (прежде дефицита сектора управления и государственного долга). Проанализированы программы фискальной консолидации, направленные на обеспечение стабилизации развития государственных финансов и повышения их устойчивости. Доказано, что фискальные правила и нормы способствуют процессу фискальной консолидации.*

*Ключевые слова: фискальная политика, фискальные правила, фискальная консолидация, бюджетный баланс, государственный долг, структурные и циклические изменения, устойчивость государственных финансов.*

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DOI: <http://dx.doi.org/10.17721/1728-2667.2016/183-6/2>A. Ignatiuk, PhD in Economics, Assistant  
Taras Shevchenko National University of Kyiv, Kyiv, Ukraine**BUSINESS INTELLIGENCE FOR INSURANCE COMPANIES**

*The current state and future trends for the world and domestic insurance markets are analyzed. The description of business intelligence methodology, tools and their practical implication for insurance companies are provided.*

**Key words:** insurance market, insurance company, market trends, business intelligence, business intelligence elements.

**Introduction.** The modern global insurance market is characterized by several important trends that will have impact on the future development of this industry. Those trends will have a different impact in terms of their positive or negative directions and magnitude on advanced and emerging insurance markets. The future development of Ukrainian insurance market also will be driven by global trends as well as by the specifics of domestic economic and political situation and local capital market trends. However, all insurance companies (global and domestic) should take into account the main future trends on the market during their mid- and long-term strategy development.

*The purposes of this paper* are to examine the current state and analyze the recent trends for the world and domestic insurance markets, to provide the description of business intelligence methodology and tools, and to assess the possibility of practical implication of business intelligence for insurance companies.

**Literature Review.** The questions related to the insurance market development trends have been discussed before by such domestic and foreign researches as Bazylevych V., Zaletov O., Osadec S., Pikus R., Prykaziuk N., Yuldashev R. and others. Business intelligence topic has been explored before by Dresner H., Evelson B., Nicolson N. and others.

**Methodology.** There have been performed already a lot of studies on the business intelligence methodology and tools, and their practical application for companies taking

into account the recent business intelligence and markets trends. In current paper the author is going to concentrate her attention specifically on insurance market and insurance companies, their problems and challenges and discuss how business intelligence methodology and tools can be used by the companies in this industry taking into account its specifics. This paper is more focused on the qualitative approach than quantitative and the aim is to construct hypothesis model that can be used by insurance companies during their strategy development.

**Results.** The current state and future perspectives of the world insurance market are characterized by several trends that have direct impact and practical application during the development of future insurance strategies for those insurance companies that would like to preserve, improve and expand their business.

*Advanced markets are losing their positions to emerging markets* due to the higher growth rates of insurance premiums in the last ones. Advanced economies that have more than 80% of global insurance market share show poor performance because of almost flat growth rates of insurance premiums (table 1). Growth on the global insurance market were stimulated mostly by Latin America and Emerging Asia countries that are responsible for less than 15% of global insurance market premiums but have been showing the higher than average in the world growth of insurance premiums.

**Table 1.** Main global insurance market indicators by region/country, 2013-2014

Region/Country	Premium volume (in millions of USD)		Change (in %) inflation-adjusted		Share of world market (in %)	Premiums in % of GDP	Premiums per capita (in USD)
	2014	2013	2014	2013	2014	2014	2014
<b>America</b>	<b>1,594,040</b>	<b>1,561,461</b>	<b>1.1</b>	<b>-1.4</b>	<b>33.36</b>	<b>6.29</b>	<b>1,637.8</b>
North America	1,405,816	1,382,749	0.7	-2.2	29.42	7.31	3,968.5
Latin America and Caribbean	188,225	178,713	4.1	5.7	3.94	3.07	304.1
<b>Europe</b>	<b>1,697,529</b>	<b>1,620,133</b>	<b>3.5</b>	<b>1.4</b>	<b>35.53</b>	<b>6.83</b>	<b>1,902.0</b>
Western Europe	1,627,670	1,544,429	3.7	1.5	34.06	7.77	2,995.7
Central and Eastern Europe	69,859	75,704	-1.5	0.8	1.46	1.91	217.5
<b>Asia</b>	<b>1,317,566</b>	<b>1,251,992</b>	<b>6.5</b>	<b>-0.5</b>	<b>27.57</b>	<b>5.21</b>	<b>307.4</b>
Advanced Asian markets	802,938	797,054	3.8	-3.8	16.8	11.44	3,728.3
Emerging Asia	465,557	409,830	11.8	7	9.74	3.1	125.6
Middle East and Central Asia	49,071	45,108	6.4	6.7	1.03	1.55	141.8
<b>Africa</b>	<b>68,974</b>	<b>70,294</b>	<b>1.6</b>	<b>5.5</b>	<b>1.44</b>	<b>2.79</b>	<b>61.3</b>
<b>Oceania</b>	<b>100,140</b>	<b>89,752</b>	<b>15.8</b>	<b>7.3</b>	<b>2.1</b>	<b>5.92</b>	<b>2,600.3</b>
<b>World</b>	<b>4,788,248</b>	<b>4,593,632</b>	<b>3.7</b>	<b>0.1</b>	<b>100</b>	<b>6.17</b>	<b>662.0</b>
Advanced markets	3,939,311	3,815,278	2.9	-1	82.44	8.15	3,666.3
Emerging markets	838,936	778,354	7.4	5.9	17.56	2.71	135.6
EU, 15 countries	1,517,098	1,435,429	3.8	1.4	31.75	8.11	3,418.1
United States	1,280,443	1,254,776	0.43	-2.8	26.8	7.3	4,017.0
PR China	328,439	280,119	15.2	-	6.87	3.2	235.0

Source: [18].

The main reasons for such poor performance in developed countries, especially in Western Europe and USA, were the slowdown or even decrease of average

spending on insurance services and also the flat rates of insurance markets penetrations (Fig. 1). No increases in the density together with the slowdown in the GDP growth

rates lead to the fact that insurance companies in Western Europe and USA were not able to increase their total premium volume. At the same time emerging markets that

have low insurance premiums per capita indicators and high GDP growth rates were able to show positive insurance premium volume dynamics.

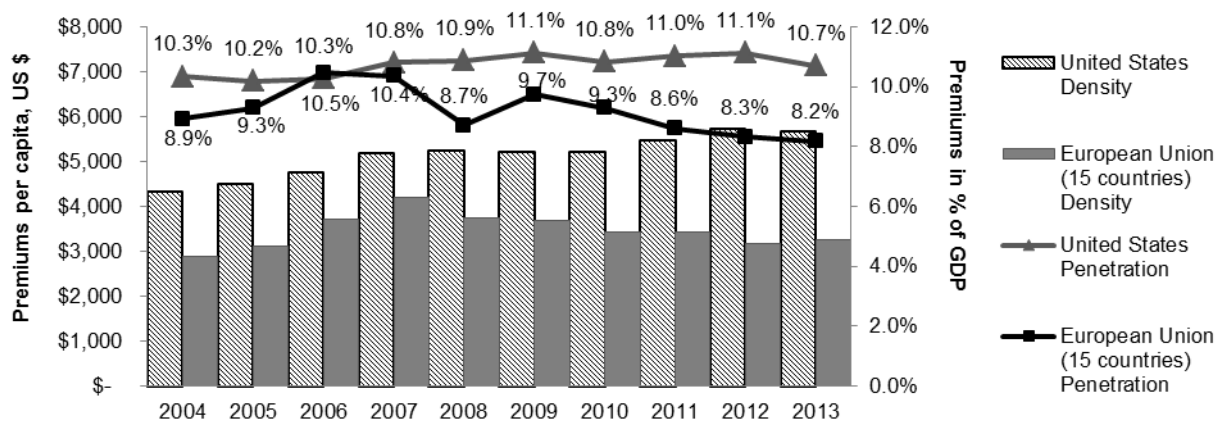


Fig. 1. US and EU (15 countries) insurance markets density (US \$) and penetration (%), 2004-2013

Source: [Calculated using data from #9].

This trend will have the next practical implication for the insurance companies, especially on developed markets:

- competition within the industry will increase further and most companies will be trying to gain additional sales and revenue at the cost of their competitors taking into account the flat or minimum growth rates of the total insurance industry in advanced economies. The increase in competition will lead to some positive benefits for the customers, like more advanced and attractive insurance products, bigger variety of offers, better pricing and improved customer service;
- insurers should re-think their strategies on developed countries and orient on the market segments that will show higher growth rates and more opportunities than other. Taking into account aging population and

increased life time expectancy in developed countries, especially in US and EU, possible opportunity areas could be products that offer lifetime income protection [4, p. 9];

- insurance companies will be further expanding into new developing markets where currently there are more opportunities for growth of insurance products demand. The increasing size of the middle class and higher GDP growth rates in emerging economies will drive this future growth. For example, the share of middle class of Asia Pacific region in total global middle class volume right now is around 30%, however it is projected to increase up to 54% by 2020 and up to 66% by 2030 year (table 2). This will lead to the increase of purchasing power of hundreds millions people in Asia region.

Table 2. Size and share of the global middle class by region

	2009		2020 (projected)		2030 (projected)	
	Millions of People	Percent of Total	Millions of People	Percent of Total	Millions of People	Percent of Total
North America	338	18%	333	10%	322	7%
Europe	664	36%	703	22%	680	14%
Central and South America	181	10%	251	8%	313	6%
Asia Pacific	525	28%	1740	54%	3228	66%
Sub-Saharan Africa	32	2%	57	2%	107	2%
Middle East and North Africa	105	6%	165	5%	234	5%
<b>World</b>	<b>1845</b>	<b>100%</b>	<b>3249</b>	<b>100%</b>	<b>4884</b>	<b>100%</b>

Source: [11, p. 28].

In 2009 Asia Pacific countries accounted only for 23% of the global middle class spending, in 2020 this number projected to be 42% and in 2030 – 59% [18]. It is expected that most of this growth will be coming in the future from China and India. Historically this was not the case. For example, around 70-75% of the growth in the global insurance market were coming from North America and Western Europe regions between 2000 and 2007 years, starting from 2007 till 2011 most of the growth (70-80%) were coming from Latin America and Asia regions [4, p. 49].

Ukraine insurance market is characterized by very low relative values for density and penetration coefficients (\$80 and 1.1% in 2013 respectively) [13]. The main reasons for such a low development level of the market are difficult and

unstable economic and political situations and low purchasing power of the people in the country. Ukraine belong to the group of countries that have very low level of average income which lead to the fact that insurance products are not considered as a primary consumption products and most of the population cannot afford such purchases. According to the Lloyd report on Microinsurance, this strategy can be viewed by insurance companies as one of the most effective one when it comes to the problem of attracting big group of customers in poor countries. The most demanded microinsurance products in Ukraine are expected to be insurance products that protect customers from illness, disability and theft risks [10, p. 12].

*Growing number of different distribution channels and their disconnection* due to expansion of business on insurance market will lead to the new challenges for the companies related to the integration, new technologies and growing size of the information coming from different sources. The primary channels for insurance companies for a long period of time were all types of agents (independent and general), brokers and bank channels. Right now the situation is different due to appearance of new technologies – the distribution channels include also direct sales by telephone or mail, workplace selling, the Internet, etc. [4, p. 36-37]. According to the J.D. Power and Associates 2012 Insurance Study around 74 % of automobile insurance customers visit at least one insurer Web site and 34% of all insurance auto policies were bought online [4, p.36]. Currently the usual way for insurance companies is to closely cooperate with other various institutions in order to sell their products, like different associations, car dealers, real estate brokers, pet shops and travel agents, etc. [6].

In Ukraine the Internet sales is only on the early stage of development, most of the company web-sites have only general information about the insurance company and its products without the possibly to make internet purchase. Some of the insurance companies (usually the small one) do not have even web-sites. The product range that could be bought through the Internet is also very limited in Ukraine and mostly includes very simple products like travel insurance and automobile insurance products [1].

The direct implication of this trend for insurance companies is the need for integration of the different type of data coming from those disconnected distribution channels. According to the survey conducted by IBM among UK insurance companies, only 16% of companies integrate their customer data into single database, 24% combine data across different distribution channels, while 38% had no integration at all for all their different lines of business and channels [16].

*Insurance companies need to be more focused on customers' retention and acquisition* in the future due to the increasing competition on the market and low level of customer trust. In order to increase the retentions rates insurers should be able first of all to identify quickly those groups of customers that need the most focused attention and special product offers. This would be difficult to do without having single and consolidated customers database that is updated on ongoing basis using information from different sources and distribution channels. Such massive data consolidation requires often significant investments in the IT infrastructure and analytical software. According to the Global 2015 insurance outlook many insurance companies will be increasing their IT investments that can help to strengthen their relationships with customers in different regions [3, p. 1]. For example, only 70% of consumers in the world trust insurance companies and in some regions this number is even lower (UK and Australia – 53%), while for supermarkets the level of trust is about 84% globally and for banks – 82% (94% in Middle East and India, 92% in Asia) [15, p. 9]. The most important characteristics mentioned by the customers for long-term relationships with their insurers are value or money propositions (47% of respondents) and clear communication (43%) [15, p. 11]. Insurance companies will need to leverage all of the available data in order to understand what customers values the most and make for them valuable proposition, this process of value proposition should be more customized and individualized in the future in order to prevent high customers turnover.

Another important fact is that companies on insurance market should continuously interact with their customers in order to increase their loyalty and retention rates. According to the EY Global Consumer Insurance Survey 2014 44% of current customers report no interactions with their current insurer during the previous 18 months (this number is even higher for developed markets – 56%).

In Ukraine the level of trust to insurance companies is even lower than overall in the world. According to the survey conducted by USAID program only 11% of respondent trust insurance companies, 15% – private banks and 38% – government bank institutions [2, p. 21]. Such negative attitudes toward financial institutions could be explained by the low level of protection of customers on financial market in Ukraine, problems in regulations of capital market, low level of financial literacy among population and unstable economic situation.

*The profitability of investments, especially for life insurance companies, had negative tendencies* due to low interest rate environment. The main threat as a result of this trend could be a future tendency of life insurance to invest in "higher-yielding, but riskier, assets" [4, p. 47]. However, overall in the world the life insurance market is a subject to strict regulations related to possible investment portfolio instruments which means that the companies will need to find other ways and solutions to increase their investment profitability and to meet long-term liabilities to their clients.

Specifics of domestic insurance market are related to the structure of investment portfolio and availability on the capital market different investment instruments for long-term investing of insurance companies. 42.2% of technical reserves of Ukrainian insurance companies were allocated on bank deposits in 2013, 12.7% – on current bank account, 12.2% – stocks, 1.8% – bonds and 4.8% – government issued securities [13].

All of the above trends put a high pressure on the insurers related to their operational, analytical and strategical excellence in the future years. For a single company it would be very difficult to solve all those issues without having and exploring business intelligence tools.

In general business intelligence (BI) can be defined as "a set of methodologies, processes, architectures, and technologies that transform raw data into meaningful and useful information. It allows business users to make informed business decisions with real-time data that can put a company ahead of its competitors" [7, p. 1].

Another good definition that point out the need for ongoing business intelligence process inside organizations is provided by Pirttimäki: "BI is defined as an intelligence process that includes a series of systematic activities, being driven by the specific information needs of decision makers and the specific information needs of decision makers and the objective of achieving competitive advantage. Other intelligence concepts are considered as components of BI" [14, p. 1-17]. This term was proposed as an umbrella term first time by Howard Dresner, a Gartner Group analyst, in 1989 year.

Business intelligence (BI) main goals could be defined as the next ones:

- provide the business users with the timely, accurate and relevant information by transforming raw data into meaningful and useful intelligent information;
- enable and improve business decision making (past and future analysis, trends and markets analysis, future forecasting, prediction and foresight) by using and analyzing intelligent information.

Business intelligence includes next components which are described in table 3:

**Table 3. Business intelligence elements and their business functions**

BI element	Main functions	Business problems solved
Data collection	Collect relevant and accurate data from different sources (internal and external) in a timely manner	Provide users with the up to date, accurate and relevant data from all available sources (internal databases, external data, open source data, etc.) continuously
Data centralization	<ul style="list-style-type: none"> <li>Combine and centralize isolated databases and reports</li> <li>Remove data duplication inside the organizations</li> <li>Provide easy access and increase shareability of the data</li> </ul>	<ul style="list-style-type: none"> <li>Reduce and optimize data storage and data collection costs</li> <li>Provide common enterprise-wide view for a business users by combining isolated data pieces</li> </ul>
Data cleaning	<ul style="list-style-type: none"> <li>Improve the quality of the data</li> <li>Prepare data for further mining and analysis</li> </ul>	<ul style="list-style-type: none"> <li>Improve the decision making by filtering out poor-quality data</li> <li>Reduce the time and costs required for the data preparation for the further analysis</li> </ul>
Data mining and drilling down	Enable user-specific reporting and drilling down from summary to specific transactions if needed	Provide users with actionable information on how to improve current business processes
Advanced analytics	Provide users with extensive statistical analytics tools for past analysis, future forecasting and extrapolation of past trends	<ul style="list-style-type: none"> <li>Provide certainty measures on facts and past events in order to understand possibilities for improvement and past growth drivers</li> <li>Find out possible future scenarios for business development</li> </ul>
Predictive modeling and foresight	Provide users with other business intelligence techniques that will help to predict future trends, new opportunity areas	<ul style="list-style-type: none"> <li>Find out how the past trends will change and what can be expected in the future</li> <li>Select the best possible scenario through analyzing future changes and trends</li> </ul>

Source: [Developed by author].

Certainty BI elements are highly supported by information technology solutions, like OLAP techniques, data warehouses and data marts, scorecards and dashboards, all kind of information systems (TPS, MIS, DSS, ERP, CRM, etc.), Software-as-a-Service (SaaS) and so on [8, p. 61-62]. The further development of business intelligence is highly dependent on the development of information technologies and their availability and affordability for business users.

Despite the fact that companies are spending a lot of money on information technologies and BI solutions nowadays most of those spending does not lead to improved business decisions. According to the Gartner IT spending report there were spend around \$3.2 and \$3.5 trillion on IT devices and services worldwide in 2010 and 2011 accordingly. This number is expected to increase to ~\$4.2 trillion in 2016. Most of this spending in 2011 was related to telecom services – 46.9%, IT services accounted for 24.4%, IT devices account for 17.2% and Data center systems and Enterprise software – only for 3.9% and 7.6% respectively [17]. Most of the spending related to gaining insights from the data across all aspects of their organizations is allocated to customer insight (73%); operations (50%) and sales (49%) hold the second and third places [12, p. 30]. However, despite such significant investments and general understanding of the right directions for those investments 25% of global CEOs are disappointed by the inability to extract useful information

from a lot of disconnected data available inside the organization [12, p. 33]. According to the Global CEO study 2012 results a consumer products CEO from North America main concern is that "We have lots of data, but only 10 percent of it is useful information. And even within that 10 percent, we are not using it effectively. Impactful analytics is not in our genes" [12, p. 33].

Global CEOs already realized that big data trend put on their companies big claims in terms of being able to leverage new technologies and sophisticated analytical techniques in order to make their business more profitable and faster. Another important discovery is that the business intelligence specialists have to be far beyond only data scientists and mathematicians; there is real need for the cross-disciplinary business, IT and data specialists who can provide their holistic view and knowledge that will help to connect real business problems with the analysis of existing environment and trends using advanced IT technologies, data knowledge and statistical techniques.

Taking into account the most important global trends on the market insurance companies can explore BI tool in order to overcome those threats and drive the future growth of their business. Since insurance companies have both regular operations like other organizations and some specific operation related to their business, application areas of business intelligence tools and methodology can be divided on two dimensions: general and industry specific (table 4):

**Table 4. Business intelligence application areas for insurance companies**

Application area	Description	Business problems solved
<b>General</b>		
Accounting and Financing	Support finance and accounting department business processes that is responsible for tracking financial assets and fund flows	Maximize returns on company financial assets and its capitalization
Sales and Marketing	Like any other company insurers have different distribution channels and different group of customers with their individual needs. This one area is responsible for analyzing those varieties and find the most effective channels and most profitable customers groups	Improve product and services distribution, improve product and service ranges, increase sales, profits and market share
HR management	support human resource department business processes that is responsible for attracting, developing, and maintaining the firm's workforce	Attract new employees, track the performance of existing employees, create reward and training programs

Continued Table 4

Application area	Description	Business problems solved
<b>Industry specific</b>		
Agent performance analysis	Monitor agents performance, identify the most effective agents in terms of new customers attraction and retention rates	Reward and promote the most productive agents, improve customer experience and reduce the costs
Actuarial and risk management	Actuarial and risk management analysis across different sources, products and offers	Reduce the risk level for new and existent product, offers and provide adequate pricing for them
Claim management	Properly manage the claims information in order to optimize pricing and improve response to claims	Determine and measure the most profitable areas and apply the most effective rate structure
Fraud management	Identify the fraud behavior and predict it before it happens	Reduce companies losses by spending money on fraudulent claims

Source: [Developed by author using data from #5 source].

The main nuances that should be taking into account during the analysis of possibilities to use business intelligence tools and methodology in Ukraine are the next:

- Ukrainian companies usually have much lower budgets for IT and business intelligence projects. Possible solution here could be to use the IT and BI products from local providers;

- Ukrainian CEOs have relatively low IT culture which means there is no full understanding of the advantages and positive outcomes of investing in IT and BI technologies;

- there is much lower rate of modern IT usage among Ukrainian customers than overall in advanced economies; most of the people do not feel comfortable even with such very common in the world technology like Internet;

- there is little support on government side on the introduction of new technologies in business environment from which may benefit not only private companies, but also regular customers and government agencies;

- due to unstable economic and political, and highly risky environment in Ukraine a lot of foreign and local companies are afraid to make any kind of long term investments.

**Conclusions.** Most of the insurance companies today are already using some tools and information technologies that are designed to help them to understand and operate better their business, to investigate customers and their needs as well as get other internal and external information needed for everyday operations. However, not all of those good efforts and investment lead to positive results because still a lot of companies are struggling from the collecting irrelevant or poor quality data, being unable to have a single view on their customers and business value propositions due to disconnected and isolated databases and tools inside the organization, inefficient customer services and support. Business intelligence approach and tools can close those gaps and provide insurers with visibility and transparency for their business and customers by collecting the data, extracting the relevant information, and transforming it in a timely manner into actionable insights that can help managers to take advantage on the market.

Of course during the application of BI approach and tools recent dynamics and trends on insurance markets, as well as market specifics should be heavily taken into account, especially when deciding about the allocation of limited investment resources between different areas.

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#### БІЗНЕС-РОЗВІДКА ДЛЯ СТРАХОВИХ КОМПАНІЙ

В статті розглянуто сучасний стан та майбутні напрямки розвитку світового та вітчизняного страхових ринків. Проведено аналіз методології інтелектуального бізнес аналізу, її основних інструментів та можливостей практичного застосування цієї концепції страховими компаніями.

Ключові слова: страховий ринок, страхові компанії, ринкові тренди, інтелектуальний бізнес аналіз, інструменти інтелектуального бізнес аналізу.

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### БИЗНЕС-РАЗВЕДКА ДЛЯ СТРАХОВЫХ КОМПАНИЙ

*В статье рассматривается современное состояние и будущие направления развития мирового и отечественного страховых рынков. Проводится анализ методологии интеллектуального бизнес анализа, ее основных инструментов и возможностей практического применения этой концепции страховыми компаниями.*

*Ключевые слова: страховой рынок, страховые компании, рыночные тренды, интеллектуальный бизнес анализ, инструменты интеллектуального бизнес анализа.*

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### THE ROLE OF THE SOCIAL-ENTREPRENEURSHIP CORPORATIONS IN KAZAKHSTAN IN THE DEVELOPMENT OF THE PUBLIC PRIVATE PARTNERSHIP MECHANISMS

*The article describes the features of the establishment and functioning of the specialized institutions of the public-private partnership – the social-entrepreneurship corporations in Kazakhstan. Based on the study of foreign experience of the creation of similar organizations, the advantages and problems of their functioning have been determined. The social-entrepreneurship corporations of Kazakhstan have a non-profit corporation model, but their mission is to meet the challenges of gaining profit and investments for the socio-economic development of the regions. This article describes the functioning activities of the social-entrepreneurship corporation "Saryarka" of Karaganda region, the dynamics and structure of its investment portfolio and the main problems are determined in it.*

**Keywords:** public private partnership, regional institutions of public private partnership, social-entrepreneurship corporations.

**Extended summary:** The article describes the features of the establishment and functioning of the specialized institutions of the public-private partnership – the social-entrepreneurship corporations in Kazakhstan. Based on the study of foreign experience of the creation of similar organizations, the advantages and problems of their functioning have been determined. The social-entrepreneurship corporations of Kazakhstan have a non-profit corporation model, but their mission is to meet the challenges of gaining profit and investments for the socio-economic development of the regions. The difference of the social – entrepreneurship corporations from the business ones is the reinvestment of the gained profit into the realization of the social projects of the region, in the interest of which they are created. Thus, under the social responsibility must be understood not only the investments

of profits in social projects, but also the creation and maintenance of competitive business, the creation of new industries on the basis of unprofitable enterprises, the efficient use of the state property. Each corporation should become a regional development institution, which will contribute to strengthening of business cooperation. This article describes the functioning activities of the social-entrepreneurship corporation "Saryarka" of the Karaganda region, the dynamics and structure of its investment portfolio and determines the main problems.

**Problem statement.** In Kazakhstan, when new economic relations are gradually developed, and its economics becomes more and more integrated in the world community, there is an acute need for the structural change and closer cooperation between the state and the private sector. There has appeared and begins to play increasingly

important role such an effective structure as a public-private partnership (PPP). The heightened interest in this cooperation between the state and the private business is explained by the fact that in many countries it helps effectively to solve major social and economic problems by combining the resources of public and private sectors.

Emerging budgetary constraints in the current financial and investment crisis because of their capital intensity and durability make us to review the potential of republican and local budgets for the implementation of many projects (housing construction, development of transport and communication infrastructure, the creation of alternative forms of public transport, etc.). Despite a slight decline in the investment activity in such circumstances, for the State it remains an urgent task to attract the private capital to these fields of activity, which is able to significantly improve their efficiency.

**Analysis of the recent research and publications.** In modern economics, the identification of the nature and the main purposes of functioning of the PPP is the subject of many studies. In particular, the studies of Savas E. [1], Hodge G.A. and Greve C. [2], Gerrard M.B. [3], Grimsey D. and Lewis M. [4] and others are dedicated to the resolution of these issues. A number of the researchers, particularly Russian ones, analyzing the PPP, focus on the social aspect and the solution of the state problems, that is to a certain extent close to the line of our research. So, Tsvetkov believes that the "public-private partnership (the PPP) is a way of the interaction between the state and private companies for solving the social and economic problems and for the achievement of the objectives that are interesting to the both parties. The PPP principles are applied first of all concerning the implementation of the investment projects in the capital-intensive sectors of the national economy, for the development of which the state must be responsible..." [5].

The American professor E. Savas in his book "Privatization and Public-private Partnership" has marked out three values of the term PPP:

- PPP – any agreement in which the state and private sectors unite for production and granting goods and services. Under this broad definition both contracts, and grants are approached;
- PPP – difficult, multilateral infrastructure projects;
- formal cooperation between business, civil society and local authorities for development of territories and improvement of living conditions of the population within which traditional roles of the state and private sector are redistributed [1].

The expert in the field of PPP, the Australian economist Mr. Hodge believes that it is possible to find, at least, five options of approaches to definition of PPP in modern literature:

- a contractual agreement between the state agent and the private sector which allows the last to participate in granting the public benefits;
- alternative of privatization;
- a way to overcome both failures of the market, and failures of the state, increase in efficiency state of sector due to use of the principles of management of the private sector;
- the scheme of support of business in crisis times;
- the language game invented by lawyers, consultants and brokers for receiving the bigger commission [2].

A number of the Kazakhstan authors [6, 7] also consider the problem of the PPP development in Kazakhstan through the establishment and functioning of

the social entrepreneurship corporations, special institutions of the public-private partnership.

**Emphasis on unsolved earlier aspects of the problem.** The successful implementation of the practice of the public-private partnership in the diversity of its forms is not possible without its appropriate development at the regional level. The questions of the regional peculiarities and the importance of highlighting the region as a key element of the development process of the socio-economic system of the country have recently become more urgent. In this connection, it was natural to create a network of the regional development institutions, aimed at the development of the cooperation between business and government. In contradistinction to the established PPP centers, the social-entrepreneurship corporations (SECs) have a greater number of functions and generally aimed at other forms of cooperation. Inherently, they are tools that help to establish the relationships between the public authorities and business organizations in the matters of prospecting for mineral resources, joint financing of the investment projects, the development of promising projects and the creation of adequate infrastructure for the development of industry in the region. [6]

**The purpose of the study** is to investigate the role of the social-entrepreneurship corporations of Kazakhstan in the activation of the investment processes in the respective regions based on the study of the foreign experience of the development of various forms of the public-private partnership.

**The methodological basis of research** supports the theory of the state and business interaction in the modern economy, and therefore the scientific publication of scientists – economists in this regard in scientific monographs and periodicals. Despite of a problem of public-private partnership in the modern economy, there are national peculiarities of institutions and the use of PPP projects mechanisms. In Kazakhstan public-private partnership is implemented through the creation of socio-entrepreneurial corporations, whose role in the development of the investment potential of the economy will be explored in this article.

**The main results of the study.** The basic document in the development of the social-entrepreneurship corporations of Kazakhstan is the Concept for the creation of the regional social-entrepreneurship corporations developed in accordance with the Strategy of the Regional Development of the Republic of Kazakhstan till 2015 and approved by the Decree of the Kazakhstan Government N 483 dated May 31, 2006. The main purpose of the SEC is the promotion of the economic development of the regions by consolidating public and private sectors, the creation of the single economic market based on the cluster approach [8, 9].

The "social-entrepreneurship corporations (SECs) are stable business structures that carry out their activities in order to gain profit from the production and sale of goods and services. The main difference of the SEC from the business corporations is that the gained profit is reinvested for the realization of social, economic and cultural objectives of the population of the region, in the interest of which the SEC is created." It is just this definition that was given by the President of Kazakhstan Nursultan Nazarbayev, when he first announced the idea of the creation of the SEC in his message to the nation in March 2006.

According to the idea of the President of Kazakhstan, each SEC should become a regional development institution and it can correspond to a holding company that manages the state assets in the respective region of the country, and the activity of the corporations is aimed at attracting new projects, development of small and medium-scale businesses, strengthening the cooperation.



Currently in the Republic of Kazakhstan there is an extensive network of the social-entrepreneurship corporations that work in several regions of Kazakhstan. Since the time of their implementation, they have managed to go through the significant changes several times (initially, the transfer of the social-entrepreneurship corporations in the management of the local executive bodies, then the reorganization and splitting up of some SECs). At the moment, we can say that in general, the SECs work and show positive results, net profit, realized projects. On the other hand, the certain problems relating to the opacity of the activity, the deviations from their missions, etc. are inherent in their development.

The realization of the idea of the social-entrepreneurship corporations started with studying the concept and mechanisms of their creation and development. The experience of the American Economic Development Corporations, the English Regional Development Agencies and Business Development Centre in Denmark was taken as the basis.

Due to the nature of the mechanism of the social-entrepreneurship corporations, let us consider the international experience, used for creating the concept of the SEC in Kazakhstan, more in detail.

The development of the similar structures in the United States was also based on the creation of the corporate structures (EDS – Regional Economic Development Corporation, CRDC – Certified Corporation of Regional Development, LVEDC – Economic Development Corporation). Existing in the US Regional Economic Development Corporations are regional corporations, initiated by a group of business leaders, with a minor proportion of the state involvement in order to mobilize the private sector resources, and that meet the needs of the society in the region. The mission of these corporations in the United States is to promote the economic development of the regions, thus to promote the well-being of the population.

The structures like the SEC in Denmark are called the social enterprises. These enterprises create the brands under which they sell products of the small and medium-scale businesses. They are the most famous under the brand "Danone". At the same time, the role of the state as well as in the American experience is minimal. In Denmark the social enterprises are established by the market participants, the government only offers the most convenient conditions for their activities (taxes, support and promotion on the foreign markets).

One can say that the experience of the United States and Denmark in the creation of the structures similar to the Kazakhstan version is based in full exactly on the initiative of the private sector, with the indirect participation of the state. In this regard, the experience of the UK in the establishment of the Regional Development Agencies is the greatest one.

*The Regional Development Agencies (RDAs)* in Britain are non-departmental public bodies, created in general for the economic development of the certain regions of the country. In addition, the RDAs perform the international integration function, taking upon themselves the responsibility of the government structures for managing the funds of regional development of the European Union. For each of the nine regions of the United Kingdom, there is a RDA [10].

The RDAs were established by the special Act in 1998 and then their powers were steadily extended. However, in 2010 the UK Government announced its plans to abolish the RDAs by 2012. Since this year, the local business partnerships (LBPs) have replaced all the RDAs. In fact, it

was due to a desire to save the budget funds of the United Kingdom. However, this fact speaks for itself: the very form of the RDA is not perfect and not static and it is subject to the development and revision.

Meanwhile the efficiency of the RDAs was enough high that is confirmed, in particular, by the value of the investment multiplier of these structures. For example, the research, conducted by the experts of the company "Price Waterhouse Coopers" in 2009, showed that British RDAs generated to the local economy 4.5 pounds with every pound of the state expenses. This value increases to 6.4 pounds if it is included in the calculation of the future income. This figure is universally recognized as the highest level of the return from the investments of the public sector of the economy.

The RDAs were financed from the funds of six departments of the central government of the country. Their General Fund, known as the "common pot" was a fairly modest sum for all the years, the average annual amount of funding did not exceed 2.3 billion Lbs. To understand the value of this amount better, we point out that the funding does not exceed 0.2% of the GDP of the United Kingdom [11].

The activities of the RDAs have three trends. The first trend assumes the achievement of goals either by means of the direct financing of the corresponding activities through the RDAs, or by indirect financing through other organizations acting as financial funds. The second trend assumes the impact on other agents (stakeholders) to involve them in their activities and thus to carry out their plans. The third trend is related to the influence on the central government, in which the representatives of the RDAs can defend the interests of their region. The principle of the "leading role" of the RDAs allows not only to save the resources of different RDAs due to the "departure" from the non-core issues for themselves, but, on the contrary, to achieve greater effectiveness in solving "their" issues through the specialization in them [12].

Despite the high economic efficiency of the structures used in England, the certain shortcomings and contradictions are peculiar to their activities. First of all, they boil down to the fact that these organizations largely duplicate the functions of existing state authorities. Besides, the organizations are not very popular among the representatives of the business environment. Another drawback of the RDAs is the lack of the proper control over their activities, which has led to a number of financial abuses by management.

Those things that we have begun doing in Kazakhstan are the most similar to the experience of the England (particularly in view of the fact that in 2012 at home the RDAs were reorganized).

In general, analyzing how the experience used in the design of the SEC Concept development in Kazakhstan and the experience of not included in it countries, there can be distinguished three models of organization of the regional development agencies:

1. Agencies with the strong centralized beginning (Canada, Australia);
2. Agencies with the dominance of the decentralized mechanisms (the USA, Denmark, the Great Britain);
3. In the form of the public corporations and business partnerships (Kazakhstan and to some extent the United Kingdom after 2012) [13, 14].

However, the features of the economic development of Kazakhstan have made their amendments that led to the creation of a kind of the unique model of the social corporate structure for promoting economic and social development of the regions.

There are some significant differences from the models of the mentioned countries: the form of the state participation in the corporations, organizational and legal structure and functions. According to the concept of creating the regional SECs the model of the direct government involvement has been adopted in the Republic, the corporate activity financing is carried on through the state budget.

The following functions have been determined by the Concept:

- the interaction with the authorities on the transfer of the part of the assets of the state property, land in the ownership of the SECs;
- management of the transferred assets of the public and private property; their restructuring or the organization of new industries on their basis;
- promotion of the products to the international markets;
- participation in the creation and implementation of the social projects;
- creation and implementation of the joint projects with the participation of the private domestic and foreign capital.

It can be said that in Kazakhstan they started almost immediately to implement the form of the major business partnerships. According to the organizational and legal form the SECs are created as non-profit corporations, but are designed to solve problems of gaining profit and investments in the socio-economic development of the regions. The difference of the social-entrepreneurship corporations from the business corporations is that the gained profit is reinvested for the implementation of the social projects of the region, in the interest of which the corporations are created. Thus, under the social responsibility must be understood not only the investment of profits in the social projects, but also the creation and maintenance of competitive business, the creation of new industries on the basis of unprofitable enterprises, the efficient use of the state property. Each of these corporations should become a kind of a regional development institution, which will contribute to the strengthening of the cooperation.

The specifics of the Regional Development Institution of Kazakhstan is that it is not a specialized agency with a certain status and the rules of interaction with central and regional authorities, but a holding company that coordinates all the work to enhance regional enterprises.

The holding model is flexible enough to use as an administrative resource of national corporations, and various forms of the public-private partnerships, including the share holding in the private business and trust management of many independent enterprises. And this mechanism is effective, in the structure of the assets of only one social-entrepreneurship corporation "Saryarka" there are currently 53 subsidiaries, affiliates and associated companies, including in the sphere of subsoil use 31 companies, and in non-primary sector 21 business entities [15].

The holding structure of the corporation and the active participation of the state in the SECs activities are not the only differences of the Kazakhstan practice of the social-entrepreneurship corporations from the world experience.

It should be noted that in the western analogues of the SECs the emphasis in the distribution of tasks is a little different. Thus, the land development for supporting new and existing business and for stimulating the expansion of existing business, the implementation of programs of granting loans to encourage the economic development, creation and promotion of the local economy that provides the employment and investment opportunity, are the fundamentals of the mission of the social enterprises.

Analyzing the fundamentals of the activities of the SECs stated in the Concept of the development and the results that have been obtained over the last five years, we can say that at the moment the main activity of SEC is mainly oriented to the already functioning business, rather than to the promotion of business development in the region that is the main function of the social corporations abroad. At the same time, one of the important functions of the SPC is to implement cluster initiatives. The cluster initiative, in fact, must be the basis of the state policy of the development of small and medium-scale businesses. The key role in the development of clusters in the country is assigned to the local initiatives, to the social-entrepreneurship corporations and local executive bodies. This approach is required because of the territorial factor of the implemented initiative and clear orientation of the SEC to the development of regional projects. The implementation of the cluster initiatives should be carried out by joining the efforts of the local small and medium-sized companies in order to capture the export "niches" where the region (or several neighboring regions) has potential competitive advantages. One of the main tasks of the SEC in this vein is the joint projects with the private entities. However, the preferences in choosing the partners will also be given to the existing enterprises.

Summing up we can say that the social-entrepreneurship corporations play a significant role in the development of the public-private partnerships, and in fact, they are the independent development of the Government of the Republic of Kazakhstan as there are not the regional bodies of the given structure in the world. Taking into account that to the management of the SEC has been transferred the right to dispose all the region's mineral resources (besides those ones that have strategic importance for the Republic) as well as a number of the state and municipal enterprises and infrastructure facilities, the SEC has a significant potential in the development of the regional economy, including through the setting – up of the relationships with the private sector.

The structure used in the SEC (the holding structure) allows the SEC to participate in the real sector of the economy, such as through the establishment of subsidiaries as well as through the creation of the joint ventures, or with the help of the active participation of the investment in associates.

Thus, the social – entrepreneurship corporation is a national company that realizes the idea of the public-private partnerships through the cooperation between the state and business structures. According to the organizational and legal form the SECs are created as non-profit corporations, but are designed to solve problems of gaining profit and investments in the socio-economic development of the regions. The difference of the social-entrepreneurship corporations from the business corporations is that the gained profit is reinvested for the implementation of the social projects of the region, in the interest of which the corporations are created. Thus, under the social responsibility must be understood not only the investment of profits in the social projects, but also the creation and maintenance of competitive business, the creation of new industries on the basis of unprofitable enterprises, the efficient use of the state property. Each of these corporations should become a kind of a regional development institution, which will contribute to the strengthening of the cooperation.

The organization of the SECs in Kazakhstan has several stages. Initially, in the Republic of Kazakhstan there were created seven social-entrepreneurship corporations covering all the regions of the country. Then

the SECs of the country changed the accountable organ several times and eventually were taken under the control of the regional Akimats (the regional administrations). The next step was the reorganization of a number of the SECs. Therefore, at the moment there are 15 social-entrepreneurship corporations operating in Kazakhstan. The evolution of the development stages of the SECs in Kazakhstan you can follow through the example of the Joint Stock Company "National Company Social-Entrepreneurship Corporation "Saryarka" of Karaganda region.

The Joint Stock Company "National Company" Social-Entrepreneurship Corporation "Saryarka" was established by the Government Decree of the Republic of Kazakhstan № 22 dated January 15, 2007 in order to promote the economic development of Akmola, Karaganda regions and Astana city. Subsequently, because of the revision of the state policy in this matter, by the Government Decree of the Republic of Kazakhstan № 266 dated March 31, 2010, it was decided to transfer the state-owned shares of the Joint Stock Company "National Company" Social-Entrepreneurship Corporation "Saryarka" in equal parts to the communal property of Astana, Karaganda and Akmola regions [16, 17].

The next step was the reorganization of the SEC "Saryarka" for three separate regional social-entrepreneurship corporations "Saryarka", "Yesil" and "Astana". Thus, the JSC "SEC" Saryarka "at the moment is a regional development institution, the activity of which is aimed at economic and social development of the Karaganda region.

The principles of operation and activities of the SEC are reflected in its mission and they are to promote the sustainable development of the Karaganda region through the effective use of the public-private partnerships and the formation of the investment and innovation infrastructure in order to achieve a new level of competitiveness and diversification of the regional economy.

The subsidiaries, joint ventures and associates of the SEC "Saryarka" cover many areas of the economic activity, starting from the activities in the sphere of housing and communal services, ending with the agro-industrial complex, metallurgy and metal processing.

As mentioned above, the social-entrepreneurship corporation has been established in order to promote the economic development of the region, creating the favorable conditions for the business development, consolidating the public and private interests, and also promoting the growth of living standards through the implementation of the social projects of the region. In this regard, let us consider the key indicators of the activities of the JSC NC SEC "Saryarka" in accordance with its priority directions of functioning and development.

The first priority direction of the development of the SEC "Saryarka" is the formation of an effective system for supporting and implementation of the investment projects. The investment portfolio of the SEC "Saryarka" at the beginning of 2015 is 32 billion tenge or 173.1 million US dollars. (At the rate for \$ 1 = 185.0 tenge) of the investments, including the investments in the construction of the infrastructure of the Industrial Park "Metallurgy and metal" (Fig. 1).

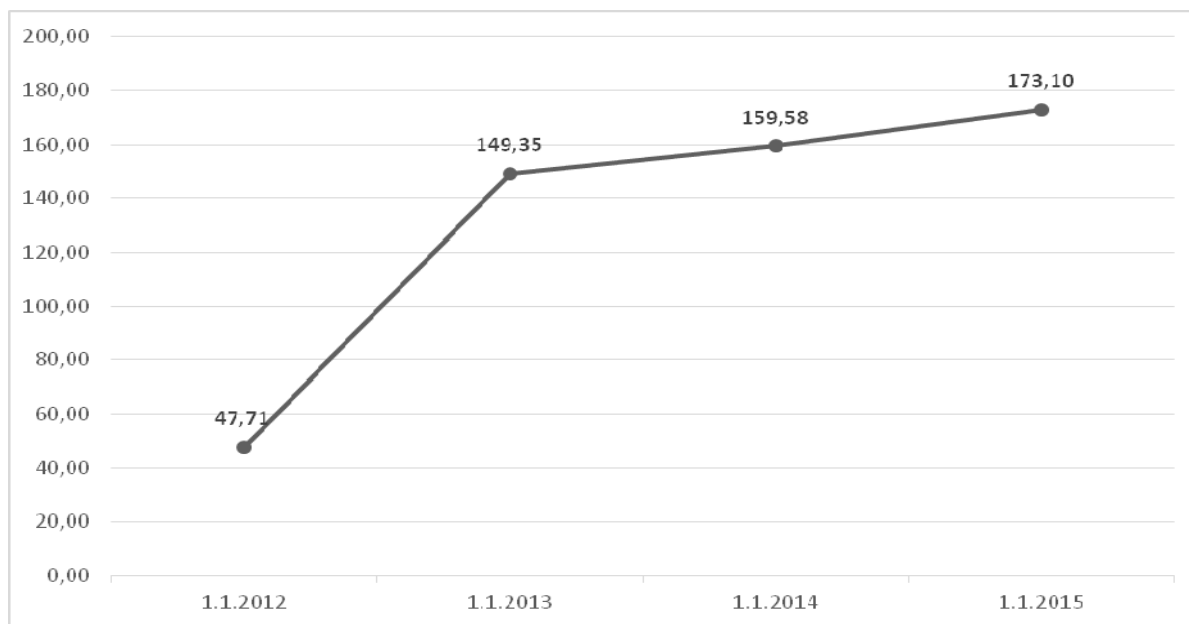


Fig. 1. Dynamics of the investment portfolio of the SEC "Saryarka", in million \$

Source: author's compilation

Without the project "Construction of the infrastructure of the Industrial Park "Metallurgy and Metal" in the structure of the investment portfolio (Fig. 2) there are only 73 projects worth \$ 92.9 million, including the bulk of the projects by the number (44) in the sphere of subsoil use,

and the projects with the volume of the investments in the field of agriculture (38,98 million \$). The projects in the innovation sphere in number 6 and the projects with the volume of the investments 19,01 million \$ make up 20.3% of the total investment portfolio.

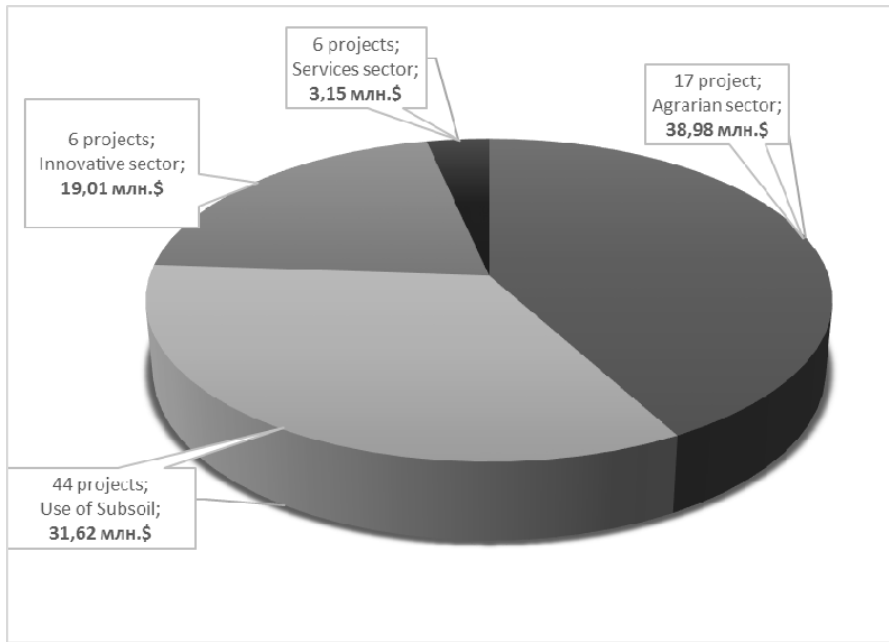


Fig. 2. Structure of the investment portfolio of the SEC "Saryarka" on 01.01.2015, in million \$

Source: author's compilation

Karaganda region has a fairly high investment potential. In the ranking of investment attractiveness of regional economies, region stability holds – 7-8 place. In 2014, the investment potential of the region remained at the same level, allows to take a second consecutive year, the 8th place in the national volume of investments in fixed assets, with a slight decline of 0.5%. Among the industrial regions of Kazakhstan Karaganda region also has the greatest share in investment in fixed assets, showing a nearly twofold excess of the volume of attracted investments in the economy of the region (Fig. 3).

An important role in the relatively high investment attractiveness of the Karaganda region is given the socio-

entrepreneurial corporation "Saryarka", performing the basic functions of the operator of the investment in the region. The development of the region is largely dependent on how an enabling environment is created to attract investment flows into it. Formation of such a medium is dependent on the presence of companies in the market, creating a highly efficient infrastructure for business processes, from the productive work of government agencies, contributing to its development, as well as on the activity of local companies and businesses seeking new resources for business development.

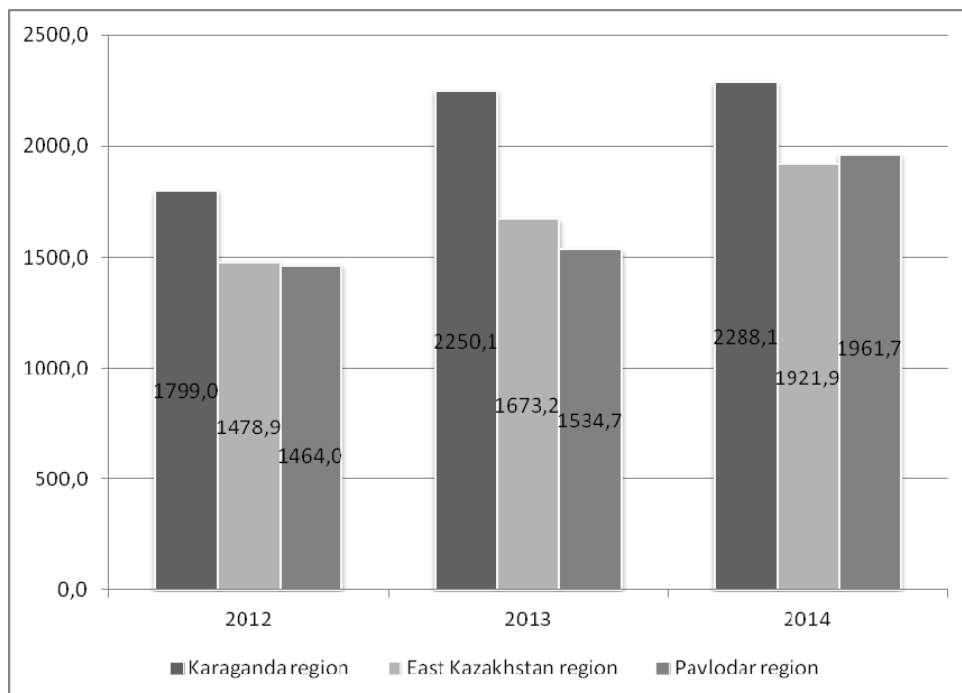


Fig. 3. Dynamics of investments into fixed capital by industrial regions of Kazakhstan for 2012-2014, in mln. USD

Source: author's compilation

However, the main focus in the implementation of the investment activities of the company is aimed at the construction and formalization of the effective business process chains of interaction with the investors through the optimization of the structure of both the company and applied project management. Moreover, the main criterion for selecting the projects to be implemented in the group "Saryarka" is not only their financial profitability, but also their strategic importance for the region.

In general, the experience shows that there are several reasons for the ineffectiveness of the activity of the social-entrepreneurship corporations that hamper their development.

1. The blurring of the SEC activities and the conflict of the interests of the SEC missions- from the rehabilitation of unprofitable state-owned assets in the regions to the socially responsible business players from the state.

2. The lack of the legal framework of the SEC functioning:

- a law on the SEC has not been passed;
- the issues of the alienation of the state property into private ownership have not been solved;
- the mechanism of the distribution of the profits of the SEC and its further investment in the social projects have not been regulated ;
- the principles of the accumulation of the financial resources of the SEC with the help of the corporate social fund agencies, etc.

**Conclusions and prospects for the further development in this sphere.** In general, the institution of the SEC in Kazakhstan, having in its basis the extensive property complex, start-up capital and above all, its own mineral resource base and land assets (or rather the right to their disposal) has a significant development potential in the future. It should be noted that in general there are also positive trends in the development of the whole mechanism of the PPPs in Kazakhstan.

But at the same time, in the development of the SEC there are certain problems and threats. Emphasizing the most important of them, the instability of the legal status of the SEC can be especially noted. There are almost 10 years since the time of the formation of the SEC, but for this period, the corporation has managed to change the owner of the shares (from the national level to the regional one), and then to be divided into several independent entities. The threats can also include the fact that, despite the positive results of the SEC activities in fact now its mission is not carried out in full, the predominance of the commodity projects in the investment portfolio and the underdevelopment of the social projects reduce the SEC effectiveness as an institution of the public-private

partnership. In addition, it should be noted that there is the information opacity of the SEC activities. The information about the state, the level of readiness and, most importantly, about the indexes of the efficiency of the activities has unsystematic, fragmentary character. And this is despite the fact that the principle of transparency plays an important role in the development of the PPP practice and the degree of its understanding among the population and representatives of the business environment.

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## РОЛЬ СОЦІАЛЬНО-ПІДПРИЄМНИЦЬКИХ КОРПОРАЦІЙ В КАЗАХСТАНІ В РОЗВИТКУ МЕХАНІЗМІВ ДЕРЖАВНО-ПРИВАТНОГО ПАРТНЕРСТВА

*У статті розглянуто особливості створення та функціонування в Казахстані спеціалізованих інститутів державно-приватного партнерства – соціально-підприємницьких корпорацій. На основі вивчення зарубіжного досвіду створення аналогічних організацій, визначені переваги і проблеми їх функціонування. Казахстанська модель соціально-підприємницької корпорації створюється як корпорація некомерційного типу, проте покликана вирішувати завдання отримання прибутку та інвестування в соціально-економічний розвиток регіонів. У даній статті розглянуті показники функціонування соціально-підприємницької корпорації "Сариарка" Карагандинської області, визначені динаміка і структура її інвестиційного портфеля, визначені основні проблеми.*

*Ключові слова: державно-приватне партнерство, регіональні інститути державно-приватного партнерства, соціально-підприємницькі корпорації.*

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## РОЛЬ СОЦИАЛЬНО-ПРЕДПРИНИМАТЕЛЬСКИХ КОРПОРАЦИЙ В КАЗАХСТАНЕ В РАЗВИТИИ МЕХАНИЗМОВ ГОСУДАРСТВЕННО-ЧАСТНОГО ПАРТНЕРСТВА

*В статье рассмотрены особенности создания и функционирования в Казахстане специализированных институтов государственно-частного партнерства – социально-предпринимательских корпорации. На основе изучения зарубежного опыта создания аналогичных организаций, определены преимущества и проблемы их функционирования. Казахстанская модель социально-предпринимательской корпорации создается как корпорация некоммерческого типа, однако призвана решать задачи извлечения прибыли и инвестирования в социально-экономическое развитие регионов. В данной статье рассмотрены показатели функционирования социально-предпринимательской корпорации "Сарыарка" Карагандинской области, определены динамика и структура ее инвестиционного портфеля, определены основные проблемы.*

*Ключевые слова: государственно-частное партнерство, региональные институты государственно-частного партнерства, социально-предпринимательские корпорации.*

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## THE INFLUENCE OF WAITING TIME SATISFACTION ON CUSTOMER LOYALTY TOWARDS MULTI-STAGE SERVICES IN A FULL-SERVICE RESTAURANT: EVIDENCE FROM INDIA

*Research shows waiting time in services is an important source of service evaluation by the customer. In fact, time is one component of the total 'cost' that the customer bears and cost is a core component of the perceived cost-benefit equation that the customer uses to evaluate her or his sustained patronage of a particular service. In most services, customers consider waiting as a waste of time. However, from the customer perspective, in the case of a full-service restaurant, waiting is expected and sometimes desirable also. Prior research, mainly in the west, suggests that when customers think that a wait for service is too long, they become less satisfied with overall service quality. Based on a research setting in a full-scale restaurant in India, this paper seeks answers to two research questions: First, what are the determinants of overall waiting-time satisfaction and second, what is the influence of waiting-time satisfaction on customer loyalty.*

**Key Words:** Customer Loyalty, Waiting Time Satisfaction, Services Management.

### INTRODUCTION

According to one estimate thirty seven billion hours were spent by Americans waiting to avail of services, during which time "they fret, fidget, and scowl." Such studies of customer frustration with waiting are well described in academic literature (Giebelhausen et al., 2011; Galdwell, 1993). Similar situations are not uncommon in other parts of the world. Another study suggests that the average person waits for twenty months in an eighty year lifetime (Wielenga, 1997; Lovelock and Wirtz, 2004). A little unfair perhaps, research also shows

that customers usually think they waited longer than they actually did (Chernow, 1981). According to van Riel et al. (2012) measuring customer satisfaction in a retail environment without accounting for various waits provides incomplete results. McGuire (2010) in a study of the relationship between perceived wait duration (PWD) and customer satisfaction pointed out that keeping customers busy or occupied, results in decreased boredom and a more positive evaluation of the wait experience.

In another study on customer evaluations of service offshoring, Forman, Thelen and Shapiro (2015) found that

customer loyalty towards domestic service providers will decrease if they are asked to wait longer and if overseas service providers provided better quality services much quicker. This is despite the fact that customers in general are opposed to offshoring of services (Forman et al., 2015). Buyer's cost for product or service acquisition includes several types of costs in addition to the monetary cost of acquisition. 'Time' is one such cost. Whatever the type of 'cost' it may be, customers eventually buy those products and services as long as the benefits outweigh the cost(s) of acquisition. However, service customers tend to view waiting as a waste of their time mainly because it is seen as an unwarranted 'cost'. With changing lifestyles, customers seem increasingly less tolerant of having to wait. (Katz et al., 1991). When customers perceive the wait duration to be too long, it influences their evaluation of the overall service quality in a negative way, which subsequently reduces customer loyalty or re-patronage intent and recommend intention (Davis and Vollmann, 1990; Davis, 1991; Taylor, 1994; Lee and Lambert, 2005)

This research looks at customer waiting time in a full-service restaurant set-up. It is hypothesized that due to the nature of a full-service restaurant where waiting time delays (real or perceived) may bring about changes in the service delivery process, customers may consider waiting-time as an important determinant of service evaluation. However, it is also important to note that the issue at hand is not waiting time but waiting time delays – either real or perceived. This research seeks to understand how customer wait experience influences customer loyalty in a full-service setting in an emerging market such as India.

#### PURPOSE OF THE STUDY

This study seeks answers to two research questions, firstly, which aspects of the satisfaction with customer waiting time in a full service setting are important predictors of customer loyalty and second, how are individual wait stages associated with different measures of customer loyalty. A chain full-service restaurant popular in north India but specializing in South Indian cuisine was the selected unit of analysis. It is important to note that customers expect (and even desire) some waiting time at different stages of being served in a full-service restaurant. Trained management students collected data by administering a structured questionnaire to 150 respondents who had just exited after having their meals at different branches of this restaurant at three different locations in north India. A total of one hundred ten (110) complete usable questionnaires were received for further analysis.

#### CONCEPTUALIZATION

##### *Satisfaction with Waiting Time*

An important feature of services is that they are perishable, which means they can't be stored. However, restaurants can create an inventory of food though even they are unable to store the entire restaurant service experience (Hoffman and Bateson, 2006). This characteristic is called 'service perishability' and is a source of various challenges for service providers. Matching demand and supply at all times is a major challenge and delays in providing the services – especially when demand fluctuates – maybe seen as a source of dissatisfaction by consumers. According to Bielen and Demoulin (2007) the 'delay' or 'waiting time' can either be real or objective (Davis and Vollman, 1990; Katz et al., 1991; Taylor, 1994) or could be perceived or estimated (Pruyn and Smidts,

1998). According to Durrande-Moreau (1999) in terms of the cognitive aspect, 'wait' may be evaluated as being or not being acceptable, tolerable and reasonable. Another dimension to the wait is the affective aspect where the which captures emotional responses to waiting such as pleasure, happiness, frustration and so on (Taylor, 1994; Pruyn and Smidts, 1998).

Hensley and Sulek (2007) described how multi-stage waits occur in a service set-up such as a full-service restaurant. They mention three levels of service waits, where customers may need to wait for unequal durations: first are *service-entry waits*: waiting time before getting seated; second are categorized as *in-service waits*: waiting for food to arrive; and the third are *service-exit waits*: waiting for the bill, payment and change.

##### *Customer Loyalty*

Dick and Basu (1994) define loyalty as "the strength of the relationship between an individual's relative attitude and repeat patronage." They add that customer loyalty leads to lower competitive pressure, a decrease in price sensitivity, and an increase in positive word of mouth by customers (Dick & Basu 1994).

A very effective way to measure customer loyalty is by creating composite measurements of loyalty by measuring loyalty in terms of customer attitudes and behavior. According to Pritchard and Howard (1997) corroborated by Hunter (1998) loyalty measures can include recommend intention, customers' propensity of brand-switching, brand preferences, , frequency of purchase, recency of purchase, and total amount of purchases. Pritchard and Howard (1997) further add that using such a composite measure customer loyalty increases the predictive power of the measure. Measures included in this study comprise overall satisfaction with the service, repurchase intention, recommend intention, and customer value.

#### METHODOLOGY

A structured questionnaire was designed for data collection. The questionnaire was divided into three parts: part one included generic questions on the respondent's demographics. The second part comprised of questions measuring the respondent's satisfaction levels with various stages of the wait process and the third part included questions measuring the customer loyalty based on: (a) overall satisfaction with restaurant, (b) patronage or repurchase intention, (c) value dimension (d) recommend Intention, and (e) brand preference. A total of 110 respondents volunteered and provided complete responses to the field-workers. The respondents were contacted as they finished their meals and exited the restaurant. The trained field workers, with the express permission of the restaurant management, requested the respondents to fill-in the questionnaires. Data collection through this survey method took place at four different locations of the chain full-service restaurant. The restaurants were all located in north India. The questionnaires were later collected at a central point and the author transferred the data after coding and editing onto an MS-excel spreadsheet for further analysis.

#### DATA ANALYSIS

Multiple-regression analysis (enter method) was used alongside correlation analysis for the best model fit. Customer loyalty measures (aggregated) comprised the dependent variable and waiting time satisfaction measures comprised the predictor variables.

**RESULTS**

**Table 1. Determinants of waiting time satisfaction**

Predictor variables (W**)	$\beta$	t value		
Constant	1.150			
W5	0.42	5.32*		
W4	0.22	3.06*		
W1	0.18	2.26*		
W2	0.16	2.23*		
F-value:		30.53		
df.:		4		
sig.:		< .0001	R square	0.54
adj. R square	0.52	maximum VIF	1.69	
N=110				
criterion variable: customer loyalty (aggregate)				
* p < 0.05				
** 'W' denotes waiting time				

Source: author's calculation

The results of the multiple regression test (table 1) indicate four waiting time variables to be significant predictors of customer loyalty. Overall satisfaction with waiting time (W6) and seating comfort (W3) were not significant predictors as per the model obtained. However, the following waiting time measures were significant predictors of customer loyalty (criterion variable) in descending order of strength: waiting time to receive bill (W5), waiting time for food to arrive (W4), comfort in waiting area (W1) and waiting time before

seating (W2). A maximum VIF value of 1.687 also shows that the model is free from the problem of multicollinearity and the F-value shows that the model is significant. The adjusted R-square value of 0.52 shows that the predictor variables (waiting time satisfaction) have accounted for 52 per cent of the variance in the criterion variable (customer loyalty). This value is very similar to the value obtained by Hensley and Sulek (2007) in their study assessing the influence of waiting time satisfaction with customer satisfaction in multi-stage services.

**Table 2. Pearson Correlation Coefficients: Waiting Time with Customer Loyalty Determinants**

W- Waiting Time; C-Customer Loyalty	W1	W2	W3	W4	W5	W6
C1	.533(**)	.339(**)	.205(*)	.285(**)	.173	-.063
Sig.	.000	.000	.032	.003	.071	.516
C2	.482(**)	.017	.348(**)	.223(*)	.574(**)	.367(**)
Sig.	.000	.860	.000	.019	.000	.000
C3	.242(*)	.464(**)	.282(**)	.265(**)	.449(**)	.669(**)
Sig.	.011	.000	.003	.005	.000	.000
C4	.194(*)	.244(*)	.096	.099	.341(**)	.400(**)
Sig.	.043	.010	.318	.302	.000	.000
C5	.131	.235(*)	.026	.306(**)	.165	.245(**)
Sig.	.173	.014	.790	.001	.085	.010

\*\* Correlation is significant at 0.01 level (2 tailed)

\* Correlation is significant at 0.05 level (2 tailed)

Source: author's calculation

An observation of the correlation results (table 2) show that all individual customer loyalty measures show a positive correlation with a minimum of four out of six waiting time satisfaction sub-dimensions. The individual customer satisfaction variables are: overall satisfaction with restaurant (C1), repurchase intention (C2), value-for-money dimension (C3), recommend Intention (C4), and brand preference (C5). A glance at the correlation analysis shows that all individual customer loyalty sub-dimensions show significant correlation with at least 4 out of the total 6 waiting time satisfaction sub-dimensions.

**DISCUSSIONS AND CONCLUSION**

This is a study that deals with the empirical analysis of the relationship between waiting time and customer loyalty. A multi-stage waiting time approach in full-service restaurant set-ups formed the background of the study. The findings suggest that waiting time does indeed impact customer loyalty – proven by a regression test and complemented by a correlation test. A study of this nature which involves measuring customer satisfaction at each wait stage in an actual retail settings is relatively uncommon (Hensley and Sulek 2007; Hwang and Lambert,

2005), and rare in the Indian context. Another important feature of this research is that data collection took place almost simultaneously as the service was being experienced. It was ensured that customers' opinions were not given in retrospect after a long duration numbering in days or weeks; it also must be appreciated that their opinions were based on the actual service received – rather than on hypothetical service scenarios.

The key lesson here is for managers who need to realize that the perception of having to wait longer than necessary is a source of dissatisfaction which can reduce customer loyalty levels. Obviously, waiting time satisfaction is by no means the only determinant of customer loyalty, but what needs to be appreciated is the importance of waiting time satisfaction. The relationship between waiting time and customer loyalty was already proven in the west and through the findings in this study the relationship has been validated in the Indian context. Coming to the learning outcomes of this research, service wait management needs more attention than what is usually given. Customer waits are very common in almost all services such as airports, banks, restaurant, clinics,



saloon, universities etc. Different services have different target customers but waiting time satisfaction is expected to remain a source of customer satisfaction nevertheless. Some strategies that service providers use are: service time guarantee (pizza delivery in 30 minutes by Dominos in India); fish tank and TV (clinics / offices); flight schedule screens, lounge, food court, free wi-fi, shopping, massage, spa etc at airports and railway stations; music and welcome drinks at hotels; serial number for waiting common at fast food chains and so on. The lesson here is that investment in improving services might also be better spent on information and communication rather than solely on physical facilities. According to Kumar et al. (1997) and Bielen and Demoulin (2007) offering waiting time guarantees can increase customer satisfaction or decrease the likelihood of premature termination of waiting experiences by customers. Waiting time is a matter of perception and if customers know upfront the duration of the wait then the wait experience can actually be made productive by organizations. Such time can in fact be utilized to increase revenues through cross-selling and also promote new goods and services.

#### FUTURE RESEARCH

This research has also contributed to a negligible wait management literature in the context of Indian businesses and could well pave the road to understand how Indians relate to waits. In terms of future research the following research areas could be explored:

1. This study could also be meta-analyzed with other similar researches conducted globally in order to understand the cross-cultural dimension of service waits;
2. Waits could be researched in the context of other services such as healthcare, airports, banks etc. and a comparison could be drawn;
3. Wait management could also be discussed in the very important area of services failure/recovery;
4. Consumer characteristics and demographics that influence wait-satisfaction could also be discussed in order to profile & segment markets.

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### ВПЛИВ ЧАСУ ОЧІКУВАННЯ САТИСФАКЦІЇ НА ЛОЯЛЬНІСТЬ КЛІЄНТІВ НА ШЛЯХУ ДО БАГАТОСТУПІНЧАСТОЇ ПОСЛУГИ В РЕСТОРАНІ ПОВНОГО ОБСЛУГОВУВАННЯ: ДАНИ ПО ІНДІЇ

*Дослідження показує, що час очікування в сфері послуг є важливим джерелом оцінки послуг замовником. Насправді, час є одним з компонентів загальної вартості, що несе клієнт. Вартість є основним компонентом сприйманого рівняння витрат і вигод, які клієнт використовує, щоб оцінити її, або його постійний вибір певної послуги. У більшості послуг клієнти розглядають очікування, як порожню трату часу. Проте, з точки зору клієнта, в разі ресторану з повним спектром послуг, очікування передбачається, а іноді і бажано. Попередні дослідження, в основному на Заході, припускають, що, коли клієнти думають, що чекати обслуговування занадто довго, вони стають менш задоволені загальною якістю обслуговування. На підставі умов дослідження в повномасштабну ресторані в Індії, в цій статті ми шукали відповіді на два дослідницьких питання: по-перше, якими є детермінанти загальної задоволеності від часу очікування; і, по-друге, як впливає час очікування на лояльність клієнтів.*

*Ключові слова: лояльність клієнтів, час очікування задоволеності, служби управління.*

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### ВЛИЯНИЕ ВРЕМЕНИ ОЖИДАНИЯ КОМПЕНСАЦИИ НА ЛОЯЛЬНОСТЬ КЛИЕНТОВ НА ПУТИ К МНОГОСТУПЕНЧАТОЙ УСЛУГЕ В РЕСТОРАНЕ ПОЛНОГО ОБСЛУЖИВАНИЯ: ДАнные ПО ИНДИИ

Исследования показывают, что время ожидания в сфере услуг является важным источником оценки услуг заказчиком. На самом деле, время является одним из компонентов общей стоимости, которую несет клиент. Стоимость является основным компонентом воспринимаемого уравнения затрат и выгод, которые клиент использует, чтобы оценить ее, или его постоянный выбор определенной услуги. В большинстве услуг клиенты рассматривают ожидание, как пустую трату времени. Однако, с точки зрения клиента, в случае ресторана с полным спектром услуг, ожидание предвидится, а иногда и желательно. Предыдущие исследования, в основном на Западе, предполагают, что, когда клиенты думают, что ждать обслуживания слишком долго, они становятся менее довольны общим качеством обслуживания. На основании условий исследования в полномасштабном ресторане в Индии, в этой статье мы искали ответы на два исследовательских вопроса: во-первых, каковы детерминанты общей удовлетворенности от времени ожидания; и, во-вторых, как влияет время ожидания на лояльность клиентов.

Ключевые слова: лояльность клиентов, время ожидания удовлетворенности, службы управления.

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### STRATEGIC PLANNING AS A NECESSARY PREREQUISITE TO SUCCESSFUL PROGRAM BUDGETING IN GEORGIA

This article gives answers to following important questions: What are the main tasks and aims of strategic planning and program budgeting in the context of managing the public finances? Why the introduction of linking between strategic planning and program budgeting, oriented to the result, is important in Georgia? The paper emphasizes the efforts of Georgian authorities to implement performance-based program budgeting. Based on the initial results, authorities decided to establish a link between strategic planning and budgeting, as a condition for implementing performance-based budgeting. It presents steps toward this goal and outlines some remarks on future measures.

Keywords: public finance, strategic planning, performance budgeting, output, outcome, performance indicators.

#### Introduction

Strategic planning plays the role of an instrument that promotes coherent public policies, ensures quality and the right justification of the budgetary programs and backs up

the main public policies to be financed. Introducing the strategic planning system also creates the premises for a clear, coherent and well-argued competition regarding financing of the additional initiatives of line ministries (a

mechanism for financing public policies which are initiated after the budget is approved). Strategic planning can be a useful and even an instrumental tool to provide efficient management of public finances in the context of performance-based program budgeting implementation.

Performance-based program budgeting is the practice of developing budgets based on the relationship between program funding levels and expected results outcome of the program. In other words, it is the linkage between funding and results (outputs and outcomes). Program budgeting implies public expenditures by type of activity.

Aims of the program budgeting includes:

- Maintaining the general fiscal discipline;
- Allocating resources according to the state priorities;
- Supporting service effectiveness;
- Linking the country's social-economical development strategy to the state budget;
- Allocations based on the priorities from the strategy;
- Increasing the accountability and transparency of the results achieved;
- Eliminating some (identified) problems completely;
- Significant improvement in the suitable field, having influence over the country priorities.

The programs – objective-based categories of expenditure, where objectives should generally refer to the intended outcomes of the expenditure associated with details on what work is to be done. Budgeting based on programs has placed the emphasis explicitly on the budgetary choices between competitor policies. While performance budgeting aimed to discover the most efficient method to achieve a certain objective program budgeting has regarded the objectives as variables. Therefore, program budgeting strived for a connection between the program's costs and the results of the public programs. This budgeting method is intended to be an alternative to the conventional practice of making budgetary compromises, its supporters claiming that the decisions to allot the budget expenses will be taken in accordance to the marginal value which can be obtained through a different use of the budget's resources.

From a political point of view, program budgets have a great potential to allow the Parliament to analyze political implications of the decisions regarding public expenses because these are concentrated on generating information about the efficiency of services in connection to the formal objectives that were set for them. In contrast, from the economic point of view, because of the reasons stated above, the program budgeting represents a lead in relation to the performance budgeting.

Based on the economic theory of bureaucracy, it can be noted that the information supplied by this type of budget helps the Parliament to fairly assess considerable benefits resulted from the budgetary allocations. Besides, this generates tension in the executive branch, because this branch can't influence the information about individual benefits. Therefore, the information on effects is welcomed because although it won't impact productive efficiency, at least not directly, the efficiency of allocations will grow when the members of the political authorities improve their estimations regarding the benefits.

The paper utilises official reports as the primary source of the information from international and national (Government of Georgia; Ministry of Finance of Georgia; The State Audit Office of Georgia) resources. In addition, the paper uses the legislative as well informational analytical basis and materials regarding the budgetary system.

**The main research questions of this paper are:**  
What are the main tasks and aims of strategic planning and

program budgeting in the context of managing the public finances reforms? What kind of influence do the systems of strategic planning and program budgeting have on management practice of the public finances in Georgia? Why the introduction of results-oriented performance-based budgeting is important in Georgia?

**The paper is structured as follows:** Section 1 presents a brief literature review regarding the role of strategic planning and its linkage to performance budgeting. Section 2 provides analysis of shortcomings and development of public finance reform management in Georgia. Section 3 focuses on a critical investigation of policy planning system framework in Georgia and the last section offers concluding remarks.

### 1. Literature review

Strategic planning's origins *per se*, as used in the public sector, can be traced to the late 1950s and early 1960s. The U.S. Department of Defense began to look for better and more useful ways to plan for its long-term needs while at the same time achieving cost savings. The advent of the Planning-Programming-Budgeting-System (PPBS) began what was to blossom into a series of varying strategic planning and budgeting systems. PPBS promised to do several things to improve federal governmental operations. Some of these anticipated improvements included: establishing long-range planning goals and objectives; examining the costs and benefits of these expected ends; comparing and contrasting alternative activities to achieve agency goals and objectives; and, establishing multi-year projections for both executive and legislative consideration when considering annual budgets and appropriations (Young, 2001).

Streib and Poister (2002), in an article describing the use of strategic planning in municipal governments, state that local officials began seriously to use strategic planning in the 1980s. This was caused principally by local governments' reaction to "Reaganomics," which ultimately resulted in a series of draconian cuts of federal funding to city and county governments. In terms of definition, Streib and Poister define strategic planning as something quite basic and necessary, that is, a planning effort or method "to focus scarce resources, to maximize effort, and to exploit opportunities." They state further that strategic planning is that which: seeks to revitalize an organization by channeling effort toward the most important goals and activities. The use of strategies has military roots, and we hear of business strategies of different kinds. Strategic planning is an essential part of aggressive results-oriented management. It is a "big picture" approach that appears well suited to our rapidly changing world. (Streib and Poister (2002).

Hines (1991) speaks to strategic planning in a similar fashion. He emphasizes the common planning elements of strategic planning, such as, the determining of mission, result areas, critical issues, goals, objectives, and strategies. Of particular importance to Hines is the determination of critical issues. He states that internal and external factors (*viz.*, critical issues) to an organization are vital to the strategic planning process.

Bryson (1995) defines strategic planning in a more comprehensive and political sense. He states that strategic planning is an excellent method for an organization – a governmental or quasi-governmental one – to contend with fluctuating situations and circumstances. Bryson argues that the main aim of strategic planning is to think and act strategically. Additionally, as a planning exercise, in the real world, it should assist in facing the critical issues Hines is so keen on. Further, strategic planning is necessarily cognizant and attuned to political realities. Bryson believes that strategic planning "accepts and builds on the nature of political decision making". In government, much that is

decided, insofar as agency missions and goals for example it is tied to political decisions. Budgets and appropriations are likewise made by elected officials and are political in one way or another. Strategic planning for Bryson is hence a

method of systematically keeping up or ahead of changing environments and is out of necessity politically sensitive.

Jack Koteen (1989) defines Aims of Strategic Planning, which is illustrated in the table given below:

Aim	Definition
Provide Strategic Direction	In setting direction, three purposes stand out: 1) strategic planning sets goals on where an organization wants to go; 2) it indicates where resources are to be concentrated; and 3) it gives top priority and attention to strategic goals.
Guide Priority Use of Resources	Resources are scarce or limited. Strategic planning allows for sound and pointed allocation of resources – human, financial, and material.
Set Standards of Excellence	Strategic planning allows an organization to establish <i>shared</i> values and standards of excellence.
Cope with Environmental Uncertainty and Change	Strategic planning aims to be flexible and provide contingencies for uncertainty and change.
Provide Objective Basis for Control and Evaluation	Strategic planning allows for marking success and failure. Performance measurement or tracking of strategic objectives and action plans are of significance and serve as a basis for control.

Source: author's compilation

Today, the strategic planning system in USA has advanced and has been integrated with its performance budgeting system. The Texas strategic planning and budgeting system is officially called the "Strategic Planning and Performance Budgeting System," commonly referred to by the acronym, SPPB. SPPB is described by the state's auditor as "a mission or goal oriented system that joins strategic planning and performance budgeting within the overall framework of the state's appropriations process. In short, SPPB is a system utilized to make agency spending determinations as they are linked to expected agency results. (Richard D. Young 2005).

Performance budgeting, a practical and technical term, aims to use performance information for managing budgets. However, due to differences in kinds of information used and the ways in which information is used, the term has various definitions and types. According to the concept of the Government Accountability Office (GAO) (1993), performance budgeting should link performance levels with specific budget amounts, so that it can encompass Planning Programme Budget System (PPBS), Management By Objectives (MBO), and Zero-Based Budgeting (ZBB). The Organisation for Economic Co-operation and Development (OECD) (2003) defined performance budgeting as "a form of budgeting that relates funds allocated to measurable results". Also, many literatures define performance budgeting as a process of linking budget decision making to performance of programmes (Lauth, 1985).

More broadly, Jordan and Hackbart (1999) stated that it is "preparing the budget document with identified performance measures." McGill (2001) defined it as "the process of linking expected results to budget levels but not to any particular approach." He argued that there was, in the end, no definitive process of performance budgeting.

Emphasizing the formality of producing performance information, Bobinson & Brumby (2005) defined performance budgeting as "procedures or mechanisms intended to strengthen links between the funds provided to public sector entities and their outcomes and/or outputs through the use of formal performance information in source allocation decision-making". From the perspective of an administrative reform, Andrews & Hill (2003) explained performance budgeting as an institutional reform that shifted input-oriented into outcome-oriented budgeting.

In recent times, performance budgeting has tended to be more closely associated with long/mid-term strategic planning

or mid-term expenditure frameworks. Indeed, many governments tend to attach strategic plans to budget request documents. The strategic plans set objectives or goals for the organizations and activities, and these provide a guide for performance measurement. In this context, some researchers have defined performance budgeting as "requiring strategic planning regarding agency mission, goals and objectives, and a process that requests quantifiable data that provides meaningful information about program outcomes" (Melkers and Willoughby, 2003; re-cited Robinson and Brumby, 2005). However, Melkers and Willoughby's definition encompasses non-budgeting activities, so that it expands the concept of performance budgeting to broader managing-for-results (Ronbinson and Brumby, 2005).

**2. Shortcomings and development of Public Finance Reform in Georgia**

Public Finance Reform in Georgia that started since 2004 included introducing Medium Term Expenditure Framework (MTEF), improving main aspects of budgeting, implementing Government Finance Statistics Manual – 2001 (GFSM 2001) classification for all levels of the Budget and moving to Program Budgeting. New regulations introduced in budgeting were depicted in the New Budget Code of Georgia, which has been elaborated and adopted by the Parliament in 2009 and is in force – has been enacted since 2010. The Budget Code incorporated in itself all the laws regulating the whole Budgetary System at the central level as well as for the Budgets of Autonomous Republics and Local Self-governments. The new code also declared the will of Georgia to gradually move to program Budgeting from 2012 for State Budget and from 2013 for the Budgets of the Autonomous Republics and Local Self-Governments. At the level of the central public administration, Georgia has experimentally introduced the program budgeting in the year 2011 in 6 Ministries and in 2012 this type of budgeting was extended to all the Ministries.

Georgia has been formally moved to the program budget oriented towards the result already for the fourth year, but the country's parliament approves the state budget without the part of the program budget (as enclosure). Therefore, on the fourth year after moving to program budgeting, the program budget of the country still has no legal power. According to the Ministry of Finance, it will be quite difficult to determine the expected results and estimation indicators exactly at the initial stage for introducing the program budget. In case of approving them by the law initially, it is possible to set the question of

responsibility of any program or/and sub-program. It is significant to note that delaying this process may seriously threaten development of the budgetary system oriented on the results and encounter directly the practice of making the program budget superficially. One can say that from 2011 till today no program budgets of the country were oriented towards the results – results-oriented.

It is mentioned in the program budget methodology that at the initial stage, when the budget must be constructed in a new format, means three years period, program budget format should be improved. During this period one must improve the methods of elaborating the results' indicators, and the information from the indicators must become the means of measuring the implementation really, exactly and effectively. Comparing with the enclosures of 2012-2015 program budgeting tendency of improving the quality of program budgeting is not distinguished. Year by year information about the activity of programs and sub-programs has been decreasing, which, first of all, is expressed in its being less detailed. Aims and measures are not separated and they are mixed as well as the indicators of final or/and median results. From the 5th chapter of the state budget (priorities and programs of the state budget) long descriptions of the programs and sub-programs are invariably copied. Absolute majority of the indicators of given estimation is formed so generally, that it makes impossible to measure any result. Even worse, on the fourth year after moving to the program budgeting we still have no indicators to measure the median and final results.

Program budget methodology has been updated in 2015. New methodology proposes new regulations which recommending to the line ministries (describing Action Plan preparation procedures within the line ministries) how to develop programs and subprograms, prepare costing for each kind of programs (such as, administration and management, service delivery, subsidies or infrastructure programs), determine the expected outputs and outcomes and performance indicators based on their medium-term plans, sector strategies and available resources. Additional information is requested to spending agencies to submit their program budget annex, such as, the baseline of indicators, targeted indicators/data, deviations from targeted indicators and possible risks for each program and subprogram. The programs/subprograms/activities in the above-mentioned Action Plans or sector strategies should be relevant to Annual budget and Basic Data and Directions (BDD) document.

In 2016 state budget, the program budget part has been prepared according to the New Methodology. Also, Medium Term Action Plans have been prepared by five pilot ministries.

The Budget Code of Georgia requires that all primary spending units provide a report on programs as an annex to the budget. The law required that the Government, through the Ministry of Finance, elaborate the projects of annual budgeting laws and of the budgets. Among others, these projects were based on the programs drawn up by the primary spending units in order to finance actions or a set of actions that are associated with accurate objectives and results indicators and efficiency indicators. The programs are accompanied by the annual assessment of each program's performance which must set out the following: actions, associated costs, aimed objectives, estimated and obtained results for the coming years, measured by precise indicators, whose choosing is justified.

Thus, each program must define:

- the final purpose of the activity carried by a Ministry or a different central public entity;
- the aimed objectives, meaning the expected results that occur after running the program and which must mark a certain progress in reaching the desired goal;
- defining the program, specifying the priorities and indicating the time horizon it refers to;
- assessing the increasing possibilities of the efficiency/effectiveness after running the program;
- the financial effort needed to carry the program;
- results indicators, qualitative and quantitative indicators;
- financing the program – total financing and sources of descent.
- The government approved the programs drawn up by the primary spending units. A few problems were encountered regarding the programs' settlement:
  - in some cases, the programs were established depending rather on the activities than on the policies;
  - in other cases, the programs were established depending rather on the finality, than on the policies.

From 2012, each ministry had several performance indicators with programs presented. But program budgeting does not seem to be a serious requirement as there are little incentives to make spending units take it seriously and parliament and civil society have not used the data to hold the executive to account.

In 2015, the State Audit Office of Georgia noted that line ministries needed to improve the realism and relevance of the quantitative and qualitative performance indicators presented with the programs. As an answer, the Ministry of Finance has issued order approving the instructions on the content, format and structure of programs. The instructions provided guidance for line ministries in developing their budgets and they require that the line ministries evaluate the efficiency of allocations. The annexes to the budget provide the related performance indicators for the programs.

### 3. Policy Planning System Framework in Georgia – A Critical Investigation

The policy planning system framework in Georgia based on a series of strategic documents: „Social-Economic Development Strategy – Georgia 2020“, "Policy Planning System Reform Strategy 2015-2017", "Public Finance Reform Strategy and Action Plan", "Georgian Public Administration Reform Strategy", "Action Plan for Open Government Partnership", "National Anticorruption Strategy and Action Plan", as well as the sectoral policies and strategies. The problem is that, across these various products, it is difficult to find comprehensive consistency of thought and strategic direction. The various strategic documents all derive from different processes involving different players and with different purposes – some are of political character, others are focused on EU accession, yet others are target at EU fund access. In reality, none is a proper strategic government-wide framework that gives unequivocal direction to the Georgian people and public sector about what the government intends to achieve.

Government never had sufficient mechanisms to ensure the following:

- the revision of the political commitments that are planned or already exist in the mentioned strategic documents through the new information tied to the macro-fiscal framework;
- the revision of the planned or already existent public policies in light of decisions to follow other goals of policies rather than the ones in the documents mentioned above;

- identifying the degree in which different aspects of the existent set of policies can be put into practice on medium term, therefore the degree in which the time running and the implementation details of some policies must be changed;

- the actual testing of the viability for the current public policies options through a process of strategic planning which will give information about the impact and probability of their successful implementation.

More specifically, the following problems were identified: There is no legislation based, that defines each sphere and stage of policy planning which shall include policy study, policy preparation, policy reporting, policy monitoring and valuation. There is no clear indication as to what the link between strategic planning and policy framework is, what kind of order exists and what kind of correlation is observed between them.

The lack of clear policy direction in these documents is in large part a result of the fragmented processes by which policy is developed. There was no strong central policy "channeling" mechanism in the Cabinet responsible for issuing clear high-level directives and then ensuring that policy proposals all related to these, and that they were reflected in the budget. The fragmented process also results in Cabinet officials (like ministers) becoming involved in detailed aspects of policy delivery (typically the purview of delegated agencies like line ministries). This also led to the introduction of a significant number of policy products (including passing of new laws) that were not disciplined by a policy framework, or costed. In a number of cases, these resulted in unfunded mandates, sometimes introduced for implementation within a specific budget period (requiring significant funds movements, which undermined the value of the formulated budget).

Being aware of its policy-making weaknesses, Georgia's government has pursued various reforms in the past three years. These include organizational changes across and within ministries. An important role in the public policies process is played by the Chancellery of the Government of Georgia. Nowadays, it transformed to the Administration of the Government of Georgia, which has the following main tasks:

- Setting and coordinating the priorities derived from strategic documents in order to achieve the objectives of the Government in partnership with the resort ministries;
- Correlating the governmental policies with the commitments and conditions undertaken by the Cabinet in relation with international organizations;
- Coordinating activities related to working out government programs and control of fulfillment of these programs;
- Supporting and monitoring of implementation of social-economic and other state purposeful programs;
- Participating in measures related to working out the draft state budget;

A sequel of this measure was the drawing up of the Policy Planning System Reform Strategy of improvement the elaboration, coordination and planning system of the public policies at the level of central public administration in 2015. Strategic planning within the central public administration is seen as an action that reunites in a single management framework such aspects as: public policies planning, budget drafting, establishing the priorities and the organizational planning.

According to the Policy Planning System Reform Strategy and Action Plan, the strategic planning in Georgia is introduced in two stages. In the first stage, the management

component of the strategic plans was prepared. Its content targets the following aspects: the institutions' mandate, its vision, joint values, the analysis of the internal and external environment, the medium-term priorities and the activity directions. The Minister who is in charge of referred to Ministry will approve the final draft of the management component of the Institution's Strategic Plan. Before signing the final draft of the Strategic Plan, this must be assorted at the level of all the ministries and must be presented within the Government's preliminary work meeting. This will ensure that the way in which these norms are imposed by the methodology is kept trace of, as well as an exchange of good practice between the ministries.

For the trans-sectoral policies, the management components from the strategic plans of the ministries must be conformed through the inter-ministry permanent councils. The councils have an advisory role, and their involvement will insure the coordination of the activities that take place in different ministries that have distinct tasks within a political segment. This will lead to the avoidance of their overlapping in functions and activities. At the end, after all the conforming procedures are applied, the updated and improved draft of the strategic plan will be adopted by the government, as well as the public policies documents or other projects for normative documents.

The solicitation that the line ministries present within a matrix with information regarding the ministries' policies, objectives, expected results, beneficiaries, current status (related to the public policies), activities of the reform programs and budgetary implications and risks was simultaneously introduced in 2015 for the budget of the year 2016.

The second stage took into account the program budgeting component, which will insure the necessary connection between the public policies planning processes and the processes regarding the preparation of the budget.

The methodology regarding the strategic planning system on medium term for the central public administration institutions mentions that the Finance Ministry will include in the annual methodology of the budget elaboration instructions about the necessity to establish a clear connection between the public policies and the priorities in the strategic plans of the spending units, on one hand, and the budgetary allotments, on the other hand.

In accordance with the strategic planning methodology – the program budgetary component, each program described by a strategic plan must correspond to a program that is really included in the yearly law of the state budget. In case of the ministry which creates a new budgetary program or sub-program during the elaboration of the budgetary programming component, this will appear within the strategic plan, and afterwards is undertaken in the documents needed to draw up the budget. So, the documents will be updated after the passing of the budget by the Parliament.

The following will be presented for each budgetary program for drawing up of this component of the strategic plan: the analysis of the current state, the objective of the budgetary program, performance results and indicators, new financing initiatives, implementation mechanisms and the main tasks as well all the program's financing.

#### **Performance Management Framework Development**

The clarity in expressing the objective(s) is essential for the success of a program's implementation, allowing the targeted allotment of the budgetary resources. In many situations, establishing the objective actually represents the solution to a major problem. These objectives should be

defined SMART: Specific, Measurable, Achievable, Relevant and Timed.

The performance results and indicators must be defined in close relation with the program's objective. The results of the program can be divided in two categories:

- the outcomes of the public policy – which describe in a measurable manner the changes that occurred in the economic, cultural and social environment. These represent the long-term impact generated by the results obtained in a different time period. Afterwards, the policy's results allow the decision factors and the society to evaluate the degree in which the objectives were achieved during the implementation step or after;

- the outcomes of the actions – which are services or products supplied by an institution depending on its goal and for which the institution is totally responsible.

The outcomes of the public policy and the outcomes of the actions must have a series of features in order to be useful in the budgetary planning process.

Therefore, the outcomes of the public policies are [4, p.11]:

- should adequately reflect the government's objectives and priorities;

- should be indicated by the impact on the community;

- should be differentiated from the agency's strategies to which they contribute;

- should clearly identify target groups, if so focused;

- should be achievable in the specified time frame;

- should be possible to monitor and assess the achievement of the outcome;

- should be possible to identify the causal link between agency's output and the outcome;

- should have clarity in definition and description to be easily reported externally.

The outcomes of the actions are:

- should be a good or service provided to individuals/organizations external to the agency;

- should be able to be clearly identified and described;

- should be for final use and not for an internal process or intermediate output;

- should contribute to achievement of planned outcomes;

- should be under the control (directly or indirectly) of the agency;

- should be able to generate information on attributes of performance – price, quantity and quality.

- should generate information that is a basis for performance comparisons over time or with other actual or potential providers.

Performance indicators are measurable factors that show the degree in which the results were reached. The indicators must be drawn up based on the existent statistics. The results achievement level can be tested with the help of a limited number of indicators. It is not necessary to elaborate more indicators based on expensive sampling methods for data if there is a possibility to get the same results with less effort.

All the results of the policy and actions must be in close relation with the results established in the public policies documents. If there is no policy document for that respective area, then the results of policies and actions as well as performance indicators must be enunciated during the drawing up of the program budgeting.

Based on the stipulated measure, the Georgian government tends to integrate the budget in the strategic planning system. Thus, depending on the information and data included in the program budgeting component, the Ministry of Finance in Georgia strives to prepare the public expenses framework on medium term as well as the sectoral ceilings for the annual budget. Furthermore, budget projects of ministries sent to the Ministry of Finance must be drawn up according to the budget programming component.

These actions represent essential elements for the introduction of the performance-based budgeting, which is an important mechanism for the fiscal and economic sustainability in Georgia.

### Concluding Remarks

Strategic planning can be a useful and even an instrumental tool in achieving efficient management of public finances in the context of implementing performance-based program budgeting. Performance-based program budgeting is the practice of developing budgets based on the relationship between program funding levels and expected results from that program. Performance based budgeting support the service effectiveness and efficiency, promoting increasing the accountability and transparency in connection with the results. From a political point of view, performance-based budgeting has a great potential to allow the Parliament to analyze political implications of the decisions regarding public expenses because these are concentrated on generating information about the services' efficiency in connection to the formal objectives that were set for them. Georgia has been formally moved to the program budgeting but needs further development to improvement up to performance-based budgeting. The following problems were identified: there is no legislation adopted that would define each sphere and stage of the policy planning, which shall include the study, preparation, reporting, monitoring and assessment of policy. There is no clear indication as to what the link is between strategic planning, budgeting and policy framework, what kind of order exists and if there is a correlation between them.

The basic budget policy framework system has already been established in Georgia but it requires further strengthening. Moreover, additional work on reforming is needed in the following spheres: Improvement of program budgeting; Strengthening links between strategic planning, budgeting and policy framework.

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### СТРАТЕГІЧНЕ ПЛАНУВАННЯ ЯК НЕОБХІДНА ПЕРЕДУМОВА УСПІШНОГО ПРОГРАМНОГО БЮДЖЕТУВАННЯ В ГРУЗІЇ

*Ця стаття дає відповіді на наступні важливі питання: 1) Які основні цілі та завдання стратегічного планування та складання бюджету за програмами в контексті управління державними фінансами? 2) Чому введення уєязки між стратегічним плануванням і програмним бюджетуванням, орієнтованим на результат, важливо в Грузії? У статті підкреслюються зусилля грузинської влади по реалізації продуктивності на основі програмного бюджетування. На основі первинних результатів влада вирішила встановити зв'язок між стратегічним плануванням і складанням бюджету, в якості умови для реалізації бюджету заснованого на характеристиках. Влада робить кроки для досягнення цієї мети і викладаються деякі зауваження з приводу подальших заходів.*

*Ключові слова: державні фінанси, стратегічне планування, виконання бюджету, результати, загальні результати, показники ефективності.*

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### СТРАТЕГИЧЕСКОЕ ПЛАНИРОВАНИЕ КАК НЕОБХОДИМОЕ УСЛОВИЕ УСПЕШНОГО ПРОГРАМНОГО БЮДЖЕТИРОВАНИЯ В ГРУЗИИ

*Эта статья дает ответы на следующие важные вопросы: 1) Какие основные цели и задачи стратегического планирования и составления бюджета по программам в контексте управления государственными финансами? 2) Почему введение уязки между стратегическим планированием и программным бюджетированием, ориентированным на результат, важно в Грузии? В статье подчеркиваются усилия грузинских властей по реализации производительности на основе программного бюджетирования. На основе первичных результатов власти решили установить связь между стратегическим планированием и составлением бюджета, в качестве условия для реализации бюджета основанного на характеристиках. Власть делает шаги для достижения этой цели и излагаются некоторые замечания по поводу дальнейших мер.*

*Ключевые слова: государственные финансы, стратегическое планирование, исполнение бюджета, результаты, общие результаты, показатели эффективности.*

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## PROSPECTS OF DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES IN UKRAINIAN AGRICULTURE

*Main directions of development of small and medium-sized enterprises in Ukrainian agriculture are examined. It is determined that entrepreneurship in agrarian sector is a driving force behind the development of agriculture, as these activities contributes to the production of quality agricultural products that satisfies the needs of society, food security, independence and improves the living standards of rural population.*

*Potential customers of small parties of harvest in Ukrainian grain market are analyzed. The ways of mutually beneficial cooperation between Ukrainian farmers and entrepreneurs are proved.*

*The study of foreign experience has proven that strengthening the competitiveness of Ukrainian agricultural products in the context of globalization is possible on the basis of mutually beneficial cooperation of Ukrainian farmers and entrepreneurs, where recent purchase of output at market prices for the purpose of resale or creation of agricultural cooperatives, such form of economy in agrarian relations that combines a balanced economic, social and environmental components.*

*In particular in paper is shown that sustainable economic management provide only forms of economy that take into account the socioeconomic and geophysical specifics of agriculture, particularities of agricultural labor and methods of management. The most common among these forms are farmers.*

**Key words:** agriculture, entrepreneurship, trade, farmer, grain, customers.

**Introduction.** In modern conditions, when the economy of Ukraine is being in crisis, it goes declining of gross domestic product, unemployment is growing, national currency is constantly devaluating, it is important to concentrate the state attention on an important areas of national economy, among which is an agriculture. Agriculture called the locomotive of the Ukrainian economy. But if in early 2000s, agriculture has formed 16% and even 17-18% in 2012-2014 years of GDP in Ukraine, now is only 8%. The activity of small and medium enterprises in Ukrainian agribusiness should consider is one of the most effective direction of development of domestic agriculture, as its work is directly related to food security, incomes of farmers and improving of rural livelihoods.

**Literature background and overview of previous research.** We believe that entrepreneurship in agriculture is a complex of environmental and socio-economic relations between the subjects of the agricultural sector in the production, distribution, exchange and consumption of agricultural productions.

Theoretical and methodological issues of the nature and a role of enterprise, particularly in agrarian relations, are widely covered in the works of native and Western researchers like: S. Bulgakov, Tugan-Baranowski, A. Chayanov, J. Schumpeter, Alain de Janvry, Willard W. Cochrane and others. Theoretical and practical aspects of the business operation in agricultural sector were discussed in the works of Ukrainian scientists in particular: V. Bazilevich D. Bayura, A. Lyubovych, N. Morenova, L. Moldavan, I. Mazur, H. Fylyuk, P. Sabluk and others. However, in despite of the strength and solidity of scientific development, not illuminated remain priority aspects related to the study of small and medium enterprises in agriculture.

**Discussion.** In Ukrainian scientific literature in the study of entrepreneurship in agriculture the main focus is on big forms, that analyzes the economic efficiency and social and environmental damage from activities of agriholdings; ways of agricultural cooperation development,

that is a form of economy that takes into account not only economic, but also socio-ecologic specific of agriculture. These studies clearly highlighted in the works of G. Fylyuk, I. Mazur, L. Moldovan, P. Sabluk and others. At the same time, remain insufficiently studied aspects related to the analysis of small and medium-sized entrepreneurship and require in-depth study. The article summarizes the international experience of small and medium enterprises, including the results of studying of the experience of Romania.

**Methods of the study.** In the study are used general scientific and special methods. A methodological base of study as to determine rational and effective forms of economy are general scientific methods. The paper uses the techniques of abstract logical method, namely: analysis and synthesis, induction and deduction, analogy and comparison. To assess the effectiveness of forms of economy and agricultural competitiveness of Ukraine were used the methods of tabular data display and statistical.

**The aim of the study** is to examine a new direction of development of little and medium enterprises in the form of the organization of modern specialized companies for trading by various types of grains on the markets of different countries. These companies could sell not only grains of own production but also to purchase grains from the other grain's producers in Ukraine and deliver it to the sea ports or to the Ukrainian border, with the subsequent selling to different markets. According to statistics, there is a big unsatisfied demand for various types of grains in the various countries of the world markets. Access to these markets and the successful operation on these markets is the main objective of the study.

**Main text of the study.** World's Grains Production is projected at 2,003,497 thousand metric tons (thd. Mt) in 2015/2016 marketing years (MY) in the current USDA World Markets and Trade report. World's Grains Production forecast fell by -18,813 (-0.93%) thd. Mt in the season of 2015/2016 in comparison with the season of 2014/2015 (table 1).

**Table 1. Changes in main Production countries, 2015/2016 MY**

Country	Changes up/down by, thd. Mt	Changes up/down to, thd. Mt
USA	-8,385 (-1.93%)	423,996
China	+13,146 (+3.77%)	361,500
European Union	-19,076 (-5.83%)	308,093
India	-9,781 (-7.09%)	128,040
Russian Federation	+34 (+0.03%)	99,500
Ukraine	-4,270 (-6.66%)	59,825

Source: Compiled by the author according to: [12].

As we could see Ukraine makes 2,99% of world production of grains or 59 825 thd. Mt of grains in this season.

The world consumption to be expected to conform to the historic maximum of last year and to amount to 1 970 million

tons, the basis of which remains with population growth, which contributes to the further expansion of food demand.

Ukraine is one of the leading producer and exporter of grains, oilseeds, pulses, sunflower seed oil, soybean oil in the world (table 2).

**Table 2. Ukraine's grains and oil seeds production and export, THD. MT**

Marketing year	Production, thd. mt	Export, thd. mt
2009/2010	53,8	22,7
2010/2011	48,3	14,9
2011/2012	66,4	25,4
2012/2013	56,7	24,5
2013/2014	72,4	35,0
2014/2013	74,7	39,3
2015/2016	73,8	40,4

Source: Compiled by the author according to: [4].

As we could see from the table 2 the production of native grains and oilseeds is constantly growing from the last 3 years. Ministry of Agrarian Policy and Food of Ukraine gave the official information to Reuters – the largest international agency of news and financial information – on 5.01.2015 that only the grain harvest in

2015 is likely to total 61 million tons and that exports could reach a record 36 million tons in the 2015/2016 season.

Ukraine is among the world leaders in the production of sunflower seeds, corn, wheat, barley. Main competitors in production of sunflower seeds, corn and wheat are USA, Russia, Brazil and Argentina. There is the information about the production of grain crop in Ukraine in the table 3.

**Table 3. Production of grain crops in Ukraine, MMT**

Culture	2012/2013 year	2013/2014 year	2014/2015 year	2015/2016 year
Wheat	15,7	21,9	24,1	27,3
Corn	20,9	30,8	28,5	22,8
Barley	6,9	7,3	9,0	8,2
Total	43,5	60	61,6	57,9

Source: Compiled by the author according to: [4].

As we could see wheat production in Ukraine was raised in this season to 27.3 mln. tons, which is on 3.2 mln. tons production more than the fact of the previous season, grain export from the country, to be expected at 12.7 million tons, which is 0.7 mln. tons more than the previous forecast and 1.5 million tons more than the actual exports of the previous season.

The corn harvest in Ukraine reached 22.8 million tons, which is 5.7 million tons less than actual volume of the preceding season, and the forecast of corn export from Ukraine was left on unchanged level to 16.5 million tons, which is 2.4 mln. tons less than the actual export of previous year.

Forecast for exports of barley is raised to 4.0 million tones from 3.6 million.

Under the information of Ministry of Agrarian Policy and Food of Ukraine, which was reported by the press service, our country has already exported nearly 23 926 thousand tons of grains on 26.01.2016 [13].

The proportion of the rural population is about 31%. Although not all of them are engaged in agriculture (23%), Agriculture provides employment for the food industry, and together, these industries are the "golden goose" of Ukrainian exports, generating a quarter of foreign currency to Ukraine. We are talking not about income.

At present Ukrainian corn is a prime candidate to benefit from the drought in Africa and Asia. Only between Oct-Nov 2015 Ukraine sold 10,000 Mt to Senegal and 7,000 Mt to Cameroon. The country has the required quality, a freight advantage over North American origins and, above all, the volume needed to meet the requirements of gigantic tenders. There are estimates that there are still around 10 mln. Mt of Ukrainian corn left to be exported until September 2016.

Ukraine always fulfills quota's of EU for delivery of grains. Quality is 100% conforms to EU standards and requirements.

Based on the statistical and analytical research we can conclude that in Ukraine due to high quality of home soil, respective natural and climatic conditions are good possibilities for the successful development of entrepreneurship in agriculture in the forms of small and medium enterprises.

We believe that entrepreneurship in agricultural sector is the driving force behind the development of agriculture, as these activities contributes to the production of quality agricultural products, satisfying the needs of society, food security, independence, and promoting the level of life of rural livelihoods.

In modern agriculture prevalent organizational forms, economic activity of which is related to the concentration of agricultural land in large quantities oriented, usually for export, from which participants receive high profits. In Latin America, this type of agribusiness estates represented by latifundias, in Ukraine, Russia and other post-socialist countries by agriholdings, large industrial and agricultural retailers who own thousands of hectares of agricultural land where they grow highly profitable crops.

When investments are no longer profitable, capital moves to another area of economic, and depleted lands remain to farmers. Agriholdings generate major social and environmental problems. Focusing only on certain types of the most mechanized products, they get rid of a number of important human species laborious production – potatoes, livestock, vegetables, that is firstly, provokes imports and increases unemployment in rural areas, and secondly, exacerbating the problem of food security countries.

Unlike agriholdings, the purpose of small and medium enterprises is a close cooperation with Ukrainian farmers, which provides a more careful attitude to the nature and

the environment, aimed at growing healthy and quality products, oriented both domestic and foreign markets, which will give the owner returns [8]. Cooperating with Ukrainian farmers based on purchase of grains and deliver it to the sea ports or to the Ukrainian border, with the subsequent selling to different markets. Small and medium entrepreneurs could successfully develop their own business and provide income and investments to farmers, increasing export potential of Ukraine.

In order to determine the ways to improve dynamic, socio-ecological-economic development of entrepreneurship in agrarian sector of Ukraine, we turn to the world experience.

Let analyze the experience of Romania, where like in other post-socialist countries such as the Czech Republic, Slovakia, Romania, Bulgaria, Lithuania, Latvia, Estonia as a result of agrarian reform of early 90 years of XX century appeared a large number of landowners as former members of collective farms and cooperatives, and the descendants of the former Soviet authorities landlords. Most of the land has passed from the state to the private sector. For example, in Romania the share of private sector in the area of agricultural land increased more than 2 times.

The transition of the ground from state into the private sector took place through privatization and re-privatization (restitution) for the effective management on own land. In Romania in 1993 year there were 3, 4 mln. of individual farms with an average size of at least 3 hectares, including 43.1% of urban residents, 22.6% of workers, 17.2% of pensioners and only 17.1% were farmers. Around 57% of agricultural land belongs to population aged over 60 years and [7] as a result of it was an agrarian reform in '90 in Romania since the period observed the development of farming and agricultural cooperation. Thus, in 2003 in Romania in cooperation were employed nearly 23% of the population, and later, with the support of European Union program PHARE in Romania was established the Association of Farming Cooperatives, the functions of which were to improve the quality of products produced by the members of the cooperative, marketing, search sources of investment, lower production costs, exhibitions, fairs, seminars, training programs in management, cooperation with foreign cooperatives from the EU [16, p.52-53].

Today Romanian agriculture has formed more than 5% of GDP. The total yield of three main crops (wheat, corn and barley) in Romania in the 2015/2016 season was estimated on 16.3 million tons (20.9 million tons in 2014/15), or 22% lower. In comparison with the previous year decrease was observed in all major crops, wheat by 6.1%, barley, -5.9%, the most significant for corn- 34.4%.

Wheat crop in Romania, reduced, according to various estimates, up to 6-7 million tons compared to the record 7.4 million tons a year earlier. The main reason for the decline in cereal production is an excessive rainfall in the spring, followed by a prolonged drought.

Market operators are also expected to reduce the average level of protein content in the Romanian wheat in the current year to 11.5% against 12.5% last season.

However, according to market participants, Romania is still able to maintain its position as one of the key suppliers of grain to Egypt.

Romanian wheat was priced aggressively on last GASC's tender. Romanian wheat exports for 2015-2016 MY are pegged down at around 5 mln. Mt – export licenses to third countries at 1.097 mln. Mt as of Jan 12, 2016. An extra 15% should be added for intra-EU exports (mostly Italy and Spain), which means that Romanian exporters still have around 3.7 mln. Mt of wheat to export until June 30.

As you can see, the potential of Ukrainian agriculture is much higher than in Romania, but Romania, unlike Ukraine as a result of agrarian reform began to actively develop farms and agricultural cooperatives, the most rational socio-ecological-economic form of economy. One of the features of the agricultural cooperative is independent of its members as owners and customers. Independent economic gives to agricultural cooperative members the economic secure, they work for mutual benefit and get help agricultural producers. However, agricultural cooperative, unlike agriholdings performs the most important social function of agriculture: creates jobs in rural areas, provides guarantees jobs, improves the social protection and improves rural livelihoods etc [8].

Therefore, we believe that the dynamic development of Ukrainian agricultural sector could provide such socio-ecological-economic forms as:

- agricultural cooperatives;
- small and medium-sized entrepreneurs, who could collaborate with Ukrainian farmers on the base of purchase of their grains and deliver it to the sea ports of Kherson, Nikolaev, Odessa for example or to the Ukrainian-Polish border, Ukrainian – Belarus border, Ukrainian – Hungarian, Ukrainian – Slovakian borders with the subsequent selling to different markets.

The biggest problem of Ukrainian farmers is the little volume of production and big costs of credit money. Due to that they couldn't compete with big agro-enterprises – agriholdings. That is why in the article are examined the two ways of development of Ukrainian farming: associations in agricultural cooperatives or collaboration on mutually beneficial terms to small and medium enterprises, who purchases the grain for the purpose of resale and makes investments to the development of farms.

New created small and medium enterprises would occupy their niche on the market in the Ukrainian agribusiness. They could sell 2-3 KMT of grains monthly in the first years and then increase sales to 5-10 thousand tons of grains monthly in the following years. The entrepreneurs could trade with the following varieties of cereal: milling wheat, feed wheat, barley, corn, peas, rapeseeds, niche crops. These products will be sold under the terms of delivery Incoterms – CPT port, FOB, CFR, DAP border as well as on the terms of payments – letters of credit, CAD, prepayments.

Let analyze the main export destinations 2015/2016 crop (table 4, 5, 6, 7).

**Table 4. Corn export destinations, %**

Country	Corn export, %
Spain	24
Netherlands	12
Egypt	12
Italy	11
Portugal	6
Tunisia	6
Israel	5
Germany	5
Others	19

**Table 5. Milling wheat export destination, %**

Country	Milling wheat export, %
Egypt	27
Indonesia	16
Tunisia	7
Syria	6
Djibouti	5
Morocco	5
Others	34

Source: Compiled by the author according to: [12].

**Table 6. Milling wheat export destination, %**

Country	Feed wheat export, %
Thailand	27
Korea, Republic	13
Spain	12
Bangladesh	9
Philippines	7
Others	32

Source: Compiled by the author according to: [12].

**Table 7. Barley export destination, %**

Country	Barley export, %
Saudi Arabia	54
China, Peoples Republic	18
Libya	10
Others	18

Source: Compiled by the author according to: [12].

As we could see from the tables 4, 5, 6, 7 Ukrainian grains are covered all over the world. So, Ukraine has good prospects of development of small and medium-sized enterprises in national agribusiness.

Let analyze the main consumers and competitors. There are different possibilities of trading :

1. The main customers are legal entities which need small lots (from 500 Mt to 1,000-2,000 Mt) and can't invest their money for big lots of grains, which usually carriage by vessels type handy size (30 KMT) or Panamax. These customers mostly are situated far away from the ports.

On our mind, the entrepreneurs should use like advantage in their work the direct trading by trucks, railcars and containers. The goods to be delivered directly to the customers without additional handling of the goods which usually worsen the grains quality, especially corn. There are no losses in quantity which appeared during reloading the cargo from big vessel to the silo and loading again on the trucks or barges (500-1000 Mt). In this case they avoid a double handling of the goods which also costs money. During transporting of grain by containers, entrepreneurs could meet the highest quality standards. In addition, for the consumer is much easier to transport the grain in containers across the country, from the port to the warehouse. Advantage: grains trading by containers doesn't require for a big investments in the purchase of grain, because you can work at the expense of the rapid turnover of funds. Disadvantage: big risk in payment, extended turnover of money if destination is far away (Middle East, Far Ear East).

2. Small and medium enterprises sell the goods on the basis CPT port to the big Buyers. Disadvantage: vessels are loaded with grains from the several manufacturers/trading companies, there is a mix of grains from different manufactures and sometimes it is very difficult to keep a high quality standard of grains. Advantage: less risk in payment, rapid turnover of funds.

New small and medium enterprise could work with another market segment in comparing with the big traders. Their customers – are small companies, but end users, who could allow themselves to make a good business not using a big investments.

Among their competitors are the big grain traders like Cargill (USA), who has their daughter enterprises in Ukraine and al over the world, US group ADM which is also very active in Romania, Ukraine and other countries, Kernel, Nibulon, Bunge, Noble Resources, Ameropa, Agricover, etc. Also, there are small companies who sell grains in containers for export,

There is possible to use cargo terminals for handling of containers which are located close to the port Odessa, Illichevsk, Ukraine. This region has a developed transport infrastructure, usually has a good access to railway, which is connected to the national rail network. Grains will be delivered to cargo terminals by railcars and trucks from all regions of Ukraine. Handling on such terminals is usually cheaper than handling at the ports.

For organizing of agribusiness the entrepreneurs should cover the following technological process, which includes the next steps:

- To purchase of grain according to the requirements of the contract;
- Laboratory analysis of grain;
- Certification of grain (SGS) in compliance with the requirements of customers;
- Loading into containers;
- Documents;
- Customs procedures;
- Transportation containers to the port of Odessa, Illichevsk.
- Loading on board of a vessel.

Having the needed documents and certificates the medium Ukrainian entrepreneur could sell, on our mind, about 3000 Mt monthly for 1<sup>st</sup> half a year and about 7000 Mt monthly for a 2<sup>nd</sup> half a year. Total volume ca 60 KMT.

They could cover such markets like Malaysia, Indonesia, India, Pakistan, Egypt, China, Poland and other countries EU by lots 1000 Mt with value ca \$220 000.

**Conclusions.** The analysis of Ukrainian agrarian market indicates that in Ukraine there are all the conditions for successful development of small and medium entrepreneurship. The study of foreign experience has proven that strengthening the competitiveness of domestic agricultural products in the context of globalization is possible on the basis of mutually beneficial cooperation between Ukrainian farmers and entrepreneurs, where the recent purchase of output at market prices for the purpose of resale, or association of farmers into an agricultural cooperative, this form of economy in agrarian relations which combines a balanced economic, social and environmental components. In particular, stipulates that sustainable economic provides only form of economy that takes into account the socio-economic and geophysical specifics of agriculture, particularities of agricultural labor and management methods. The most common of these forms are small and medium-sized farms.

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### ПЕРСПЕКТИВИ РОЗВИТКУ МАЛИХ ТА СЕРЕДНІХ ПІДПРИЄМСТВ В СІЛЬСЬКОМУ ГОСПОДАРСТВІ УКРАЇНИ

*Досліджено основні напрямки розвитку малих та середніх підприємств в сільському господарстві України. Визначено, що підприємство в аграрному секторі економіки є рушійною силою розвитку сільськогосподарської галузі, оскільки така діяльність сприяє виробництву якісної сільськогосподарської продукції, яка задовольняє потреби суспільства, продовольчу безпеку незалежності країни та сприяє підвищенню рівня життя сільського населення.*

*Проаналізовано потенційних клієнтів невеликих партій врожаю на внутрішньому ринку зерна. Обґрунтовано шляхи взаємовигідного співробітництва між підприємствами та українськими фермерами, господарювання яких передбачає бережливе ставлення до природи та навколишнього середовища, спрямоване на вирощування здорової та якісної продукції, зорієнтованої як внутрішній так і на зовнішні ринки, яка буде давати прибутки господарю.*

*Дослідження зарубіжного досвіду довело, що посилення конкурентоспроможності вітчизняної сільськогосподарської продукції в умовах глобалізації можливе на засадах взаємовигідного співробітництва українських фермерів та підприємств, коли останні закуповують вироблену продукцію за ринковими цінами з метою подальшого перепродажу або створення сільськогосподарської кооперації, такої форми господарювання в системі аграрних відносин, яка збалансовано поєднує економічну, соціальну та екологічну складові. Зокрема, визначено, що раціональне господарювання забезпечують лише ті форми господарювання, які враховують соціально-економічну та геофізичну специфіку сільського господарства, особливості сільськогосподарської праці та методів господарювання. Найбільш поширеними серед таких форм є фермерські господарства.*

*Ключові слова: сільське господарство, підприємство, торгівля, фермер, зерно, клієнти.*

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### ПЕРСПЕКТИВЫ РАЗВИТИЯ МАЛЫХ И СРЕДНИХ ПРЕДПРИЯТИЙ В СЕЛЬСКОМ ХОЗЯЙСТВЕ УКРАИНЫ

*Определены основные направления развития малых и средних предприятий в сельском хозяйстве Украины. Проанализированы потенциальные клиенты небольших партий урожая на внутреннем рынке зерна. Обоснованы пути взаимовыгодного сотрудничества между украинскими фермерами и предпринимателями.*

*Ключевые слова: сельское хозяйство, предпринимательство, торговля, фермер, зерно, клиенты.*

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## CAPABILITIES OF USING EXPERIENCE OF INDIVIDUAL COUNTRIES OF THE EUROPEAN UNION IN THE DEVELOPMENT OF NATIONAL INNOVATION SYSTEM IN KAZAKHSTAN

*The article describes the features of the development of the national innovation system of individual countries of the European Union to determine capabilities of using this experience in Kazakhstan. It identified the key features of the development of national innovation systems of EU member states, like Germany, France, Norway and Finland, through the establishment of the basic functions of government and institutional organization of the support system of science and innovation. The findings are discussed from the standpoint of their capability of using in the current development conditions of the national innovation system of Kazakhstan.*

**Key words:** national innovation system, European Union, innovative development of Kazakhstan, innovative infrastructure.

**The problem formulation.** In modern conditions the level of innovation development has a huge impact on the economic development of the country. Accordingly, in the global competitive fight benefit the countries, which provide favorable conditions for the development of innovation. Therefore, the question of increasing innovative activity is very important and one of the main tasks to ensure the country's competitiveness in the global economy.

The study of foreign experience shows that the system of incentive and support innovative activities will be effective only if in the country developed business and society, psychology of perception of innovation, which is generally referred to as the national innovation system. That the results of the national innovation system in the form of new knowledge, products, technology, services, management and organization methods of production are a major factor in ensuring competitiveness. In recent years, despite the increase in the level of innovation activity in Kazakhstan to 8.1%, it should be noted that in Germany, this figure reaches 80%, in the United States, Sweden, France – 50%, in Russia – more than 10%.

**Analysis of recent research and publications.** In the modern theory the national innovation system (NIS) is defined as "such a combination of different institutions which jointly and individually contribute to the creation and dissemination of new technologies, form the basis of serving governments for the development and implementation of policies that affect the innovation process. As such – this is a system of interconnected institutions, designed to create, store and transfer the knowledge, skills and artifacts which define new

technologies" [1]. Thus, the effectiveness of innovative development of economy depends not only on how effective the activities of independent economic agents (companies, research organizations, universities, etc.) in individually, but also on "how they interact with each other as elements of collective creation system and use of knowledge, as well as public institutions (such as values, norms, right)".

The transition from linear (the chain of "science – production – consumption") to the system description of the innovation process in practice marked the re-evaluation of the determinants of economic growth, focusing on institutions and relationships. Another fundamental characteristic of the NIS is the central role of enterprises in the innovation process. Science can produce knowledge and even stimulate demand for them, offering a new, previously unknown technology to master that provides amplification of the competitive position of enterprises, but the last carried out the practical implementation of innovation and their promotion to consumers and forming feedback [2].

Also there would like to acknowledge the research of Peshina E. and Avdeeva P. [3] in which the further development of the concept of "national innovation system" is considered from the perspective of the need for deeper theoretical understanding of today's highly complex modalities of innovative systems under the influence of a huge number of internal and external factors. Among such factors should be noted separately observed trends are creating a different kind of integration associations of the countries. In this context, issues of functioning of the national innovation system of Kazakhstan on standard models is complicated by problems of the country's

accession to the WTO, as well as the formation of the Eurasian Economic Union (EEU) with Russia and Belarus, which also includes Armenia, Kyrgyzstan.

Except mentioned authors, issues of formation and development of the national innovation system of Kazakhstan in comparison with other developed countries, also more detailed studied by Kenzheguzin M., Dnishev F., Alzhanova F. [4], Barlybaeva N. [5] and other Kazakhstan's authors dealing with problems of innovative development of the former Soviet Union.

**Highlight of unsolved parts of the problem.** Thus, the prospect of further development of the national innovation system of Kazakhstan will be considered in the light of the experience of the European Union (EU) and the individual countries belonging to this integration association. The field of innovation as the basis for the development of competitiveness of the national economy in terms of integration associations on the one hand can serve as a factor of integration and interaction between policy makers and national structures. But, on the other hand, especially for national entrepreneurs have not yet repaid their expenses on science and innovation, there are some difficulties to turn their possession of the entire integration association. Therefore, for the "beautiful facade" of universal union, often can't see the internal contradictions in the development of mutually beneficial innovative cooperation. And evidence of this is the fact that despite the high innovative activity of the entire Union, there neighboring countries, and with a very high innovation activity, and countries with a low level of innovation activity. For example of it the European Union, which has the country's innovation leaders such as Germany, and innovative outsiders (Eastern European countries) and the prospects for the alignment of this differentiation is not visible [6].

Therefore, within the framework of integration associations the national innovation system is in their own distinctive and, above all, focused on the innovation potential of the country and its economy.

**The aim of the research** based on a study of the experience of the national innovation systems of the individual countries of the European Union to determine the most appropriate country-model for the further development of the national innovation system of Kazakhstan in terms of its functioning in the conditions of the Eurasian Economic Union.

**Main results of the research.** Based on the aim, in this article we consider the key features of the development of national innovation systems of the individual EU member states: Germany, France, Norway and Finland.

**Germany.** The German Government attaches great importance to the development of science and technology, supporting the financial commitment of German companies and research organizations in the European and world leadership. According to ratings of many world universities in 2004 Germany ranks 5th in the world and 3rd in Europe for innovation potential, which is a solid foundation for long-term economic growth. Despite the excellent performance of Germany in the ranking, the government was criticized by the German academic and business circles of insufficiently active innovation policy compared to other smaller European countries such as Switzerland, Finland, Denmark, Sweden and Norway. The report "Germany 2020. Future Perspectives for the German economy", prepared by McKinsey & Company in 2008, the main conclusion was the need to achieve an annual GDP growth of 3% in order to remain the leading European economies. If the German economy will continue to grow by only 1.7% per year, by 2020, will have difficulties with the financing of social payments and lose attraction for international business. In

order to achieve GDP growth of 3%, its necessary new approaches and state support of innovation activity [7].

German innovative infrastructure is a complex network of various federal and state values of the organizations:

- research institutions and society,
- industrialists alliances
- funds and other organizations.

In Germany there are four scientific societies (Fraunhofer, Leibniz, Helmholtz and Max Planck), incorporates a variety of institutions and research centers into a single network. These societies were created in the 40-50s to conduct applied research to restore shattered postwar economy. Experience and tradition of scientific societies do nucleation centers for the German world-class innovation.

Universities in Germany, as well as and universities in the United States, Britain and Japan, are important elements of the research system, since they do not only educational function, but also carry out their own research in many areas. On the level of university education in Germany is the fact that Germany is the third most attractive country for foreign students.

The total number of universities in Germany is equal to 400, and only 38 of them receive funding from the federal budget, 130 universities are funded from the budgets of the land, all the other universities are private. 200 universities from 400 are technical and applied orientation.

Actions of the Federal Government aimed at strengthening the universities as centers of origin of innovation and commercialization. In May 2007, the program "*EXIST-Grunderstipendium*" was launched, the aim of which is to support the start-up initiatives. Additionally, in support of this program, the program "*EXIST-Forschungstransfer*" was launched, aimed at commercialization and transfer of research results.

Innovative alliances are a new instrument under the High-Tech Strategy 2020, initiated by the Federal Ministry of Education and Research. Currently, there are 9 innovative alliances with a total annual budget of EUR 3.1 billion.

The German offices of science and innovation (ger. Deutsches Wissenschafts und Innovationshaus) represent the foreign offices of the Federal Ministry of Education and Research. To date, there are representative offices in New York, Moscow, Tokyo, New Delhi and Sao Paulo. The main objectives of the German Office of Science and Innovation is to promote abroad the German development, the establishment of a dialogue between science and industry, the search for and promotion of joint projects, providing information on the research and development of countries where the offices are located, for the German industrialists.

**France** is one of the world leaders in the field of research and development and is in the top thirty rankings "Global Innovation Index 2013". At present, the development of R&D and innovation in France is the top priority of the state policy and is seen as a major factor in the future economic growth of the country. By the development of this sphere are linked future and the country's place on the world stage [8].

In France, the stimulation of innovative activity in the country for a relatively long time is an essential element of public policy. However, the legislation in the field of innovation for a long time was impulsive, local in nature and concerned only a limited range of problems associated with this process (for example, the introduction of a new legal status for public research institutions, facilitating partnerships with businesses, the creation of specialized care system, the development of industrial parks, patent legislation, etc.).

A key element of the effective functioning of the sphere of science and technology foresight in France – the development of institutional mechanisms. Projected activities well represented at all levels of the supreme

bodies of legislative and executive power to the independent expert futurists. A particularly important role in prognosis plays institutions of higher authorities (specialized committees, services, ministries, etc.), forward operation which underlie the state science and technology and innovation policy of France. In most cases they are the leading coordinating organization in the projections, their main function – to attract high-level professionals from various areas of public life (administrative authorities, science, high school, industry, media, etc.) for prognostic evaluation on actual problems of social-economic, scientific and technological development.

By 2008, France became one of the most attractive countries in the investment plan. Many foreign companies choose France for the organization of private industrial and research activities. Their choice is largely due to the presence in France quite tax efficient instruments of influence.

The main view of the tax aid in France is a research tax credit (*Credit d'impôt recherche-CIR*), which now accounts for over 80% of the total amount of the tax assistance allocated in the country for R&D development.

In recent years, the scale of funding and effectiveness of the research tax credit, France stands out among OECD countries. According to many experts, the mechanism of research tax credits of France today is the best in Europe in the field of tax instruments to stimulate the development of R&D in industrial enterprises. In general, the entrepreneurial world of France high enough evaluates effectiveness of the research tax credit as a tool to stimulate R&D funding at the expense of own funds of enterprises.

*Norway.* In the process of building an information society, Norway has become one of the world leaders of innovative development.

The high efficiency of innovation policy in the country is provided by the following three features. First, it is closely intertwined with other areas of state action – the social, investment, regional, education, taxation and others. Secondly, a high level of development of cooperation between the various links in the innovation chain, forming a national innovation system, which provides a higher return compared to if the links of this chain acted separately. This allows turning science and innovation in the direct productive force of society. Another feature of the Norwegian innovation policy is a course on the use of regional capacities. The responsibility for the implementation of innovation policy rests with the regions and the central government is developing an innovative strategy and conducts other activities supporting innovation. Most of the national innovation agencies and innovation programs have a strong regional component [9].

High demand for many innovative products supported through purposeful activity of the state, releasing substantial funds for the procurement of goods and services related to the existence of a system of free education, medical care, a variety of social services, operating under the municipalities.

At present, in Norway widely used tested in practice, well-proven organizational forms and methods of financing innovation: science parks, clusters and venture capital financing and etc.

Norwegian management measures in the area of improving the structure of the economy and development of human resources consistently aimed at stimulating research and development, technological modernization of the national economy and the development of innovative activities. Norway has a well-formed and effectively functioning system of incentives and support for research and development and innovation. The *complex state innovation policy measures* include items such as:

- special organizations and bodies responsible for the development and implementation of science, technology and innovation policy;
- the system of international scientific and technological cooperation with other countries (primarily the EU and the US) in terms of exchange of best practices and technologies;
- network of technology parks, innovation clusters and centers of technological expertise;
- a significant direct budget financing of R&D in various forms, including tax benefits system. It is noted that in order to achieve long-term high-tech tasks more important is sustainability planned financing than large one-time infusion of funds.

Norwegian law does not provide for specific regulations concerning the regulation of research and innovation. This area is regulated under separate documents (strategies, development plans, letters, reports), which are issued by line ministries and state controlled organizations

The main institutions of the innovation infrastructure such as science parks, business incubators, innovation centers and etc., in Norway they play an important role in the process of commercialization of research results, technology transfer from the initial stage until the commercialization of the project. They work directly with universities, inventors, scientific research centers, private companies and entrepreneurs. In this case, their functions include peer review of proposed projects, market analysis, leading to the international standards, patents and search for potential buyers. It is further assumed that a company either operates alone (leaving the incubator) or sold to investors, either displayed on the venture market. Thus, the main objective of these organizations is bringing to market new and competitive innovation. So, in 2011, 7154 new enterprises were established in Norway, the scope of which relates to science and technology (Professional, scientific and technical activities), representing 14% of the total number of new businesses in the country.

In Norway, 42% of the total expenditure on research and innovation activities funded by the state. The Government and the Stortinget set the structure of public expenditure on this area and define the main objectives and policy priorities in this area.

*Finland.* Over the past 20 years, the Finnish economy is reoriented to natural resources in the high-tech industry. And today, Finland is one of the recognized leaders in innovation. The world has developed a model of successful states which, not having its own database of fundamental science, were able to achieve significant results in innovation. Finnish experience proves once again that the economy based on knowledge, it is possible to build. Finland managed to become one of the world's post-industrial leaders (as well as Sweden, Israel and some other countries) due to the purposeful policy of the state, effective interaction with business and long-term investments in science, innovation and education.

The main trend seen in the Finnish innovation system is a further development of innovation policy, which involves a closer involvement of the country's existing research and development, including the regional infrastructure in the global economy, as well as the establishment of close contacts with the relevant EU institutions. At the same time the Finnish leadership is considering the development of innovative activities within the country and abroad as one of the main levers of increase of competitiveness of the national economy [10].

Against the backdrop of the EU countries, Finland has traditionally been among the most successful countries in the development of high-tech sectors of the economy and the share of expenditure in GDP on R&D is among the leading countries of the world. Since 1995 export of high-



tech products in Finland exceeds its imports, while the share of such products from the total exports of Finland is about 21%. With 80% of exports of high-tech products accounted for the electronic and electrical industry. However, since 2005 in Finland there are tendencies to reduce the production of high-tech products of large business enterprises and the transfer of production facilities in other countries. The growth of Finnish exports continue to be carried out through the activities of the Finnish subsidiaries abroad, where work for over 37% of all employees of Finnish companies.

In recent years, Finland has slowed down the growth of industrial investment in the country. According to the statistical agency of Finland, investment in innovation sphere and the expansion of production in the territory, with the direct participation of European experts analyze the country's innovation system was carried out, which, on the whole, confirmed the high level of its development. This was marked by a number of its shortcomings, related primarily to the irrational use of allocated to R&D budget, low levels of foreign investment, managing the complexity of the existing system of innovation and lack of cooperation with leading European and international research centers.

The analysis carried out a number of Western researchers, shows that over the last 25-30 years scientific and technological policy of Finland is not a rigid and centrally planned mechanism for the development of scientific – technological and innovation complex. An important element of liberalization in this area was the construction of the so called *network economy*, which has become structurally based on information and communication network of technology developers and users, namely industrial firms. Building a "network economy" has become one of the priorities, the key

element in the development of scientific and technological complex and innovative system of the country.

Finland, according to Eurostat, has achieved the highest index in the world on the use of information and communication technologies and the Internet, particularly in the creation of collaborative networks for the implementation of innovative activities between universities, public research institutes and industrial companies. In fact, "network economy" in this sector includes more than 50% of university networks and more than 40% of the networks between public research institutes and industrial firms.

The modern role of government in Finland in science, technology and innovation sphere, increasingly switched to supporting the private sector to stimulate growth in their R&D funding, targeting firms in perspective, the priority for the Research Society on the medium and long term from 5 to 15 years. On the other hand, according to some Western experts, the Finnish Government takes certain "laziness and procrastination" on the use of tax incentives to attract foreign investment in R&D.

In Finland, there are no specific laws on innovation activity, legal and regulatory framework is based on the legislation on small and medium-sized enterprises, as well as the protection of intellectual property, the issue of which it is one of the most important. Finland does not apply the tax incentives for R&D, and using other forms of state support.

In general, based on the analysis of the features of national innovation systems of individual EU countries, we have built the following summary table 1, which reflects the strengths of NIS analyzed and compared with the characteristics of the innovation system according to the parameters of Kazakhstan.

**Table 1. Summary of the key features of the national innovation system of individual EU countries and Kazakhstan**

Country	The level of innovation activity	The level of development of the national innovation system elements	Strengths (key features) NIS	Ability to use the strengths of the countries under the EEU
Germany	High	High, evolutionarily formed naturally with the support of the state and national enterprise	High-performance national innovation system that allows stable to maintain its leadership in the field of innovation, not only in the EU but also in the world.	Due to the low level of innovative activity in the countries of the EEU the possibility of applying this model of NIS unacceptable.
France	High enough	High enough, generated by significant efforts by the state and supported by the academic environment.	Enough high academic potential through targeted research efforts of state institutions has allowed creating a strong triple alliance of state, science and business.	For use in the conditions of the EEU countries need to strengthen the state's role in supporting the NIS on a real level, as well as the need to develop alliances and academic community.
Norway	Middle	Average is typically resource-based economy, only form the basic elements of the NIS. But already established institutions work effectively.	Although raw material specialization of the economy, the development of NIS is focused on the development of high-tech production technology and processing of raw materials.	The possibility of using very high, given the raw materials and agricultural specialization EEU economies. R&D in the raw technology will form a "niche" in the innovation housekeeper.
Finland	Relatively high	High enough, formed as a result of the purposeful policy of the state and with the support of national business	High state's role in the development, implementation and effectiveness of the special Concept of the national innovation system, designed to move away from the commodity specialization and the formation of an innovative economy sectors.	The possibility of using high, on conditions that the State's obligations to the rest of the national innovation system.
Kazakhstan	Low	Average, taking into account that the main elements of the national innovation system formed recently, the results of their functioning is not yet noticeable.	Effectiveness of NIS still low, although the state's role in the program-oriented development of innovative activity is high. For example, SPIIDK, specialized legal framework.	Possibilities of EEU should be used to improve the efficiency of NIS through the implementation of joint innovation projects with researchers and innovators in other countries EEU.

Source: Compiled by the author based on sources Center of analytical and methodological support of JSC "National Agency for Technological Development": [7-10].

**Conclusions and prospects for the latest developments in this field.** Thus, among all examined EU countries by us, especially would like to mention the

experience of development of national innovation systems in Norway and Finland, which, like our Kazakhstan, they are in the commodity-based specialization, but were able to

restructure their economies in the direction of activation of the innovation potential. It should be noted that a significant focus of state innovation policy in these countries has been made towards the formation of innovative industrial production [11]. For example, the Finnish industry has been able to move the production of goods with a large amount of added value through intensive partnerships between governments and the private sector.

Another important point that could be learned from the experience and lessons of Finland – is the institutional construction of the National innovation system. We believe that should be used positively institutional experience of Finland, especially as regards the creation of such organizational structures which finance high-tech Company in the pre-competitive stage of the innovation process. This refers to venture capital and "seed" funding. Apparently, one should consider creating appropriate programs for provision of substantial financial, credit and other support for innovation-oriented small and medium enterprises in Kazakhstan.

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### МОЖЛИВОСТІ ЗАСТОСУВАННЯ В КАЗАХСТАНІ ДОСВІДУ РОЗВИТКУ НАЦІОНАЛЬНОЇ ІННОВАЦІЙНОЇ СИСТЕМИ ОКРЕМИХ КРАЇН ЄВРОПЕЙСЬКОГО СОЮЗУ

*У статті розглянуто особливості розвитку національної інноваційної системи окремих країн Європейського союзу для визначення можливості застосування даного досвіду в Казахстані. Визначено ключові особливості розвитку національних інноваційних систем таких країн-учасниць ЄС, як Німеччина, Франція, Норвегія і Фінляндія, через встановлення основних функцій державних та інституційних організацій підтримки системи науки та інновацій. Отримані результати розглянуті з позиції можливості їх застосування в поточних умовах розвитку національної інноваційної системи Казахстану.*

*Ключові слова: національна інноваційна система, Європейський союз, інноваційний розвиток Казахстану, інноваційна інфраструктура.*

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### ВОЗМОЖНОСТИ ПРИМЕНЕНИЯ В КАЗАХСТАНЕ ОПЫТА РАЗВИТИЯ НАЦИОНАЛЬНОЙ ИННОВАЦИОННОЙ СИСТЕМЫ ОТДЕЛЬНЫХ СТРАН ЕВРОПЕЙСКОГО СОЮЗА

*В статье рассмотрены особенности развития национальной инновационной системы отдельных стран Европейского союза для определения возможности применения данного опыта в Казахстане. Определены ключевые особенности развития национальных инновационных систем таких стран-участниц ЕС, как Германия, Франция, Норвегия и Финляндия, через установление основных функций государственных и институциональных организации поддержки системы науки и инновации. Полученные результаты рассмотрены с позиции возможности их применения в текущих условиях развития национальной инновационной системы Казахстана.*

*Ключевые слова: национальная инновационная система, Европейский союз, инновационное развитие Казахстана, инновационная инфраструктура.*

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**MACROTHEORETICAL FOUNDATIONS OF FISCAL CONSOLIDATION**

*Fiscal consolidation – is an important type of macroeconomic policies aimed at reducing the budget deficit and stabilize and reduce public debt in the long term. The ultimate goal of this policy is to ensure the sustainability of public finance violations during the financial crisis. The article emphasized that in today's state macroeconomic policy focused mainly on the economic reforms in the fiscal sector, the implementation of programs of fiscal consolidation, the introduction of new fiscal rules and reform of the old, institutional changes in fiscal regulation, improving transparency in the fiscal sphere. The area of fiscal consolidation embarked on optimization and rationalization of budgetary balance structure of government spending, and financial security reforms in all areas it is. Emphasized that the main direction of modernization of the financial system of Ukraine is conducting fiscal consolidation to limit the deficit of public finances and the slowdown in public debt. Macroeconomic fiscal consolidation tools that can be applied in Ukraine are systematized and classified. Feasibility of balancing of public finances of Ukraine has been determined through institutional interdependence fiscal consolidation of fiscal instruments that allowed isolating certain prerequisites to intensify monetary policy aimed to support growth by expanding lending to the real economy. The fiscal consolidation program aimed at stabilizing public finances and improving their sustainability has been analysed. The list of potential instruments of fiscal consolidation and fiscal rules and regulations of the new generation that are designed to ensure the sustainability of public finances has been defined.*

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### THE ROLE OF THE SOCIAL-ENTREPRENEURSHIP CORPORATIONS IN KAZAKHSTAN IN THE DEVELOPMENT OF THE PUBLIC PRIVATE PARTNERSHIP MECHANISMS

*The article describes the features of the establishment and functioning of the specialized institutions of the public-private partnership – the social-entrepreneurship corporations in Kazakhstan. Based on the study of foreign experience of the creation of similar organizations, the advantages and problems of their functioning have been determined. The social-entrepreneurship corporations of Kazakhstan have a non-profit corporation model, but their mission is to meet the challenges of gaining profit and investments for the socio-economic development of the regions. This article describes the functioning activities of the social-entrepreneurship corporation "Saryarka" of Karaganda region, the dynamics and structure of its investment portfolio and the main problems are determined in it.*

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### THE INFLUENCE OF WAITING TIME SATISFACTION ON CUSTOMER LOYALTY TOWARDS MULTI-STAGE SERVICES IN A FULL-SERVICE RESTAURANT: EVIDENCE FROM INDIA

**Research shows waiting time in services is an important source of service evaluation by the customer. In fact, time is one component of the total 'cost' that the customer bears and cost is a core component of the perceived cost-benefit equation that the customer uses to evaluate her or his sustained patronage of a particular service. In most services, customers consider waiting as a waste of time. However, from the customer perspective, in the case of a full-service restaurant, waiting is expected and sometimes desirable also. Prior research, mainly in the west, suggests that when customers think that a wait for service is too long, they become less satisfied with overall service quality. Based on a research setting in a full-scale restaurant in India, this paper seeks answers to two research questions: First, what are the determinants of overall waiting-time satisfaction and second, what is the influence of waiting-time satisfaction on customer loyalty.**

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#### STRATEGIC PLANNING AS A NECESSARY PREREQUISITE TO SUCCESSFUL PROGRAM BUDGETING IN GEORGIA

***This article gives answers to following important questions: What are the main tasks and aims of strategic planning and program budgeting in the context of managing the public finances? Why the introduction of linking between strategic planning and program budgeting, oriented to the result, is important in Georgia? The paper emphasizes the efforts of Georgian authorities to implement performance-based program budgeting. Based on the initial results, authorities decided to establish a link between strategic planning and budgeting, as a condition for implementing performance-based budgeting. It presents steps toward this goal and outlines some remarks on future measures.***

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## PROSPECTS OF DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES IN UKRAINIAN AGRICULTURE

*Main directions of development of small and medium-sized enterprises in Ukrainian agriculture are examined. It is determined that entrepreneurship in agrarian sector is a driving force behind the development of agriculture, as these activities contributes to the production of quality agricultural products that satisfies the needs of society, food security, independence and improves the living standards of rural population.*

*Potential customers of small parties of harvest in Ukrainian grain market are analyzed. The ways of mutually beneficial cooperation between Ukrainian farmers and entrepreneurs are proved.*

*The study of foreign experience has proven that strengthening the competitiveness of Ukrainian agricultural products in the context of globalization is possible on the basis of mutually beneficial cooperation of Ukrainian farmers and entrepreneurs, where recent purchase of output at market prices for the purpose of resale or creation of agricultural cooperatives, such form of economy in agrarian relations that combines a balanced economic, social and environmental components.*

*In particular in paper is shown that sustainable economic management provide only forms of economy that take into account the socioeconomic and geophysical specifics of agriculture, particularities of agricultural labor and methods of management. The most common among these forms are farmers.*

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#### CAPABILITIES OF USING EXPERIENCE OF INDIVIDUAL COUNTRIES OF THE EUROPEAN UNION IN THE DEVELOPMENT OF NATIONAL INNOVATION SYSTEM IN KAZAKHSTAN

*The article describes the features of the development of the national innovation system of individual countries of the European Union to determine capabilities of using this experience in conditions of modern Kazakhstan. It identified the key features of the development of national innovation systems of EU member states, like Germany, France, Norway and Finland, through the establishment of the basic functions of government and institutional organization of the support system of science and innovation. It determined the basic directions of the legal support of research and innovation activities, as well as the terms of the organization of the innovation infrastructure in stimulating innovation. Despite the identified similarities in the overall functioning of the national innovation systems, however, there was determined the key features and areas of focus for each country. The results are brought together in the summary table, which is determined by the capability of their using in the conditions of Kazakhstan.*

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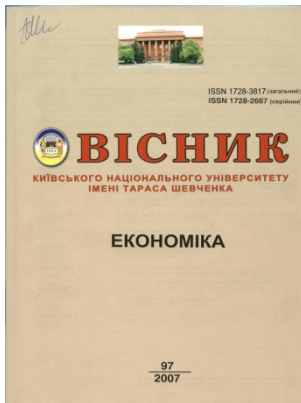
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