

# **European Journal of Economics and Management Sciences**

**Nº 1 2019**

# European Journal of Economics and Management Sciences

Scientific journal  
№1 2019

ISSN 2310-5690

**Editor-in-chief** Jovanović Milka, Croatia, Doctor of Economics

## International editorial board

Adieva Aynura Abduzhalalovna, Kyrgyzstan, Doctor of Economics  
Bersirova Saida Halidovna, Russia, Ph.D. of Economics  
Biró Róbert, Hungary, Doctor of Economics  
Blahun Ivan Semenovich, Ukraine, Doctor of Economics  
Bogolib Tatiana Maksimovna, Ukraine, Doctor of Economics  
Chechelashvili Maya Yurevna, Georgia, Doctor of Economics  
Cherniavska Olena, Ukraine, Doctor of Economics  
Ciobanu Marius, Romania, Doctor of Economics  
Dovgal Elena Andreevna, Ukraine, Doctor of Economics  
Ischuk Svetlana Alexeevna, Ukraine, Doctor of Economics  
Guliyev Iqbal Adil ogly, Russia, Doctor of Economics  
George Chiladze, Georgia, Doctor of Economics, Doctor of Law  
Karanina Elena Valerevna, Russia, Doctor of Economics  
Kestutis Peleckis, Lithuania, Doctor of Economics  
Khubaev Georgy Nikolaevich, Russia, Doctor of Economics  
Khoutyz Zaur, Russia, Doctor of Economics  
Kocherbaeva Aynura Anatolevna, Kyrgyzstan, Doctor of Economics  
Kunditsky Alexander Alexandrovich, Ukraine, Doctor of Economics  
Kurbanov Tohirdzhon Hakimovich, Russia, Doctor of Economics  
Meymanov Bakyt Kattoevich, Kazakhstan, Doctor of Economics  
Mizanbekova Salima Kaspievna, Kazakhstan, Doctor of Economics

Morozova Natalay Ivanovna, Russia, Doctor of Economics  
Navruzoda Bakhtiyor, Tajikistan, Doctor of Economics  
Olgerta Visi, Albania, Doctor of Economics  
Osmonkulova Guldana, Kyrgyzstan, Doctor of Economics  
Perova Margarita Borisovna, Russia, Doctor of Economics  
Pshuk Bogdan Ivanovich, Ukraine, Doctor of Economics  
Rodionov Alexandr Vladimirovich, Russia, Doctor of Economics  
Salaev Sanatbek Komiljanovich, Uzbekistan, Doctor of Economics  
Saif Ullamin, Pakistan, Doctor of Economics  
Shamsiev Kamariddin Badrievich, Tajikistan, Doctor of Economics  
Sharko Margarita, Ukraine, Doctor of Economics  
Stahanov Dmitriy Viktorovich, Russia, Ph.D. of Economics  
Yakovleva-Chernysheva Anna Yurevna, Russia, Doctor of Economics  
Zelenskaya Tatiana Vasilevna, Russia, Doctor of Economics

**Proofreading** Kristin Theissen  
**Cover design** Andreas Vogel  
**Additional design** Stephan Friedman  
**Editorial office** Premier Publishing s.r.o. Praha 8  
Karlín, Lyčkovovo nám. 508/7, PSC 18600  
**E-mail:** pub@ppublishing.org  
**Homepage:** ppublishing.org

**European Journal of Economics and Management Sciences** is an international, German/English/Russian language, peer-reviewed journal. It is published bimonthly with circulation of 1000 copies.

The decisive criterion for accepting a manuscript for publication is scientific quality. All research articles published in this journal have undergone a rigorous peer review. Based on initial screening by the editors, each paper is anonymized and reviewed by at least two anonymous referees. Recommending the articles for publishing, the reviewers confirm that in their opinion the submitted article contains important or new scientific results.

Premier Publishing s.r.o. is not responsible for the stylistic content of the article. The responsibility for the stylistic content lies on an author of an article.

## Instructions for authors

Full instructions for manuscript preparation and submission can be found through the Premier Publishing s.r.o. home page at: <http://ppublishing.org>.

## Material disclaimer

The opinions expressed in the conference proceedings do not necessarily reflect those of the Premier Publishing s.r.o., the editor, the editorial board, or the organization to which the authors are affiliated.

Premier Publishing s.r.o. is not responsible for the stylistic content of the article. The responsibility for the stylistic content lies on an author of an article.

## Included to the open access repositories:



## © Premier Publishing s.r.o.

All rights reserved; no part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission of the Publisher.

Typeset in Berling by Ziegler Buchdruckerei, Linz, Austria.

Printed by Premier Publishing s.r.o., Vienna, Austria on acid-free paper.

## Section 1. Marketing

*Dr. Anietie Peter Akpan,  
Department of Business Management  
University of Uyo Akwa Ibom State  
E-mail: anietiepakpan@yahoo.com*

*Dr. Samuel George Etuk,  
Department of Marketing  
University of Uyo Akwa Ibom State*

### **TANGIBILISATION OF SERVICE AND CUSTOMER SATISFACTION IN HOSPITALS: IMPLICATION FOR MANAGEMENT**

**Abstract:** This study examined the two dimensions of tangibilisation; operations based and marketing based tangibilisation as it affects customer satisfaction in three tertiary hospitals in the Niger Delta region of Nigeria. A sample size of 598 respondents was derived and data collected were subjected to statistical analysis using both descriptive and inferential statistics. Findings from the study shows that both dimensions of tangibilisation of service positively predicts customer satisfaction in the hospitals. Some specific managerial implications that will enhance customer satisfaction were drawn from the study.

**Keywords:** tangibilisation, intangibility, customer satisfaction.

#### **Introduction**

Quality of service and the satisfaction of the consumers of service has been a key research issue over the years. This is not strange if one takes into account that quality is considered a relevant factor in explaining the competitiveness and viability of the organizations, as well as positive experiences of people in their consumption activities. Quality of service, through the satisfaction that it is capable of generating, brings about repeated patronage by customer and influences the economic prosperity of organizations [1, 180–188]. Therefore, given the fact that service quality influences customer satisfaction, meeting the challenge of intangibility and confronting the issue of how best to communicate the ‘intangible’ characteristic of service to the customers has

been one of the biggest challenges of managers of service-providing firms.

According to Webster’s Dictionary [2, 1173], intangibility is defined as “the quality or state of something that cannot be touched or perceived by touch; impalpable; imperceptible; the quality or state of something that cannot be defined or determined with certainty or precision”. Service offering firms need to tackle intangibility and ‘tangibilize’ their service offerings in order to bring in a better customer perception towards their offerings, reduce the client’s perceived risk, and enhance the assessment of services [3, 292–302].

What complicates an effective handling of the aforementioned issue is the fact that there has been little effort to develop management practices based

on the provision of services. Instead, management of service providing companies borrow ideas from the manufacturing sector, meaning that the frameworks put to use are not necessarily optimized for services [4, 321–335].

As glean from literature, there are two different ways of tangibilization. Operations Based Tangibilization (OBT) and Marketing Based Tangibilization (MBT) [5, 747–772]. Operations Based Tangibilization (OBT) works with the intention of decreasing the client's sense of intangibility after the service encounter process and involves all the operational activities that are carried out by the service firms during the service encounter process. On the other hand, Marketing Based Tangibilization (MBT) focuses on raising the potential client's sense of tangibility before the service encounter process, and involves most of the marketing activities carried out by the service-offering firms [5, 747–772]. This study intends look at extent of influence of both ways of tangibilisation.

### **Theoretical Nexus**

Services, generally, require a different managerial approach and elicit a different response from consumers [6, 563). This is generally perceived to be the result of their inherent characteristics; intangibility, variability, perishability and inseparability. Intangibility is often argued to be most important of these generic differences. This is so because tangibility is the basis for determining whether or not an offering is a product or a service [7, 681]. Also, it is generally regarded to be the primary source from which the other three characteristics emerge. Intangibility, as a service characteristics, plays a crucial role in how service-producing organizations are managed and how its strategies are formed [8, 447–469]. It is key to how customers perceive service quality.

Service quality has been defined by several authors in a number of ways. [9, 420–450] defined service quality as global judgement or attitude related to the superiority of service relative to competitive

offerings. To [10, 27–37], service quality is customers' overall impression of the relative inferiority/superiority of the organisation and its offerings. From the above definitions, it can be inferred that service quality is a function of customer satisfaction based entirely on the perception of the customer. This implies that when there are no tangible cues to a service, customers' perception of the service may be misconstrued.

Theoretically, service quality is divided into two school of thoughts, namely, the European school of thought and the American school of thought. The European school of thought led by [11, 964] is based on the fact that customers evaluate service quality from two perspective; the functional and technical perspectives. However, the European school overlooked the physical environment of the place where the service is being delivered and /or exchanged [12, 26–38]. The American school fills this gap by conceptualising service quality as the difference between the overall gap between the customers' perception and expectation of service delivery [13, 41–50; 14, 21–240; 9, 420–450 and 15, 111–124].

The American school of thought gave birth to the SERVQUAL scale of measuring service quality. This scale was made up of 10 dimensions which was later reduced to five dimensions, namely, reliability, tangibility, responsiveness, assurance and empathy. Of these five dimensions, four (i.e. reliability, responsiveness, assurance and empathy) emphasized social/interpersonal interaction between employee of the service delivery organisation and the customer. Parasumaran and colleagues pointed out that social/interpersonal interaction in services is more important than the physical (tangible) aspect of services [13, 41–50]. They confirmed this idea through the study of the expectations of customers and observing that the tangible aspects occupied a secondary place in their interests [16, 1–12].

However, this predominance of social/interpersonal interaction does not have to occur in all service organizations. This is so based on typologies

of service organisation, where it is assumed that each type of service has peculiarities that should be taken into account in research [17, 90–99]. A critical factor is the presence of the customer in service organizations. There are services that are provided while the user is at home or at work and not physically present at any facilities of the service providers while service is being delivered (e.g. telephone line), but others are delivered and/or consumed in the organization's facilities (for example, hospital). The results obtained by Parasuraman et al., with respect to the scarce importance attributed to the tangible aspects, have to do with the types of service organizations studied. They focused on the banking services and insurance services. In these type of services, what contribute to customer satisfaction is how the customers perceive their interaction with the employee and not the physical conditions of the facilities. Aspects such as the provision of adequate security, employee's ability to solve problems or the trust, confidence and competence the employees transmit in the course of the interaction are important.

There are indications that tangibilisation of service are relevant in sectors where the services delivered and/or consumed in the organization's facilities such as hospitals. However, it has not been specifically tested the extent to which tangibilisation can predict customer satisfaction. This study seeks to establish the extent to which tangibilisation predicts customer satisfaction and the managerial implication of this influence in hospitals using Operations Based Tangibilization (OBT) and Marketing Based Tangibilization (MBT). Against this backdrop, this study attempts to provide answers to the following research questions:

- i. To what extent does tangibilisation of services predicts customer satisfaction in tertiary hospitals in the Niger Delta region of Nigeria?
- ii. What are the managerial implications of tangibilisation of services in tertiary hospitals in the Niger Delta region of Nigeria?

## Methodology

The study was conducted in three public tertiary hospitals located in the Niger Delta region of Nigeria. The target population of the study comprised all the patients that visit the General Outpatient Departments (GOPD) of the three hospitals for medical treatment. Available records in the respective hospitals were used to compute the average weekly population of patients visiting the General Outpatient Departments (GOPD) of these hospitals over a one year period. From the average weekly population of patients computed, a sample size of 598 was derived for this study by applying the Taro Yamane formula for sample size determination. For this study, the Service Tangibilisation and Customer Satisfaction Questionnaire (STCSQ) was used as the instrument for data collection. The STCSQ was subjected to face and content validity through a pilot study using 20 patients. The pilot study helped in fine-tuning the items in the questionnaire and enhanced the validation process. Cronbach Alpha reliability statistics was adopted to test the reliability of the instrument. A reliability coefficient of 0.76 was obtained.

The copies of questionnaire were administered to the respondents in the general outpatients department of respective hospitals during official hours. The questionnaire was administered and retrieved the same day. Judgment sampling was adopted due for this study. Descriptive statistics such as frequency distribution and percentage analysis was used to describe the demographic characteristics of respondents. Regression analysis was used to determine the extent to which the independent variable (tangibilisation) predicts the dependent variable customer satisfaction. The regression model for this study was stated implicitly as:

$$Y = F(X_1, X_2) + e.$$

Where Y = customer satisfaction

$X_1$  = operations based tangibilisation;

$X_2$  = market based tangibilisation.

## Results and Interpretation

Table 1. – Respondents' Profile

S/N	Sample Characteristics	Number of Respondents	Respondents (%)
<b>1</b>	<b>Sex</b>		
	Male	304	50.7
	Female	294	49.3
<b>2</b>	<b>Age</b>		
	Less than 20	4	0.7
	20–30	51	8.5
	31–40	234	39.1
	41–50	283	47.5
	Above 50	23	3.7
<b>3</b>	<b>Education</b>		
	No formal education	17	2.8
	Primary education	149	24.9
	Secondary education	206	34.4
	Tertiary education	226	38.8

Table 1 shows that male and female respondents constituted 50.7% and 49.3% respectively; 0.7% were less than 20 years of age, 8.5% were aged between 21 and 30 years and 39.1% of the respondents were aged

between 31 and 40 years. Those between the age of 41 and 50 were 47.5% and 8.4% were above 50 years of age. Also, a good majority of them 97.2% have one form of education or the other.

Table 2. – Multiple regression analysis tangibility and customer satisfaction

Variable	Beta Estimate ( $\beta$ )	Standard Error	T score	P value	Remark
Constant (a)	11.035	7.521	1.467	0.083	–
Marketing based tangibilisation	0.412	0.100	4.120	0.001	Significant
Operations based tangibilisation	0.432	0.065	6.646	0.000	Significant
R <sup>2</sup>	0.804				
Adjusted R <sup>2</sup>	0.728				
Std Error of Estimate	0.01505				
F- Statistics	122.825				

*Dependent variable: customer satisfaction*

From the result in Table 2, the adjusted R-square of the regression analysis is 0.728. This finding suggest that tangibilisation of services predicts 72.8% of the variance in customer satisfaction in tertiary hospitals in the Niger Delta region of Nigeria. The analysis of variance (ANOVA) result [i.e.  $F = 122.825, p < 0.005$ ] confirmed that tangibilisation of services significant-

ly influence customer satisfaction. This result implies that tangibilisation of services in tertiary hospitals in the Niger Delta region of Nigeria predicts customer satisfaction to a high extent.

Furthermore, from the standardized coefficient of the beta weights, it can be observed that all dimensions of tangibilisation yielded significant impact on

organizational performance ( $p < 0.05$ ). However, “operations based tangibilisation” made the highest significant contribution towards predicting customer satisfaction in tertiary hospitals in the Niger Delta region of Nigeria ( $\beta = 0.432$ ,  $t = 6.646$ ,  $p < 0.05$ ). This implies that a unit increase in operations based tangibilisation by tertiary hospitals in the Niger Delta region of Nigeria will result in 0.432 unit increase in customer satisfaction in those hospitals. This result is consistent with (Vargo and Lusch, 2004) whose contribution established a positive relationship between tangibilisation of service and customer satisfaction. This also agrees with Tarn (2005) and Santos (2002) whom in their respective studies suggested tangibilisation of services as a way of enhancing customer satisfaction derived from services rendered or delivered.

#### **Managerial Implications**

This paper has several managerial implications. The general implication is that managers should be aware of the importance of both dimensions (i.e. operations based and marketing based) of tangibilisation of services. More specifically, continuous investment in tangibilisation of services in tertiary hospital in the Niger Delta region of Nigeria can greatly en-

hance customer satisfaction and play a critical role in sustaining competitive advantage. This means setting long-term goals for tangibilisation of services and bringing to bear innovation in this regard which could positively influence customer perception of service delivery in these hospitals and add to their satisfaction.

Also, this study indicates that operation based tangibilisation contributes more to customer satisfaction in tertiary hospitals in the Niger Delta Region of Nigeria, therefore managers of health facilities in this region should make efforts to improve upon the application of the different operations based tangibilisation in order to reap the benefits thereof. Furthermore, different hospitals may need to vary the degree of combination of the two dimensions of tangibilisation in order to bring a balance to customers' experience of their service delivery and enhance customer satisfaction. Therefore, managers of hospitals need to understand the level or degree of tangibilisation needed for their organisations in order to bring about the right mix of the two dimensions that will lead to customer satisfaction with regards to their service offerings.

#### **References:**

1. Matulya K. Bansal. Optimising Value and Quality in General Practice within the Primary Health Care Sector through Relationship Marketing: A Conceptual Framework. *International Journal of Health Care Quality Assurance*, – Vol. 17, 2004.
2. Webster's Third New International Dictionary. 3<sup>rd</sup> Edition. Springfield, Massachusetts: Merriam-Webster Inc, 1986.
3. Jessica S. From Intangibility to Tangibility on Service Quality Perceptions: A Comparative Study between Consumers and Service Providers in Four Service Industries. *Managing Service Quality*, – Vol. 12, 2002.
4. Stephen L. Vargo, and Robert F. Lusch. The Four Services Marketing Myths: Remnants from a Manufacturing Model. *Journal of Service Research* (May), 2004.
5. David D. C. Tarn. Marketing-based Tangibilisation for Services. *Service Industries Journal*, – Vol. 25, 2005.
6. Mark G., and Gillian H. *Consumers and Services*, – London: Wiley, 1998.
7. Valarie A. Zeithaml, and Mary J. Bitner. *Services Marketing: Integrating Customer Focus across the Firms*, – New York, McGraw-Hill, 2000.
8. John B., and Robert C. Ford. Managing Service Organizations: Does Having a “Thing” Make a Difference? *Journal of Management*, – Vol. 28, 2002.

9. Parsu A. Parasuraman, Leonardo L. Berry and Valarie A. Zeithaml. Refinement and Reassessment of SERVQUAL Scale. *Journal of Retailing*,– Vol. 67, 1991.
10. Boshoff C. and Gray B. The Relationship between Service Quality, Customer Satisfaction and Buying Intentions in the Private Hospital Industry. *South African Journal of Business Management*,– Vol. 35, 2004.
11. Christian G. *Service Management and Marketing: A Customer Relationship Management Approach* (2<sup>nd</sup> ed.). Chichester: John Wiley & Sons, 2000.
12. Michel L., Jasmine B. and Christine G. A Three-Dimensional Scale of the Intangibility, *Journal of Service Research*,– Vol. 4, 2001.
13. Parsu A. Parasuraman, Valarie A. Zeithaml and Leonardo L. Berry. A Conceptual Model of Service Quality and its Implications for Future Research. *Journal of Marketing*,– Vol. 49, 1985.
14. Parsu A. Parasuraman, Valarie A. Zeithaml and Leonardo L. Berry. SERVQUAL: A Multiple Item Scale for Measuring Consumer Perceptions of Service Quality. *Journal of Retailing*,– Vol. 64, 1988.
15. Parsu A. Parasuraman, Valarie A. Zeithaml and Leonardo L. Berry. A Reassessment of Expectation as a Comparative Standard in Measuring Service Quality: Implications for Future Research. *Journal of Marketing*,– Vol. 58, 1994.
16. Valarie A. Zeithaml, Leonardo L. Berry and Parsu A. Parasuraman. The Nature and Determinants of Customer Expectations of Service. *Academy of Marketing Science Journal*,– Vol. 21, 1993.
17. Naceur J., and Mohammed C. Comparing the quality of private and public hospitals. *Managing Service Quality*,– Vol. 3, 2003.

## Section 2. Management

*Almukhambetova Botagoz Zhenisovna,  
Ph.D., Associate Professor*

*E-mail: botagoz\_2077@mail.ru*

*Ermankulova Rima Ibadullaevna,  
Ph.D., associate professor*

*International Kazakh-Turkish University*

*E-mail: rima\_65@mail.ru*

### THE PROSPECTS OF E-COMMERCE IN KAZAKHSTAN

**Abstract:** The article considers the current state and prospects of e-Commerce development in the Republic of Kazakhstan. The structure of the market, the level of Internet penetration and its impact on the market, factors affecting the development of e-Commerce.

**Keywords:** online stores, e-Commerce, e-Commerce system, Internet technologies, prerequisites of e-Commerce.

*Альмухамбетова Ботагоз Женисовна,  
К.э.н., доцент и.о.*

*E-mail: botagoz\_2077@mail.ru*

*Ерманкулова Рима Ибадуллаевна,  
К.э.н., доцент*

*Международный казахско-турецкий университет*

*E-mail: rima\_65@mail.ru*

### ПЕРСПЕКТИВЫ РАЗВИТИЯ ЭЛЕКТРОННОЙ КОММЕРЦИИ В КАЗАХСТАНЕ

**Аннотация:** В статье рассмотрены современное состояние и перспективы развития электронной торговли в Республике Казахстан. Изучена структура рынка, уровень проникновения Интернета и его влияние на объемы рынка, факторы, влияющие на развитие электронной торговли.

**Ключевые слова:** интернет-магазины, электронная коммерция, система электронной коммерции, интернет-технологии, предпосылки электронной коммерции.

Интернет-магазины все чаще вытесняют традиционные розничные покупки, поскольку большое количество потребителей приняли его в глобальном масштабе. Однако, несмотря на то, что она хорошо зарекомендовала себя в развитых странах, электронная торговля все еще находится

на ранней стадии развития на развивающихся рынках, поэтому необходимо раскрыть, какие факторы способствуют ее развитию. Бурное развитие электронных продаж товаров широкого потребления в Республике Казахстан свидетельствует об увеличении количества интернет-магазинов с широким ассортиментом товаров и услуг. Электронная коммерция в Республике Казахстан сегодня является одним из наиболее динамично развивающихся форматов продаж: растет число пользователей Интернета, а также количество клиентов интернет-магазина [1].

Сегодня рынок электронной коммерции в Казахстане оценивается в 450–600 миллионов долларов в год, или чуть ниже 0,5% от общего потребительского рынка в стране. За последние два года этот рынок вырос в 2,5 раза. В настоящее время в Казахстане насчитывается около 500 интернет-магазинов, и их число увеличивается с каждым месяцем. Но только один из 10 тенге, потраченных на Интернет в Казахстане, останется внутри страны. Остальные 9 тенге тратятся в магазинах США, России, Европы и других стран. Согласно официальной статистике, объем рынка электронной коммерции в Казахстане в 2017 году составил 106,9 млрд. тенге или 1,2% от общего объема розничного товарооборота, увеличившись на 36,2%. По данным АО «Казпочта», объем рынка электронной коммерции за 5 месяцев 2018 года составил 101 млрд. тенге или 2,9% от общего оборота розничной торговли (3,53 трлн. тенге) [2].

С начала 2018 года в Республике Казахстан зарегистрировано 110 новых субъектов электронной торговли. На рынке 1658 интернет-магазинов, количество покупателей увеличилось на 5%. В промышленности занято 71,6 тыс. человек. Основываясь на современном международный опыт создания информационного общества, его значение в его развитии, в том числе электронная коммерция и другие виды деятельности, связанные с модернизацией современных интернет-тех-

нологий в Казахстане были определены четыре основные тенденции:

1) обеспечение эффективности системы государственного управления;

2) обеспечение доступности информационно-коммуникационной инфраструктуры по всей стране;

3) создание качественной информационной среды для культурного и социально-экономического развития современного казахстанского общества;

4) развитие национального информационного пространства [3].

Таким образом, благодаря реализации информационных кампаний в Казахстане Интернет активно расширяется, в соответствии с веб-индексом TNS, это динамично развивающийся медийный канал в стране, например, вдвое больше, чем пресса. По итогам 2017 года Казахстан занимает 36 место в глобальном рейтинге интернет-пользователей [4]. Новые доступные возможности для электронной коммерции для общих поставщиков и клиентов можно сгруппировать следующим образом:

– Глобальное участие / Глобальный выбор – Повышение конкурентоспособности / качества обслуживания.

– Удовлетворенность клиентов / персонализация товаров и услуг.

– Сокращение пути к клиенту / быстрое реагирование на спрос – экономия затрат / снижение цен.

– Новые возможности для бизнеса / новые продукты и услуги.

В целом перспективы развития электронной коммерции в Казахстане можно резюмировать следующим образом:

– улучшение качества интернет-связи;

– увеличить интернет-аудиторию;

– улучшение качества доставки товаров, прежде всего, увеличение доставки почты;

– развитие информационных технологий;

– расширение ассортимента товаров и услуг.

На сегодняшний день электронная торговля стала одним из существенных механизмов экономики, поэтому целесообразно направить деятельность казахстанских предприятий и государственную политику на развитие данного вида торговли в целом.

#### **Список литературы:**

1. Государственная программа «Цифровой Казахстан-2020». [Электрон. ресурс]. URL: <http://egov.kz>
2. Исследования TNS Central Asia Интернет аудитория. – Алматы / Казахстан, Июнь 2015. [Электрон. ресурс] URL: [http://www.tns-global.kz/ru/research/files\\_web\\_index/WEB\\_Index\\_Report\\_Junezip](http://www.tns-global.kz/ru/research/files_web_index/WEB_Index_Report_Junezip)
3. The Division for Public Administration and Development Management. The United Nations. [Электрон. ресурс] URL: <http://www.unpan.org>
4. Казахстанцы привыкают к интернет-магазинам. [Электрон. ресурс] URL: <http://Profit.kz/09.2017>

## Section 3. World economy

*Abdullayev Israfil Gasim,  
Senior Foreign Policy Specialist at the  
Department of Foreign Policy Issues at the Administration  
of the President of the Azerbaijan Republic  
E-mail: science.info.xxi@gmail.com*

### **TANAP AND TAP: PIECE OF THE GREATER COMPETITION IN ENERGY POLITICS**

**Abstract:** This article on Trans Anatolian Natural Gas Pipeline (TANAP) and Trans-Adriatic Pipeline (TAP) projects intends to shed light on the importance of the projects in terms of regional energy politics. It starts with a brief background information on the energy resources of Azerbaijan and places it to the backdrop of the Europe's energy security. Then, most importantly, it looks at the key national interests of Azerbaijan vested in the projects and, it touches upon the legal setting for the pipeline politics in the EU's neighborhood.

**Keywords:** TANAP, TAP, Nord Stream II, Turkish Stream, pipeline politics, energy competition, global energy market, energy projects.

#### **Introduction**

Since its independence, energy politics have remained central to Azerbaijan's foreign policy. Azerbaijan has been successful in implementation of regional infrastructure and energy projects, despite the given complex regional power constellations. Support of the big players such as US and the EU have played a crucial role. However, the Azerbaijan's own determination and the cooperation of the Azerbaijan-Georgia-Turkey triangle have paved the way for success in proceeding with the planned projects. Competition with the other gas pipeline projects such as Nord Stream 2 and Turkish Stream have marked the great power politics behind the regional energy politics. Taking into consideration the already completed and planned energy projects, it is certain that Azerbaijan has secured its main national interests. That is to say, Azerbaijan has accomplished energy independence by diversification of the trans-

port routes for its exports to the promising energy markets. TANAP project is another successful example in this respect.

#### **Azerbaijan's energy resources and importance for the EU in terms of energy security**

Azerbaijan is one of the key energy producers in post-Soviet space. In 2016, its total proved oil reserves were estimated at 7 billion barrels. This is equal to nearly 0.4 percent of the world proven oil reserves. Total natural gas reserves are estimated at 1.2 trillion cubic meters which accounts for 0.6 percent of the world proved natural gas reserves [3, p. 6]. To the backdrop of global energy market, these reserves might seem to be miniscule. Yet, in terms of ensuring energy security of certain countries which are depended from foreign energy sources, importance of Azerbaijan's energy resources is much greater. It is important to look at what are the target markets for the Azerbaijani natural gas. The European Union is

the most promising market in this respect. Firstly, as Azerbaijan is a non-OPEC country, its energy resources are more valuable for the EU in terms of the latter's energy security. Secure energy supplies remain a key concern for the EU energy policy due to its continued dependence from the foreign energy sources, in particular Russian Federation.

Since the 1990s, the EU has given priority to alternate import sources and routes [9]. Diversification of the energy supply sources is a buzzword for the EU. For this reason, the energy resources of the Caspian Basin are very important for the EU. In 2007, around 45 percent of all oil imports in the EU were from the Middle East, and 40 percent of natural gas imports, namely around 140 bcm., (In 2006–2007, total EU natural gas demand was around 500 bcm., and total imports was nearly 300 bcm. In 2016 total EU gas demand reduced to ca. 420 bcm. And Russia accounted for 34% of that. See Zsuzsanna Szeles) (27 March 2017 came from Russian Federation [15; 5, p. 3]. This dependence decreased, and by 2015, stood at around 30 percent, a still significant figure. Some EU member countries such as Bulgaria, Estonia and Latvia are 100 percent dependent on natural gas imports from Russia's Gazprom [21]. Azerbaijan's importance, in terms of resources, was mainly in oil, while the importance of natural gas was shown with the TANAP and TAP projects. Moreover, Azerbaijan's importance is not limited to its energy resources. It has also geopolitical importance for the Europe. In other words, Azerbaijan can play an important role in transferring more energy resources from Central Asian countries to Europe; a contested issue, which is not totally ruled out keeping mind the dynamic power constellations in the energy politics.

With the operation of the Shah Deniz gas and condensate field in 2007, Azerbaijan became an exporter of natural gas. Azerbaijan already uses the South Caucasus Pipeline (SCP) to transport its gas from the Shah Deniz I field via Georgia to Turkey.

### **Legal setting for energy pipeline politics in the EU's eastern neighborhood**

All political developments in the energy politics are within a legal framework of the EU's energy charter. In this regard, the EU has been attempting to harmonize the legal setting for energy cooperation in the wider Black Sea region, which includes the South Caucasus and Central Asia. That is to say, by the Partnership and Cooperation Agreement, and the European Neighbourhood Policy, signed in 2004, countries such as Azerbaijan intended to get acquainted with the EU *Acquis Communautaire* in the energy sector and adjust their own legislation accordingly. To that end, so-called Baku Initiative, launched in November 2004, was a crucial step that aimed at the development and integration of the regional energy markets in the EU's eastern neighborhood with the EU [19, p. 8]. Indeed, already in the early 1990s the legally binding Energy Charter Treaty was launched as an international agreement for cross-border energy cooperation. One of the key objectives of the Energy Charter was to integrate the energy sectors of Eastern Europe and the former Soviet countries into broader European markets [10, p. 7–8]. Projects such as TAP and TANAP are regulated with model agreements with reference to the Energy Charter which reads as: "cross border pipeline projects are subject to numerous specific legal requirements arising from international law and relevant supra-national and national legal systems... whether or not these Models will be used in full or in part and the extent to which the model texts can be adapted depends entirely upon the agreement of the parties" [20, p. 186].

Thus, the parties to energy projects on the EU's eastern neighbourhood are left with substantial discretion to decide the terms of agreements which defines the legal setting of pipeline politics.

### **TANAP and TAP as an important part of the Southern Gas Corridor**

The regulation of the European Commission dated 18 November 2015, listed the SGC, which costs over 40 billion USD, as well as its segments of TANAP and

TAP as a priority projects under Project of Common Interest of the EU. The proposed projects for the SGC encompassed the energy projects starting from the Caspian Basin and the Middle East; namely, Nabucco (later on reduced to the Western Nabucco) gas pipeline, TANAP, TAP, Interconnector Turkey-Greece-Italy, and Azerbaijan-Georgia-Romania Interconnector. Shah Deniz II field in Azerbaijan is projected to feed natural gas into the 1850 km long TANAP pipeline and via the TAP into Europe. These projects are important components of the Southern Gas Corridor, which is the EU initiative to supply natural gas from the Caspian Basin and the Middle East to Europe [1].

Amidst the negotiations on Production Support Agreements on the Nabucco project, Azerbaijan and Turkey announced their plans to launch the TANAP project to transfer gas from the Caspian Sea through Turkey to Greece. The State Oil Company of Azerbaijan Republic, from the beginning, fully endorsed TANAP as it costed far less compared to the Nabucco. Upon announcement of the Nabucco's dismissal, Azerbaijan and Turkey have become fully committed for implementation of the TANAP project [1]. Construction began in early 2015, and the project is planned to be completed by 2020. On June 12, 2018, presidents of Azerbaijan, Georgia and Turkey inaugurate the TANAP project in Eskishehir, Turkey [12]. Initially, 16 bcm (6 bcm is planned to be pumped into Turkish gas network) natural gas is going to be transported, and in the later stages the project's throughput capacity is expected to be enhanced to 24 bcm and finally to 31 bcm. TANAP will be the main and longest part of the Southern Gas Corridor running from Turkish-Georgian border to the Turkish-Greek border. The TAP with a length of 878-km, which was favored over the "Nabucco-West" project in 2013 as a European part of the SGC, had an advantage over Nabucco-West as it was 500-km shorter; and the TAP was favored also by the Shah-Deniz II consortium in Azerbaijan [1].

Among other reasons, what made TAP advantageous is also its future capacity which can be en-

hanced from 10 bcm to 20 bcm and it can be also connected to the other existing and planned pipelines in Greece, Albania and Italy to transport gas to the South-Eastern, Central as well as Western Europe. Already back in 2013 the TAP project was chosen to complete the European leg of the Southern Gas Corridor.

#### **Azerbaijan's national interest in TANAP and TAP**

As a core principle of its foreign policy, Azerbaijan has not openly allied with any regional or global power or become a member of military alliance. This policy stance is known as a multi-vector foreign policy, stipulating good relations with all the powers, those directly or indirectly involve in the region, namely Russia, Iran, Turkey, the EU and the U.S. without announced alliance with any of them. Such a foreign policy stance might seem to be an easy one. Yet, it is highly complex as the interest and powers of all the players should be taken into account in regional energy projects. For instance, once a fierce competition, even though always publicly denied, between the Nabucco and already defunct South Stream projects also was a delicate political issue for Azerbaijan. However, TANAP and TAP are not the projects that are in the same line with the Nabucco, so as to challenge the natural gas market that was mainly targeted by the South Stream project which was shortly dismissed following Nabucco's dismissal.

The question is whether Azerbaijan has secured its national interest by TANAP and TAP.

First of all, TANAP and TAP are sufficient to transport Azerbaijan's own gas to South-East Europe; that is the minimal national interest of Azerbaijan in terms of its energy policy. Yet, Azerbaijan can transport more than its own gas given the fact that capacity of both projects is planned to be expanded gradually. Moreover, energy projects like TANAP and TAP will strengthen the cooperation triangle between Azerbaijan, Georgia and Turkey which has successful completed projects such as Baku-Tbilisi-Ceyhan oil pipeline and Baku-Tbilisi-Kars railway.

In addition, these are important projects that leave Armenia, a neighboring country keeping nearly 20% of Azerbaijan's territories under its occupation, out of regional cooperation.

Furthermore, Azerbaijan solidified its diversification of energy transportation. Azerbaijan has gained ownership in the TANAP project. Put it differently, Azerbaijan is not a simple participant of the TANAP project, rather a leading partner. If Nabucco and TANAP projects compared, Azerbaijan preferred to take a leading role in a relatively smaller project, rather than being a small partner in a big one. With the TANAP and TAP projects, Azerbaijan has secured an access to the promising European market with its own natural gas resources and also avoided a possible irritation with Russia. Above all, the country has so far captured a leading role in the Southern Gas Corridor [1].

### **Competing pipeline projects: big powers in play**

As early as 2012, Azerbaijan had already announced its own pipeline project, namely TANAP to solve the transportation issue by the production date of Shah Deniz II. Thus, at the beginning TANAP was shown as a competing pipeline to the Russian South Stream, even though the latter had almost four times more capacity, namely 63bcm aiming at transferring natural gas from the Central Asia to Southern Europe [17]. However, in 2014 Russia declared the dismissal of the South Stream project and named it as a big loss for the EU and accusing it for not being able to protect its interests. Additionally, President Putin stated that Russia would put more emphasis on expanding a gas pipeline to Turkey [11]. At the moment, two pipeline projects are presented as rivals for the TANAP/TAP; one is Nord Stream II and the other is Turkish Stream (A pipeline branches through the Black Sea each at the capacity of 15.75 bcm. 15.75 bcm is planned to be consumed by Turkey and the rest to be exported to Europe through a connector at Turkish-Greek border. See Quluzade, O. (13 October 2016)).

To begin with the Nord Stream II (Nord Stream II is the extension of the Nord Stream I project – offshore gas pipeline from Russia to Germany – which became operational in 2011 with the annual capacity of 55 bcm. See Nord Stream 2. (14 August 2018)), it is viewed as a rivalry, i.e. an “economic war”, between Washington and the Kremlin. This rivalry is summarized as follows: “President Trump is pushing ahead with Washington's longstanding policy of thwarting Russia's energy supplies to Europe. Besides the effort to flood Europe with US liquefied natural gas (LNG)” [2]. That is to argue that, above all the Trump Administration is seeking to block further energy supplies from Russia to Europe as a longstanding follow-up to ensure Europe's diversified energy security. And at the same time, it serves US economic interest in selling its LNG to Europe. In June 2015, an agreement to launch Nord Stream II was signed between Gazprom, Royal Dutch Shell, E.ON, OMV, and Engie. In 2017 financial agreement for the project was also signed. However, it is a controversial project as many countries within the EU portray it as contradictory to the EU's energy security [13; 18].

Indeed, in 2016, the US senators John McCain and Marco Rubio sent a letter to the President of the European Commission Jean-Claude Juncker naming the Nord Stream 2 as a “step back for Europe's diversification policy and Energy Union plans” [8]. In line with the take of US senators, some experts describe the TAP as being a project undermining the Russia's gas market in Europe. For instance, **De Carbonnel and Vukmanovic (14 February 2017)** state that “TAP gives EU officials the first non-Russian gas pipeline to supply Europe since Algeria's Medgaz link nearly a decade ago, paving the way for diluting Gazprom's large one-third share of Europe's gas market”. The EU is divided about Nord Stream 2 as some countries such as Germany favors the project which, in fact, is in their national interest of becoming an important energy transit country. Yet, it threatens the EU's overall policy of diversification of the energy routes and reducing the dependence from Russia.

Furthermore, it is important to note that the TAP was in a direct bid with the Nabucco-West and prevailed over it. TAP prevailed over Nabucco-West in terms of being less costly; and, TAP mainly targets Italian market which is exempt from tense market competition in comparison to the market which was targeted by Nabucco-West, namely Austria where energy infrastructure and networks are better developed which could have drawn the prices down. Thus, it begs a question whether TAP fulfills the EU's best interest in terms of energy security as it is not targeting the countries, which are mostly depended on Gazprom's gas, as Nabucco-West would have done [14].

In regard to Turkish Stream there were even claims that, this pipeline could be integrated with TANAP [6]. Hence, that would make these projects complementary rather than rivals. From the point of view of Turkish government, these pipelines serve the interests of Turkey, making it an energy hub, regardless of the fact whether Turkish Stream and TANAP were integrated. In this regard, in 2016, during the World Energy Congress in Istanbul, President Erdogan noted that "we have already realized the Blue Stream project. Now we are building TANAP, which in couple with TAP, is supposed to become a new corridor for gas to Europe. This is very important to us. We also give high priority to the Caspian Sea and are considering ways to pump Turkmen gas" [6]. The EU was, indeed, against such an integration. However, has had no any legal arguments against this because natural gas from different operators were supposed to be pumped into the pipeline, not owned by Gazprom which is a producer company. This was totally in line with the EU's energy legislation. Yet, the biggest blow would have been on Ukraine as it would lose the gas transited from its territory to the Turkish Stream [7]. In 2016, Azerbaijani side has expressed its readiness to use the Turkish Stream's capacity for TANAP [6].

Eventually, the integration of these pipelines did not happen, and TANAP consortium has gone ahead with the construction of a separate pipeline of its

own. Commenting on the rivalry between TANAP and the Turkish Stream, Mr. Duzyol, the head of the TANAP consortium, noted that: "TANAP has two contracts for gas transportation for a period of 15 years, which guarantees its stable income... Turkish Stream is unable to provide such benefits as TANAP, which opens up a new route for gas supply to Turkey and Europe and contributes to diversification of sources" [16]. Even though some officials from Azerbaijan stated their agreement for the integration of TANAP and Turkish Stream, it is in the best interest of Azerbaijan to have its own separate pipeline free from manipulation of other powers. Furthermore, as already have been touched upon, TANAP connected to TAP will be feeding natural gas into different set of European countries whereas Turkish Stream targets the countries that were supposed to import gas through Nabucco-West.

### Conclusion

Azerbaijan has been successful in implementation of regional infrastructure and energy projects. These have been uneasy endeavor given the complex power constellations in the region. Support of the big players such as US and the EU have played a crucial role. Yet, Azerbaijan's own determination and the cooperation of the Azerbaijan-Georgia-Turkey triangle have paved the way for success in proceeding with the planned projects. Competition with the other gas pipeline projects such as Nord Stream 2 and Turkish Stream have marked the great power politics behind the regional energy politics. To the backdrop of its own national interests, e.g. diversification of transportation routes, Azerbaijan has accomplished an important step with the inauguration of the TANAP project. Moreover, such projects will enable Azerbaijan to become a transit country between European market and Central Asian countries, if the latter ones show strong determination and secure the unconditional support of the EU and the US. Recently obtained agreement on demarcation of the Caspian Sea among the littoral countries, can be a positive sign in this respect.

## References:

1. Abdullayev I. (27 December 2017). The Power Of Small States: Azerbaijan And Pipeline Politics. Natural Gas World. Retrieved on 25 August, 2018 – URL: <https://www.naturalgasworld.com/ggp-the-power-of-small-states-azerbaijan-and-pipeline-politics-57542>
2. Blinova E. (2 August 2018). Nord Stream 2 Rival: TAP is Trump's Tool in 'Economic War' With Russia. Sputnik. Retrieved on 27 August, 2018. – URL: <https://sputniknews.com/analysis/201808021066898687-trump-tap-italy/>
3. BP Statistical Review of World Energy. (June 2016). Oil. Retrieved on October 8, 2017. – URL: <https://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2016/bp-statistical-review-of-world-energy-2016-full-report.pdf>
4. Commission Delegated Regulation (EU) 2016/89 of 18 November 2015 amending Regulation (EU) No 347/2013 of the European Parliament and of the Council as regards the Union list of projects of common interest. Retrieved on 25 August, 2018. – URL: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2016\\_019\\_R\\_0001&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2016_019_R_0001&from=EN)
5. El-Katiri L., Honore A., Henderson J., Hassanzadeh E., & Dickel R. (October 2014). Reducing European Dependence on Russian Gas-distinguishing natural gas security from geopolitics. Oxford Institute for Energy Studies. Retrieved on 24 August, 2018. – URL: <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/10/NG-92.pdf>
6. Eurasia Daily. (11 October 2016). Rivalry for good: Will Turkish Stream and TANAP complement each other? Retrieved on 28 August, 2018. – URL: <https://eadaily.com/en/news/2016/10/11/rivalry-for-good-will-turkish-stream-and-tanap-complement-each-other>
7. Eurasia Daily. (11 August 2016). Oriental tricks for EU: Turkish Stream integrating into Southern Gas Corridor from Azerbaijan. Retrieved on 28 August, 2018. – URL: <https://eadaily.com/en/news/2016/08/11/oriental-tricks-for-eu-turkish-stream-integrating-into-southern-gas-corridor-from-azerbaijan>
8. Eurasia Daily. (14 July 2016). United States is attacking Russia's gas projects in Europe. Retrieved on 26 August, 2018. – URL: <https://eadaily.com/en/news/2016/07/14/united-states-is-attacking-russias-gas-projects-in-europe>
9. EU Commission. (2000). Towards a European strategy for the security of energy supply. Green Paper. EURlex. Retrieved on 25 August, 2018. – URL: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52000DC0769:EN:HTML>
10. European Parliament. (14 July 2014). The Energy Charter Treaty (With Incorporated Trade Amendment) and Related Documents. Retrieved on 25 August, 2018. – URL: [http://www.europarl.europa.eu/meetdocs/2014\\_2019/documents/itre/dv/energy\\_charter\\_/energy\\_charter\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2014_2019/documents/itre/dv/energy_charter_/energy_charter_en.pdf)
11. Financial Times. (2 December 2014). Demise of South Stream big setback for Putin. Retrieved on 26 August, 2018. – URL: <https://www.ft.com/content/a373c75e-7a17-11e4-8958-00144feabdc0>
12. Gotev G. (12 June 2018). Three presidents inaugurate TANAP pipeline in Turkey. EURACTIV. Retrieved on 27 August, 2018. – URL: <https://www.euractiv.com/section/energy/news/three-presidents-inaugurate-tanap-pipeline-in-turkey>
13. Nord Stream 2. (14 August 2018). Nord Stream 2 AT A Glance. Retrieved on 27 August, 2018. – URL: <https://www.nord-stream2.com>

14. Pantazi C. (1 July 2013). Interview with the European Commissioner for Energy Gunther Oettinger'. HotNews. Retrieved on 26 August, 2018.– URL: <http://m.hotnews.ro/stire/15104603>
15. Pierre N. (2008). How dependent is Europe on Russian gas. EU Energy Policy Blog. University of Cambridge. Retrieved on 24 August, 2018.– URL: <http://www.energypolicyblog.com/?p=293>
16. Quluzade O. (13 October 2016). Turkish Stream not a rival to TANAP. Trend. Retrieved on 28 August, 2018.– URL: <https://en.trend.az/business/2671978.html>
17. Sevim T. V. (2013). Importance of TANAP in competition between Russia and central Asia. *International Journal of Energy Economics and Policy*, 3(4),– P. 352–359.
18. Sytas A. (16 March 2016). EU leaders sign letter objecting to Nord Stream 2 gas link. Reuters. Retrieved on 26 August, 2018.– URL: <https://www.reuters.com/article/uk-eu-energy-nordstream/eu-leaders-sign-letter-objecting-to-nord-stream-2-gas-link-idUKKCN0WI1YV>
19. Twinning Project fiche. N.d. Legal Approximation and Structural Reform in the Energy Sector of Azerbaijan. Retrieved on 25 August, 2018.– URL: <http://www.esteri.it/mae/gemellaggi/tacis/azerbaijan/2twinningprojectfiche-energy.pdf>
20. Vlachtsis C. n.d. Trans-Adriatic Pipeline Project Agreements and Energy Charter Model Texts. *Comparative Law Yearbook of International Business*. Retrieved on August 23, 2018.– URL: <https://www.bernitsaslaw.com/wp-content/uploads/2017/02/Trans-Adriatic-Pipeline-Project-Agreements-and-Energy-Charter-Model-Texts.pdf>
21. Yanofsky D. (22 April 2015). The EU countries that depend the most on Gazprom's Russian gas. Quartz. Retrieved on 25 August, 2018.– URL: <https://qz.com/388148/the-eu-countries-that-depend-the-most-on-gazproms-russian-gas>

*Bailov Vladislav,  
Master of International Trade  
College of Economics and Management,  
Northeast Forestry University, Harbin China  
E-mail: 13059020052@qq.com*

*Tian Gang,  
Corresponding author,  
Professor of International Trade and Economics,  
College of Economics and Management,  
Northeast Forestry University, Harbin China  
E-mail: tiangang0451@sina.com*

## **DEVELOPMENT OF EXPORT OF AGRICULTURAL PRODUCTS FROM THE EAEU COUNTRIES TO THE CHINESE MARKET AS ONE OF THE WAYS TO SOLVE THE PROBLEMS OF FOOD SECURITY IN CHINA**

**Abstract:** Relations with China have always been an important area of foreign economic and political activity of the EAEU countries. A special place in the development of trade relations between these countries is the agro-industrial complex. China is currently experiencing both internal and external food security problems. In turn, the EAEU countries have great potential for the development of agriculture, which can serve as one of the ways to solve the problems experienced by the Chinese market. This paper analyzes the current situation of food security in China, the degree of interest in this issue of the Chinese population, the opinions of experts and business representatives on the development of bilateral relations, as well as offers potentially promising directions for the development of food exports from the EAEU countries.

**Keywords:** Eurasian Economic Union, China, Russia, agriculture, food security, international trade.

### **1. Introduction**

Due to the reforms carried out by the Chinese Government in the field of agriculture, there has recently been a rather rapid transition in the Chinese market from a lack of food to increased attention to security for basic types of food. But despite this, China is still experiencing both internal and external problems. Due to the current adverse environmental situation in the country and trade confrontation with the United States, which is the main supplier of agricultural products, China has to diversify its food imports by searching for new supplying countries. As one of the ways to solve this problem, China consid-

ers the market of the EAEU region, which has a high potential in the development of food exports.

### **2. Literature review**

#### **2.1 Agriculture trade. Definition**

World trade in agricultural products and food has historically been one of the first and most important forms of international relations, which has come a long and difficult way in the process of the international division of labour and world trade.

#### **2.2 Factors and issues of world trade in agricultural products**

As a result of the generalization of theoretical approaches to the development of international trade,

the main factors of the development of foreign trade in agricultural products of any state, as well as world trade in General, were identified:

1. Comparative advantage;
2. Economies of scale;
3. Regionalization and globalization;
4. Formation of a multilevel system of regulation in the field of international trade;
5. Improvement of transport and communication structure;
6. Vertical specialization of enterprises;
7. Deepening the international division of labour.

Since 60 years of the 20<sup>th</sup> century developing international specialization on the basis of deepening intra-industry specialization and division of stages of production. The desire to improve the efficiency of

specialized production stimulates the exit abroad not only goods, but also production. Thus, the relationship between the processes of globalization, regionalization, deepening of the international division of labor and the development of world trade is determined [1].

### 2.3 General situation of agricultural trade of the EAEU countries and China

Analysis of agricultural trade shows that China is an important trading partner for the EAEU (Table 1). In 2016, China ranked first among all partner countries in terms of exports of agricultural products from the EAEU and second in terms of imports to the Union, second only to Brazil. The share of China in total export volume in 2016, the agricultural products of the EAEU accounts for 10.4 percent [2].

Table 1. – Dynamics of export-import of agricultural products between the EAEU and China in 2012–2016, million dollars [2]

Direction	The volume of trade in agricultural products					
	2012	2013	2014	2015	2016	2016/2012
<b>Export</b>	1089.7	1205.6	1223.4	1494.7	1769.8	↑ 62.4%
<b>Import</b>	1859.1	1958.6	2298.6	1937.9	1882.4	↑ 1.3%
<b>Balance</b>	-769.5	-753.0	-1075.2	-443.2	-112.6	–
<b>Trade turnover</b>	2948.8	3164.2	3522.0	3432.6	3652.2	↑ 23.9%

Trade with China has increased by 23.9% over the past five years and amounted to almost \$3.7 billion in 2016. At the same time, the EAEU exports to China increased by 62.4%, and imports to the EAEU from China – by 1.3%. The balance of trade in agricultural products with China in 2016 amounted to –112.6 million dollars [2].

### 2.4 China's food security

For the last time on the market of China has seen a fairly rapid shift from a shortage of food for increased attention to security at the main types of food. But despite this, China is still experiencing both internal and external problems. Internal problems include the remaining unfavourable environmental situation, lack of arable land, fluctuations in the growth rate of agricultural production, and low incomes of farmers. External problems include the

trade policy of the exporting countries, in particular, the aggravated trade confrontation between the USA and China in 2018.

Below are examples of scientific works, the subject of which is similar to the subject of this article.

*In 2016, Osipova A. I.*, describes that China is pursuing a successful social policy, trying to provide the population with the necessary resources, so that, together with economic indicators, the standard of living has increased. But China still has many problems with food security, the most sensitive of which is the disappearance of the main natural and strategic resources that can not be imported: water, arable land, forests. The ecological crisis in agriculture, demographic factor, urbanization also cause problems of food security in China.

Factors contributing to food security in China:

1. The disappearance of natural resources;
2. Climate change;
3. Reduction of arable land;
4. Increase in grain imports;
5. Demographic factor [3].

Based on Luchik A. A. paper, which focused on 2016 data highlights the fact that the provision of food to the population is gaining a new round of relevance due to the significant growth of its total number on the planet, while the issues of food safety and preservation of the positive environmental situation remain open.

In order to provide the population with the necessary resources and improve the overall standard of living, the Chinese Government is implementing a successful social and economic policy, and also focuses on the fact that the main factor determining the problem of food security in China is the environmental situation in the country. China is home to 21% of the world's population, with only 9% of the country's arable land and much less fresh water for human consumption. Given the significant increase in income of the population of China increases its demand for protein-rich food, while domestic production of such products is close to the lowest level.

As a promising direction for solving the problem of domestic consumption, the author identifies the Russian market. Having rich natural resources, Russia can provide the Chinese market with certain types of agricultural products [4].

In 2018, Erokhin V. L., in his work focuses on the external problems of China's food security. Speaking about the fact that in the current trade conflict between China and the United States, China's trade position does not give the country ample opportunities to respond to the increase in US duties in the field of agriculture. And this problem will not be solved until China finds alternative markets to import the necessary food [5].

In 2016 Guseva E. S., in his article, the author analyzed the problems of providing the population of

China with food. According to the author, the problems should be solved in three main topical regional economic areas:

1. Use of agricultural land in the territory of foreign States;
2. Export-import supplies of food raw materials and food with the border countries and the States – participants of the project “one belt-one road”;
3. Expansion of Chinese organizations in the international food market [6].

The authors of the above-mentioned works analyze the General state of food security in China, as well as some proposals to solve these problems.

### **3. Methodology and data**

#### **3.1. Methodology**

For a clearer understanding of the problem, this work will address issues such as the problems of food security of China and the agricultural market of the EAEU countries, as a promising direction to address these problems. In addition, primary and secondary data, as well as qualitative and quantitative approaches, were used to analyse these issues. To obtain primary data, the purpose of which is to obtain and analyze up-to-date information that allows to verify the accuracy of opinions, the author used oral surveys and online questionnaires. Official scientific journals, mass media and other sources were used to obtain secondary data, the purpose of which is to search and analyze existing information.

#### **3.2. Limitation**

To collect more accurate and reliable information, the main audience that participated in the study were representatives of China, Russia and other EAEU countries, as representatives of other countries may not be completely competent in some matters. Websites in Russian and English were used to collect secondary data. The author conducted an analysis for 2015–2018, focused on the markets of agricultural products of China and the EAEU countries.

Two main methods were used in the collection of information. First, to conduct an online survey, the author used an online service SurveyMonkey.com.

The compiled survey was distributed through social networks in China, such as Wechat, QQ, Weibo. Due to the ease of filling, anonymity and minimal time, this type of data collection has been very effective. Secondly, the following types of interviews were conducted: oral interviews, questionnaires by e-mail and telephone interviews with business representatives of the studied sphere. The questions concerned both the problems of food security of the Chinese market and the search for a solution to this problem in the development of trade in agricultural products between China and the EAEU countries. These questions were addressed to business representatives of the two sides of this sphere, as well as experts engaged in research in this area. In addition, additional data were collected using news websites, books, magazines and websites of international organizations.

When collecting data, the main objectives pursued by the author were:

1. To consider and analyze the problems of food security of China and the situation of trade in agricultural products between China and the EAEU countries;
2. To identify the degree of interest of the parties in the development of trade relations between China and the EAEU countries in the field of agriculture;
3. To find points of interaction and promising directions for the development of trade relations between China and the EAEU countries in the field of agriculture.

### 3.3. Questionnaire

The online survey was conducted only among Chinese citizens, as the purpose of this survey was to determine the degree of interest of representatives of this country in the problem of food security, consumption of imported goods, as well as the idea of the EAEU countries as States that have the ability to supply environmentally friendly agricultural products. In total, about 120 people took part in the survey, the average age of the respondents was 20–29 years.

### 3.4. Interview

The interview was attended by representatives of both the scientific community and representatives of the business environment. Thus, it is more possible to find out reliable information about the situation on food security in the Chinese market and the development of trade relations in the field of agricultural products between China and the EAEU countries. The survey helped to gather a large number of opinions and suggestions on the current situation.

### 3.5. Data collection

The data are collected through such well-known Internet resources as National Bureau of Statistics of China, United Nations Conference on Trade and Development, as well as some information based on specialized journals, scientific articles, expert opinions, etc.

## 4. Analysis and results

### 4.1 Questionnaire

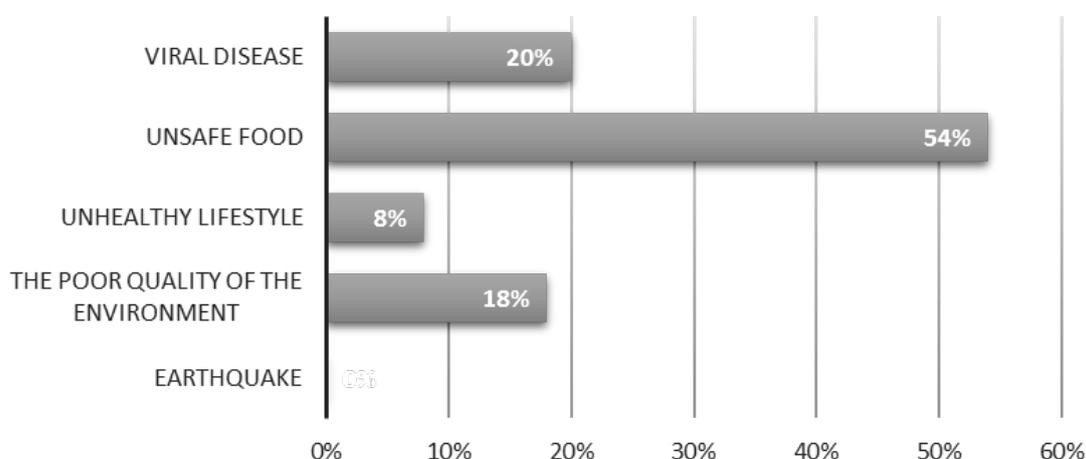


Figure 1. The most important factor that can affect you

According to the survey, the most important problem related to the factors that can cause irreparable damage to the health of Chinese citizens is food security (Figure 1). Numerous instances of pollution and contamination of food, and as a consequence,

poisoning the residents in this country, shocked the Chinese public.

The survey on the degree of confidence in imported products showed that the majority of the population is confident in its quality-82% (Figure 2).

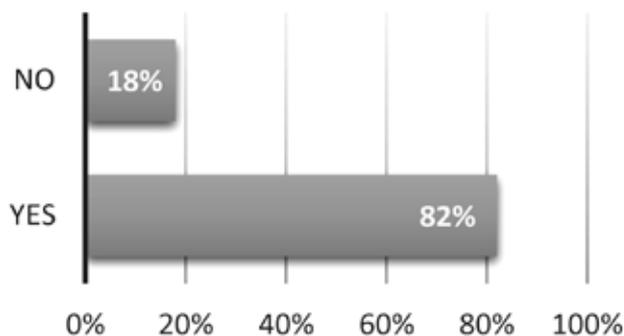


Figure 2. Imported goods are a sign of quality

When choosing products of certain categories between local and foreign producers, Chinese citizens often prefer foreign ones. This indicates a still existing degree of distrust of the population to domestic producers. The second reason for this result is the increase in average per capita income among Chinese citizens. The population is less eager for the low cost of production, paying more and more at-

tention to quality, which indicates a change in the attitude to food and lifestyle.

The online survey showed that Chinese citizens (73%) have an idea of the EAEU countries as a region with a favorable environmental environment and producing high-quality agricultural products (Figure 3).

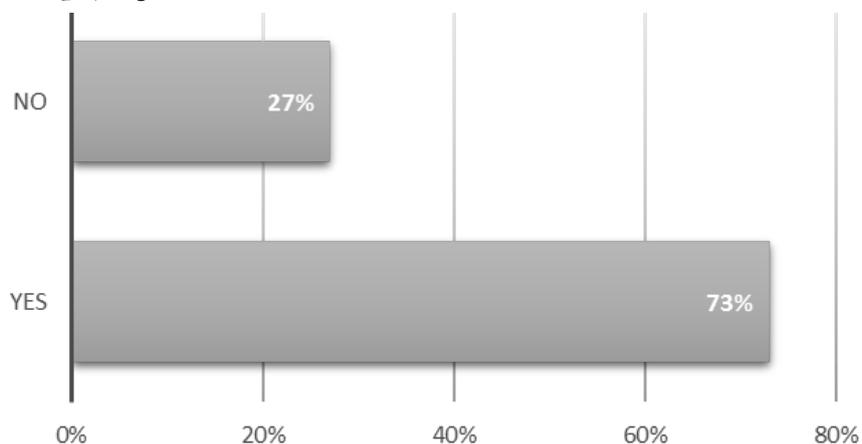


Figure 3. EAEU are a countries capable of producing and supplying environmentally friendly agricultural products

This suggests that China has a certain demand for products from the EAEU countries, which opens up additional opportunities for increasing exports of agricultural products to the Chinese market.

#### 4.2. Interview

This section presents the questions that were asked by Chinese and Russian experts, as well as representatives of agricultural business and their

answers. The author has collected opinions and shared conclusions.

1. What is the General situation of food security in the Chinese market?

At present, China has been able to achieve self-sufficiency in basic agricultural products. However, due to the existing environmental problems and shortcomings of arable land, the Chinese market is still a quite high degree of dependence on imports. To date, the main commodity groups of China's food imports are meat and meat products, fruits and vegetables, cereals, animal feed. China is the world's largest importer of soybeans, cotton, palm oil and sugar.

In turn, against the backdrop of the escalated trade confrontation between the US and China in early 2018, China needs to quickly switch from American imports to the search for alternative suppliers. Currently, the main supplier of food products to China is the USA with an annual turnover of \$26 billion, All of these groups of products with high added value, China imports mainly from the USA. The US economy is significantly less dependent on foreign trade (the ratio of exports to GDP – 11.9%) than China (19.2%), which does not give the country ample opportunities to respond to the increase in US duties.

2. How do you assess the possibility of solving the problem of food security in the current situation by developing trade relations with the EAEU countries in the field of agriculture?

Russia and other EAEU countries, mainly Kazakhstan and Belarus, also have the potential to increase food supplies to China in the light of the opening niches in the Chinese market. Such countries as Russia, Belarus, Kazakhstan, are leaders among the EAEU countries in the export of wheat, dairy products, potatoes, livestock and poultry.

Products from Russia and other EAEU countries are perceived in China as safe and clean, and it is these qualities that should be relied on when promoting food to the Chinese market.

### **4.3. Data collection.**

#### *4.3.1. Food security challenges in China*

In the 90-ies of the last century, many experts argued that China is not able to meet the growing demand of its population for food. Then, when China joined the WTO in 2001, there were fears that the country's agribusiness would not withstand competition and the country's domestic market would be filled with cheap imported food [7]. However, to date, China has been able to achieve self-sufficiency in basic agricultural products within 91–97% of domestic consumption [8].

Many factors have contributed to the rapid development of food production in the country. The government introduced institutional innovations in rural areas, special attention was paid to technological development. The increase in investment in agriculture also contributed to the growth of production.

However, in the wake of the rapid development of agriculture, the country faced new challenges, the growth of food production took place without taking into account environmental management and sustainable development. The increase in the income level of the population has significantly increased the cost of production and reduced the competitiveness of Chinese agricultural products in the world market. Given the current state of Affairs, the Chinese Government has taken serious measures in recent years. A number of taxes for farmers were abolished, subsidies and public investment in agriculture were increased [9]. However, China still remains dependent on imports of a certain list of food products.

#### *4.3.2. Foreign trade in agricultural products of China.*

Currently, the main products imported by China are meat and meat products, cereals, fruits and vegetables (Table 2). Also, the Chinese market is the world's largest consumer of soybeans, cotton, palm oil and sugar [10].

Table 2. – Imports of basic agricultural products to China in 1995–2016, \$ billion [10]

Commodity item	1995	2000	2005	2010	2013	2014	2015	2016
Meat products	0.090	0.636	0.607	2.183	4.653	4.546	4.445	7.601
Fruits	0.084	0.367	0.627	2.062	3.983	5.025	5.871	5.719
The fish is fresh, refrigerated, frozen	0.389	0.773	2.294	3.324	3.735	4.092	3.612	3.835
Feed for animals'	0.421	0.908	1.306	3.301	3.959	4.373	4.967	3.601
Seafood (shellfish and crustaceans)	0.185	0.391	0.525	0.980	2.240	2.477	2.701	3.055
Milk and dairy products	0.056	0.207	0.406	1.795	4.785	5.759	2.631	2.709
Cattle meat fresh, refrigerated, frozen	0.004	0.007	0.009	0.084	1.270	1.290	2.321	2.516
Vegetables	0.079	0.090	0.532	1.558	2.631	2.686	2.716	1.950
Barley	0.241	0.313	0.429	0.536	0.799	1.574	2.859	1.142

China's dependence on the external food market will increase. The reason for this is the growing demand for high-nutritional products of high quality [11]. Forecasts from the Organisation for economic co-operation and development (OECD) show that by 2022 China will double its purchases of imported feed grains and beef and pork, while imports of soybeans will increase by 40%. China's grain needs will reach 700 million tons by 2020, 100 million tons of which will be imported.

The main exporter of soybeans, cotton, palm oil and sugar to the Chinese market is the United States (22%). The largest position in us food exports is occupied by soybeans, exports in 2017 amounted to \$22 billion, of which \$12 billion were exported to China. The USA economy, in turn, is less dependent on external exporters. The ratio of exports to USA GDP is 11.9%, and in China 19.2%. In connection with the trade confrontation between the US and China in 2018, the current situation does not allow China to respond in the field of agriculture. According to Bloomberg, at the end of 2017, Chinese exports to the US amounted to \$506 billion against US exports to China by \$130 billion (us trade deficit with China – \$375 billion). In such situations, the party with the deficit has the advantage. In the case of the introduction of reciprocal duties on food imported from the United

States, China is in a state of food dependence. The way out of this situation can be the development of own production or diversification of imports.

#### 4.3.3 The current situation in agricultural trade between China and the EAEU countries

In 2016, Russia for the first time in 100 years topped the list of world wheat exporters, and the Russian Government is making every effort to maintain this position and open new markets. In 2016, China's imports of Kazakhstan flour increased by more than 10 times, exceeding \$2.8 million in January-September 2017. Exports of dairy products from Belarus to China increased by 12 times compared to the same period in 2016, exceeding \$4.5 million [10].

Despite the growing demand for food from countries of the EAEU in China. In 2017, Russia has increased the land area for cultivation of soybeans by 16.9% in China by 2016 and peaked at 2.6 million hectares. In 2017 was a record harvest of soybeans – 3.5 million tons. In Kazakhstan, the investment cluster program “Mazhiko-2020” provides for an increase in soybean crops to 400 thousand hectares with the production of 1 million tons of beans per year [12]. Given the volume required by China (90 million tons), at the moment, the EAEU countries are still not able to provide the necessary volumes and do not solve the problem of dependence on the United States.

However, the Governments of the EAEU countries continue to strongly stimulate the increase in production volumes for such items as chicken meat, sunflower meal, sunflower oil, and cornmeal. As part of the signed long-term contract for the export of Russian products to China, as part of the program “New land grain corridor Russia-China”, by 2028 the turnover of grain will reach 52 million tons [13].

#### *4.3.4 Perspective directions of development of cooperation with Russia and the EAEU countries to ensure food security of China*

Taking into account the current state of affairs, a promising direction for China is the parallel development of cooperation with Russia and the EAEU member States in three directions:

1. The growth in procurement for those items that are over-represented in the EAEU market;
2. Organization of agricultural production on unused lands of Siberia and the Far East of Russia, as well as Northern (highly productive varieties) and southern regions of Kazakhstan with the subsequent export of products to China;
3. Implementation of joint investment projects.

Since the EAEU countries' own production is still unable to provide such volumes of food that are necessary for China, one of the promising areas is the implementation of joint projects of Russian and Chinese agricultural enterprises on abandoned land. About 5 billion yuan of the company of Hebei province and other regions of the country are ready to invest in joint projects for the cultivation of soybeans and other crops in the Far East.

There is also an excess of pork production in the TRANS-Baikal territory. From this region, it could be supplied to the Northern provinces of China, but at the moment there are still restrictions on the import of meat products from China.

Recently, the Russian Government published a program of subsidizing container transportation of food to China. This program provides for compensation of up to 50% of the actual transportation costs. The initial amount of financing in the amount of 100 million rubles in 2017, if the program is successful, could potentially be increased to 3 billion rubles.

For the successful implementation of this program, China should provide Russian carriers with subsidized tariffs for transportation across the country, preferential access to storage facilities and the introduction of a simplified regime of customs clearance of Russian food products.

#### **5. Conclusion**

Since Russia and other EAEU countries are the countries producing high-quality and environmentally friendly food, the development of this cooperation is promising for the Chinese market. However, the volume of food production and exports from the EAEU is still extremely small to have a significant impact on the food security situation in China.

It is possible to increase food exports to China from the EAEU countries by increasing purchases of certain types of agricultural products for which China is experiencing a shortage (soybeans, cereals, meat and meat products), as well as through the implementation of joint investment projects in the field of agricultural products.

#### **References:**

1. Makwana E. P. “Факторы и взаимосвязи развития мировой торговли сельскохозяйственной продукцией и продовольствием”. 2016.
2. Department for Agricultural Policy of the Eurasian Economic Commission (EEC), “Анализ барьеров доступа сельскохозяйственных товаров на рынок Китая”. 2017. – 4 p.
3. Osipova A. I., “China’s policy of food security: environmental aspect”. 2016.
4. Luchik A. A. “Актуальные региональные экономические направления обеспечения населения Китая продовольствием”. 2016.

5. Erokhin V. L. “Торговля сельскохозяйственной продукцией между Китаем и странами ЕАЭС и вопросы обеспечения продовольственной безопасности”. 2018.
6. Guseva E. S. “Состояние и перспективы обеспечения продовольственной безопасности Китая в условиях глобализации”. 2016.– P. 48–50.
7. Huang J., Yang G. “Understanding Recent Challenges and New Food Policy in China. Global Food Security”. 2017.– P. 119–126.
8. Mahendra S. Zhong F. “Trade and Stock Management to Achieve National Food Security in India and China? China Agricultural Economic Review”. 2015.– P. 641–654.
9. Yi F., Sun D., Zhou Y. “Grain Subsidy, Liquidity Constraints and Food Security: Impact of the Grain Subsidy Program on the Grain-Sown Areas in China. Food Policy.” 2015.– P. 114–124.
10. United Nations Conference on Trade and Development. (n.d.). Datacenter. [Online]. Available: URL: <http://www.unctadstat.unctad.org>.
11. Chang X., DeFries R. S., Liu L., Davis. “Understanding Dietary and Staple Food Transitions in China from Multiple Scales.” 2018.
12. URL: <https://www.avgust.com>, “Выращивать сою – дело рентабельное.” 2015. [Online]. Available: URL: <https://www.avgust.com/company/news/detail.php?ID=5120>
13. URL: <https://tass.ru>; “Россия и Китай заключили долгосрочный контракт на поставку в КНР сельхозпродукции”. 2017. [Online]. Available: URL: <https://tass.ru/ekonomika/4135229>.

Kotlyarov Kirill,  
Master of International Trade  
College of Economics and Management,  
Northeast Forestry University, Harbin China  
E-mail: kotlyarov@qq.com

Tian Gang,  
Corresponding author,  
Professor of International Trade and Economics,  
College of Economics and Management,  
Northeast Forestry University, Harbin China  
E-mail: tiangang0451@sina.com

## CHINESE ALIBABA INFLUENCE ON RUSSIAN SME E-COMMERCE 2015–2017 YEARS

**Abstract:** The international trade market has started to use more and more e-commerce platforms. In this research paper there is an analysis of the data of the Chinese firm Ali baba and Russian small and medium enterprise (SME) E-commerce sectors, their communications and obstacles in customer loyalty, and also possible solutions for the Russian SME e-commerce market, as well as methods for showing how to be competitive with Alibaba`s influence.

**Keywords:** e-commerce, AliBaba, Russia, China.

### 1. Introduction

AliBaba (AB) is one of the biggest e-commerce platforms. Small and medium enterprises (SME) inside AB feel safety and can see future for their businesses. AliBaba is everywhere and huge amounts of consumers prefer to buy cheap Chinese products instead of similar products offered from their local shops. So, what will other firms and shops do?

Russian companies have huge competition with the small companies under the Alibaba platform in the Russian market. This is an issue because these companies offer lower prices with fast delivery. Russian companies and e-shops will need to create new ways of business in order to survive.

We will investigate obstacles and benefits for both AliBaba and Russian SMes.

What governments can do to protect their own country`s enterprise without losing their position in the international trade market, and what companies

already have done to remain profitable will be discussed in the paper.

The main focus of this paper will be to pay attention to, and find ways to show how Russian companies can improve their business (SMe) and stay in market.

### 2. Literature review

#### 2.1 E-commerce. Definition

E-commerce was invented and began active use in the United States. In the late 1960s, there were four industry standards for data exchange. They were used in control systems of air, rail and road transport. That is, in the second half of the XX century, entrepreneurs understood the effectiveness of cashless payment.

#### 2.2 Types of e-Commerce on the Internet

The online trading segment has grown to the point where most traditional forms of monetary and commodity relations have gone online. This includes

ordinary trade (e-trade), banking (e-banking) and insurance (e-insurance). Everyone is involved in this flow: from the ordinary consumer to the owner of the state Corporation.

It is customary to allocate such segments as:

- B2B (business to business);
- B2C (business to consumer);
- C2C (consumer to consumer).

### **2.3 Online store**

The tendency of offline business transition to the network is gaining serious momentum. The platform for placing goods on the Internet has a number of significant advantages, both for buyers and sellers:

**Cheapness:** For those who create, there is no need to rent a room for a regular store. It is enough to pay for the creation of the site and the cost of its maintenance (hosting, filling with new products, technical support). These expenses cannot be compared with the opening of offline business.

**Convenience:** The buyer acquires the goods in one click then immediately reads descriptions and reviews, and saves time on the trip and personal inspection of the goods.

**Larger audience base:** The spread of the Internet – a global problem and its solution are engaged at the highest level. Therefore, every year the Internet audience increases by an order of magnitude. People, realizing the benefits of e-Commerce on the Internet, cease to buy goods in the traditional way. For this, they are increasingly turning to online stores [1].

### **2.4 E-Commerce issues**

E-Commerce on the Internet, developing, leads to a number of problems. These include:

- Copyright. Pirated content distributed by users is not tracked. Accordingly, the authors' rights are violated every hour;
- Law on advertising. Provisions regulating advertising activities are enshrined in legislation. However, in modern conditions, each case of non-compliance with these laws on the Internet cannot be traced;

- Partnership commitments. Remote work and part-time staff also lacks regulation by law. Refunds to the customer, or the employee's salary is based on oral agreements, which leads to misunderstandings:

1) **Fraud:** The Internet is a field for all sorts of fraudulent schemes. From veiled pyramid schemes to online payment fraud.

2) **Tax avoidance:** The number of Internet entrepreneurs who prefer not to register the organization officially, despite the large revenues, is a lot today. Again, e-Commerce allows the use of loopholes in the law.

3) **Technical failures in the system:** E – Commerce is not perfect. Every day there is a leak of user data and other confidential information that scammers use for their own purposes [2].

### **2.5 SME**

Medium-sized businesses are usually combined with smaller businesses. The acronym SME refers to small and medium businesses together.

Medium business is a segment of entrepreneurship that has a significant impact on the development of national markets in the world, connects large businesses, small businesses and consumers. Medium-sized businesses are characterized by features such as a high share in the economy, leadership in innovation, concentration on domestic markets, flexibility and, at the same time, the scale, the limitation on number and revenue, government support. Medium-sized business is the backbone of the economy of any developed country as it creates jobs, produces new types of goods and creates prerequisites for the development of healthy competition.

In the world, it is customary to classify medium-sized companies with a staff of fifty people to five thousand and an annual revenue of ten to five hundred million dollars. However, this division is conditional [3].

Table 1. – Different kind of firms

Type of Business	Quantity of employee	Income	Balance
Medium	>250	>50 million euro	>50million euro
Small	>50	>10 million euro	>10 million euro
Micro	>10	>2 million euro	>2 million euro

In 2015, the policy on regulation of cross-border e-Commerce between China and Russia still has not been finalized. The lack of e-Commerce between China and Russia has a “raw” legislative base. It also takes time to establish and implement such laws. Another important obstacle to cross-border trade between China and Russia is the issue of payment compensation. Russian consumers rely on cash payments, and online payments are relatively low. Low price is the main means of fighting for customers used by China’s international companies, including Alibaba. However, in the age of information technology, users are carrying out large orders, consumers are paying more attention to the quality of service. Meanwhile Russian e-commerce companies rely on local service advantages, are more diversified in this regard, by developing services to compensate for the lack of competition in the market. Among them, Lamoda’s e-store differs from the usual e-commerce company in that after receiving the goods, the consumer has 15 minutes to decide whether to buy the goods. You can choose to pay by cash or credit card. This Lamoda model is recognized as successful in Russia. Ozon and Wildberries also offer this service [4].

*Shiganova M. V. and others* give a plethora of statistical data in their work on the Chinese-Russian Internet trade. Cross-border sales are purchases of goods in foreign online stores (for example, purchases at Aliexpress.com). In total, Russians made 135 million cross-border purchases in 2015. In monetary terms, cross-border sales accounted for 24.5% of the total e-Commerce market in Russia. Chinese

online stores accounted for more than 80% of all cross-border purchases made by Russians in 2015. For comparison, in 2014 this figure was 70% [5].

2016, In *A. V. Trachuk, Linder N. V.*’s opinion, in the face of declining indicators of economic development, growth of e-business are a global technological trend. The cause of this growth can be attributed to the Internet opening up new opportunities for Internet services and applications, and the development of the Internet of things; where the vast majority of users are machines, not people [6].

Based on *Martsulevich D. V.*’s paper, which focused on 2016 data and also relates to the Alibaba group, the ability of Russian companies to compete with foreign firms, lies in the field of reducing transaction costs for consumers and overcoming information asymmetry. Given that in e-Commerce, the goods are distant from the consumer in space and time, the price that the consumer is willing to pay for ensuring confidence in the receipt quality goods within the specified period, can be quite large. At the same time, transaction costs of the consumer consists of the time spent on searching for information and confirming the reliability of the company, cognitive costs of working with information, assessing its sources and reliability when making and evaluating choices [7].

In 2017 *Lousianin S. G., Afonasyeva A. V.*, the paper mentioned that political flexibility is an economical issue. The number of members of the AIIB has increased to 54.

Analyzing the composition of the member countries of the AIIB, it is easy to see that Beijing DOS rather cleverly recruits the best financial cooperation of their regional opponents, with whom in political terms they has certain disputes (Vietnam and the Philippines disputed Islands in the South China sea, India – border disputes and regional cooperation, etc.). Such a policy of Chinese involvement shows the flexibility of China’s strategic line [8].

Others (see above) have described Alibaba’s influence as well as the data on the statistics and challenges identified earlier.

In this paper, data was summarized and applied using different methods of collection, then reviewed immediately for the years 2015–2017.

### 3. Methodology and data

#### 3.1. Methodology.

In order to understand the issue more clearly, this paper will address the following issues: the situation of e-commerce in the Russian SME market, and the problems and solutions for Russian companies to be profitable. In addition, primary and secondary data were used to analyze these circumstances and incorporated qualitative and quantitative approaches. For primary data, the author used questionnaires, interviews, and independent research in order to gather information. Furthermore, secondary resources and mediums used data collection such as official news articles and other relevant information from marketing firms.

#### 3.2. Limitation

Data was collected in China during the 2017 calendar year. Participants from China, Russia, America and Finland took part in research interviews and answered the questionnaire. For secondary data collection, Russian and English language websites were used. Analysis was made of the years 2015–2017 with focus on the Chinese and Russian SME e-commerce markets [9].

The following methods were used to collect data:

First, SurveyMonkey.com was the medium used to issue the questionnaire. The survey was distributed through social media sites such as: (vk.com, wechat, linkedIn, Telegram). Surveys were a better

method of information acquisition than face-to-face interviews, because people are more willing to answer anonymous surveys more honestly than in a face-to-face interview.

Secondly, the following types of Interviews were conducted: face-to-face, open-questionnaires via e-mail, and small questionnaires for Russian businessmen. The questions regarded the Russian market and AliExpress's (Alibaba) influence on their business. Face-to-face interviews and open questions focused on businessmen and professors from Russia and China as well as professors from Finland and America.

Finally, additional data collected was collected using news websites, books, journals, and international organization's websites. It covers e-commerce situations and problems during 2015–2017.

With a different approach to gathering data the main aim is:

1. To see and analyze the situation on the Russian SME e-commerce market
2. To find problems from Chinese influence on the Russian market
3. To find possible solutions to make SMEs profitable and competitive [10].

#### 3.3. Questionnaire

Website priority as shown in (Figure 1), more than 80% of respondents know Alibaba group (See Figure 1, 2, 3: Table 2.). Almost one hundred people wanted to share their opinion about choices.

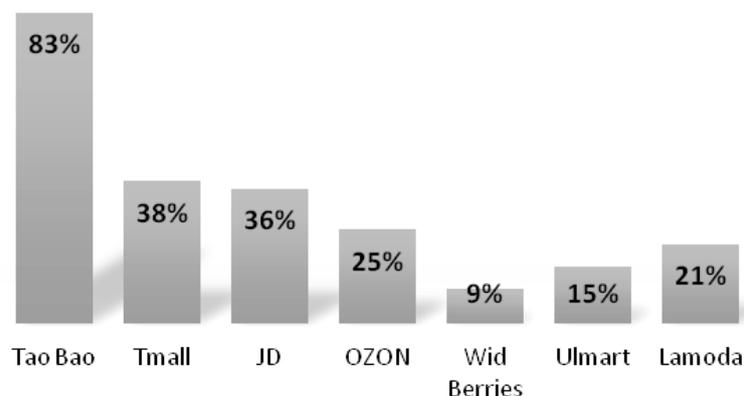


Figure 1. Website priority

Table 2. – Opinions about TaoBao (1rmb=10rub=0.14USD)

Respondents opinion	Date	Time
TaoBao, you can find almost everything there, at a reasonable price.	12/6/2017	10:29 P.M.
TaoBao. Various choices and competitive prices, great online service and fast delivery.	12/6/2017	10:29 P.M.
京东。性价比好， 发货及时， 假货少。	12/6/2017	10:25 P.M.
TaoBao.	12/6/2017	10:23 P.M.
Taobao, easy to handle.	12/6/2017	10:23 P.M.
Tao6ao. Fast, convenient, large assortment.	12/6/2017	10:20 P.M.

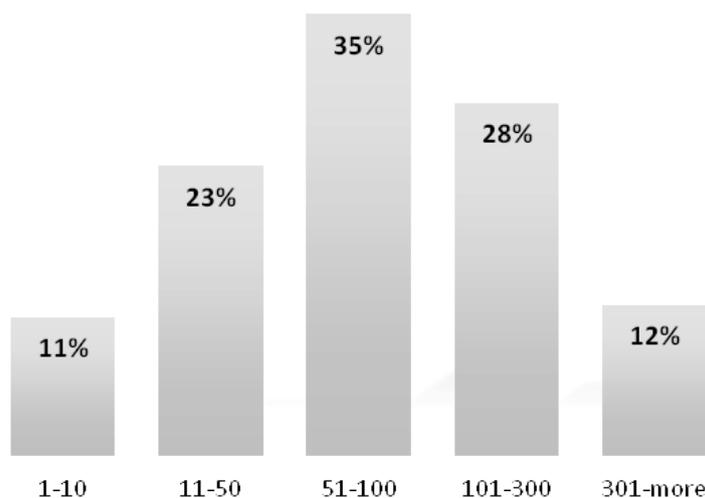


Figure 2. General occupation

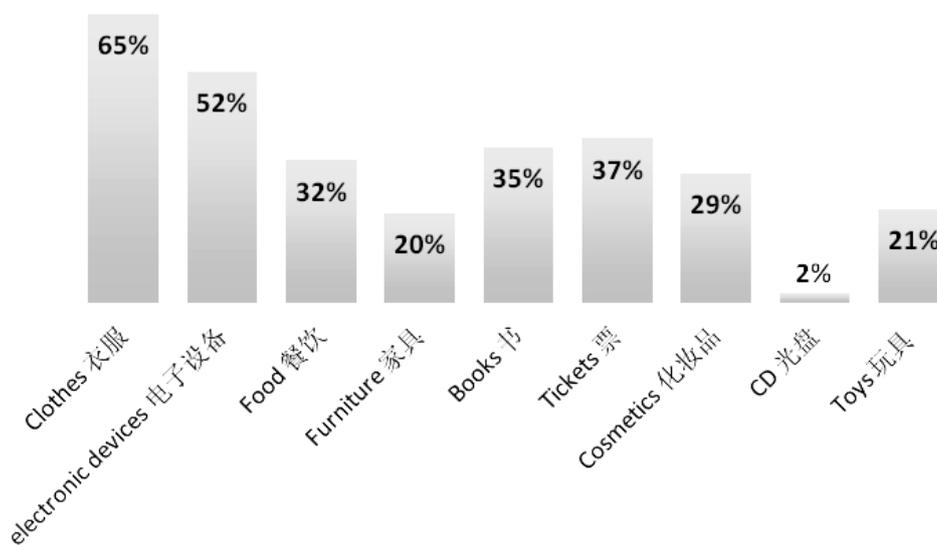


Figure 3. Favourite type of product

Average amount of purchase. The majority of respondents prefer to spend 51–100 rmb per purchase.

Favourite type of product during online shopping. Figure 2 shows, the majority of respondents buy clothes and electronics.

*Data Analyses General Occupation Statistics.* The majority of respondents to the survey were students. A huge segment of the e-shopping market includes young people up to 25 years old. See Figure 3.

### 3.4. Interview

Via e-mails, social media messages and face-to-face interview questions research was investigated deeply and with more details.

Professors and businessmen took part in investigation and gave their opinion about Sino-Russian e-commerce cooperation.

The questions, which one can find in the analysis below, helped collect wider views and suggestions about the current situation in the e-business market.

### 3.5. Data collection

Data was collected due to East-West Digital News, AKIT, marketing agencies, e-commerce foundation statistics. There is a big database of figures, numbers, and expert's opinion and works.

## 4. Analysis and results

### 4.1 Questionnaire

If Russian SMEs are to focus on one demographic, it should be young people, as they supplied the majority of responses.

The main two group of products on e-commerce market are clothing and electronic devices.

Participants gave their opinions about Alibaba, and Russian e-shops can use them as suggestions. See table 5.

### 4.2. Interview

Here one can find questions and a few answers from an interview and e-mail correspondence.

1) Do you agree that Alibaba (Taobao, Aliexpress) is having a huge impact on the economy of your country?

a) Russians responded that it is a big part of the market;

b) Americans agree and stated that the impact is more now (2018) than previous years;

c) Europeans believe that Beijing's investment in the European economy is growing. In 2016, they

amounted to about 36 billion euros, which is almost twice the total Chinese investment in previous years.

2) If not, what is your opinion about Alibaba?

a) If you agree, what options or actions would you propose to decrease Chinese influence and strengthen your country's economy (especially small and medium-sized e-Commerce businesses)?

b) 90% of Russians agree that Russian SMEs should improve delivery speed and diversity of products.

c) Europeans wished to remain independent and were worried about further Chinese influence.

3) Do you use Alibaba (Taobao, Aliexpress) for business, personal use or do not use it at all?

a) After interviews with Russian firms, the result was that medium firms do not use Alibaba as a partner, but small shops often use it as a wholesaler.

b) Some Chinese companies that were asked responded that they use Alibaba to re-sell products, and others use the website 1688. However, mostly prefer to find a manufacturer or distributor instead of these websites.

c) The majority of Americans prefer Amazon, because of their quality and delivery.

### 4.3. Data collection

#### *The most popular e-commerce website in Russia*

A larger version of this graph can be found in the appendix.

In 2017, Aliexpress became the most visited e-commerce website in Russia. The graph shows that the Chinese market has a huge influence on the Russian SME sector [11].

#### *Russian cross-border e-commerce distribution in 2015.*

- Parcel distribution by countries: China 90%, EU4%, USA 2%, Other 4%.

Payments distribution by countries: China 49%, EU25%, USA 13%, Other 13% [12].

This data explains that 90% of imports are from China because the cost is lower. America and Europe represent a lower segment of imports and have higher prices.

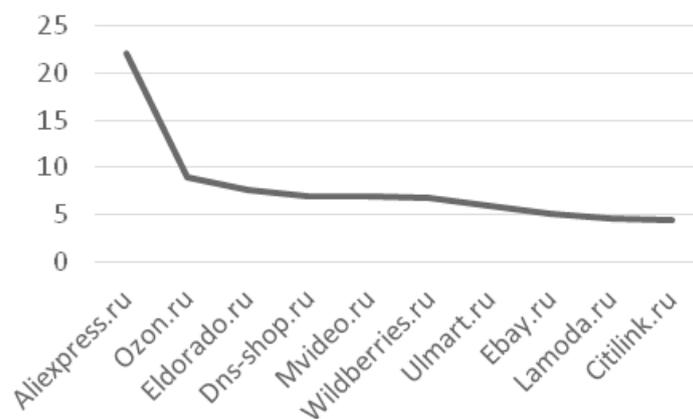


Figure 4. The most visited e-commerce website

**Demographic indicators.**

45.5% of the Russian population are people 25–54 years old. As was mentioned before in questionnaire, Russian SMEs should focus on this target market [13].

**Leading product group.**

Figure 5 shows the leading online product group in 2015–16 is clothing [13].

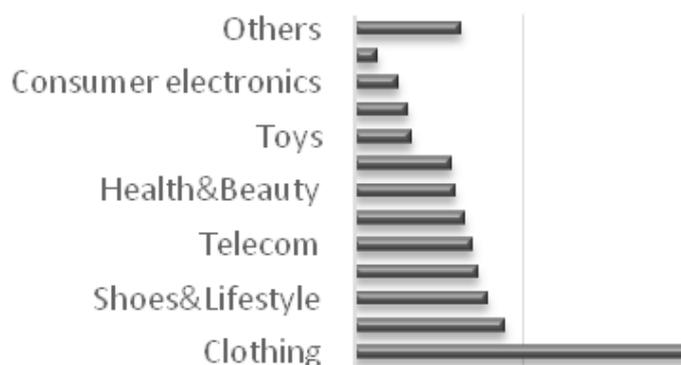


Figure 5. Product groups

A larger version of this graph can be found in the appendix.

**Reason to buy abroad**

An appealing offer is the most common reason for Russians to shop abroad(47%).Also there are: better quality(17%), recommendations from others(20%), better conditions(29%), better availability(35%), and broader range of products(37%).

Also there is a statistics not to buy abroad: never occurred(10%), assuming to struggle the language (20%), assuming delivery takes longer(29%), assuming returning is difficult(30%), sites in local country meet consumer`s needs(40%) [13].

From this data, Russian companies can make suggestions for e-commerce sectors and Chinese SMEs.

**Via mobile phones and tablets**

56 million users (above 16 years old) use the Internet via mobile phones and tablets (AKIT, 2016) [14].

**Expert Opinion**

1) President of AKIT Alexey Fedorov in 2016 said that because there was an increase in foreign parcels by 49%, there would not be a single store with Russian owners selling household appliances and electronics, or clothing by 2020. (AKIT, 2017).

2) A noticeable improvement in demand in 2017 for durable goods and a steady high demand for small electronics indicates a revival in demand and a significant reduction in consumer fears, says Oleg Pchelnykov, Director of the business direction

“product” of the Internet Company Ulmart (AKIT, 2017).

3) The Executive Director of AKIT Artem Sokolov in 2017 stressed that there are a number of constraints that do not allow the market to grow in full force. These are the existing prohibitions on the remote sale of pharmacy, alcohol, and the remaining legal conflicts in the sale of jewelry, food, and the high cost of acquiring these products for online stores (AKIT, 2017) [15].

### **B2B. B2C sectors**

B2B is the main model of cross-border e-Commerce, and B2C is only an auxiliary one,” says Sun Tianshu, President of the Qifa e-trading platform. In his opinion, today cross-border e-Commerce is at a bottleneck in its current stage, because it is hampered by the remaining stages of offline operations. When the information barriers between the stages of production and the sale of goods are completely overcome, the process of mutual trade will become more transparent and easier [16].

### **Local and foreign parcels**

The number of incoming international shipments with commodity investment increased by 49%. The number of orders in the domestic market increased by 8% (Akit and Russian post, 2017)[15].

### **Average purchase price**

In 2017, the average purchase price was 5370 rubles. For cross-border, the market was 3400 rubles for transaction and 1170 rubles for delivery (AKIT, 2017)[15].

### **Problems, competitor**

«The upgrade to Tmall means a better quality of services due to a more careful selection of goods, a single warehouse, and logistics based on courier delivery, along with delivery to special points of issue,» said Director of Development of AliExpress in Russia and CIS Mark Zavadsky [17].

### **Motivation from competitors.**

Currently, Chinese online trading companies such as Alibaba, JD, etc. are actively expanding their business in Russia, increasing the level of service.

Russian banks and technology companies are also making efforts to improve the payment procedure in the field of cross-border e-transactions [18].

### **2017 Modern logistics center solutions**

According to the leadership of the Harbin customs service, e-Commerce is developing quite quickly, representing great interest for both Chinese and Russians. Residents of China are primarily interested in food, and Russians-consumer goods from China. Due to the lack of a logistics and sorting center in the Far East, a modern logistics center in Yekaterinburg is used to send goods from Heilongjiang province. At the same time, the creation of such a center in the Far East would significantly simplify the delivery of goods from China to the Far East and back [19].

### **Internet behaviour in Russia**

The use of mobile devices is increasing. Most online purchases are made on a computer, after first visiting the shop on a mobile device. Also, discounts and competitive prices are the most significant factors promoting sales.

It should be mentioned that generating trust towards the online shop, authenticity of the product, payment methods and deliveries are very important [20].

### **Target market**

A Finnish marketing agency also mentioned that the clothing is the main segment of online purchases. Also, purchasing cosmetics is popular [20].

### **Payment situation in Russia, 2016**

Electric prepayment is most common in cross-border sales, but nearly 70% of online shopping is paid by “cash-on-delivery”. One problem is that the Russian banks have issues with payments using cards and other domestic payment methods. However, the solution is using Russian payment methods that use foreign partners when conducting e-commerce [20].

### **Government support, 2017**

Vladimir Padalko, vice president of the Chamber of Commerce of the Russian Federation said that «through BRICS, governments could discuss their taxation systems, financial regulations and other

thorny issues to eliminate obstacles to business ties» [21].

### ***Solution for Russian SME, VAT***

Most online purchases Russians make in foreign online stores are mainly Chinese companies such as AliExpress and Taobao. Now foreign suppliers have an advantage over domestic ones: they are exempt from additional taxes and customs duties when selling goods at a price of up to 1 thousand euros. Russian

online stores pay 18% VAT on each item sold. They believe that the introduction of taxes for foreign stores is necessary in order to ensure fair competition [22].

### **5. Conclusion**

Only a comprehensive and reasonable approach to solving social, economic, legal and administrative issues will contribute to improving the situation on the Russian e-Commerce market for small and medium-sized businesses.

### **References:**

1. Dr. Anil Khurana. "Introduction to E-Commerce."
2. Artem Borisov. "Все об электронной коммерции". 2016. [Online]. Available: URL: <https://callbackhunter.com/blog/5972-2/>
3. Eeconomic-definition.com. "Medium business." [Online]. Available: [http://economic-definition.com/Business/Sredniy\\_biznes\\_Medium\\_business\\_eto.html](http://economic-definition.com/Business/Sredniy_biznes_Medium_business_eto.html)
4. Chen Hunze. "Текущая ситуация и проблемы трансграничной электронной коммерции между КНР и РФ". 2015.
5. Shiganova R. E.V. Romanova M. V. "Concept of E-commerce." 2017.
6. Trachuk A. V. and Linder N. V., "Forecasting the dynamics of e-business development in Russia". – 2014. P. 4–22.
7. Martsulevich D. V., "Crosschannel marketing communications as a factor of improvement of the russian online stores' Value." – Vol. 21. 2016. – P. 144–149.
8. Lousianin S. G., and Afonasyeva A. V. "Belt and Road Initiative – Political and Economic Dimensions". Vestn. – Tomsk. Gos. Univ. Ekon., – No. 40. 2017. – P. 5–14.
9. Essays U. K. "Barriers to online supply chain." [Online]. Available: URL: <https://www.ukessays.com/dissertation/methodology/barriers-to-online-supply-chain-adoption.php>
10. Writepass.com. "How to write a methodology." 2017. [Online]. Available: URL: <https://writepass.com/journal/2017/08/write-methodology-dissertation-help/>
11. Ecommerce foundation and AKIT, "Ecommerce Report 2017." 2017.
12. AKIT. "Рынок e-commerce 2015," 2015.
13. Ecommerce Foundation. "Russia B2C E-commerce Report 2016." 2016.
14. AKIT and Russian Post. "Рынок интернет – торговли в России. Результаты 2016." 2016.
15. AKIT. "Рынок интернет-торговли в России 2017." 2017.
16. Rg.ru. "Янтарь за юани." 2016. [Online]. Available: URL: <https://rg.ru/2016/12/12/elektronnaia-torgovlia-mezhdu-rf-i-kitaem-stala-dvuhstoronnej.html>
17. URL: <https://www.rt.com>, "Alibaba launches new e-commerce platform in Russia." 2017. [Online]. Available: URL: <https://www.rt.com/business/404858-alibaba-russia-trade-platform>
18. URL: <https://russiancouncil.ru>. "Российско-Китайские отношения," 2017. [Online]. Available: <http://russiancouncil.ru/russia-china-2017bilateral>
19. URL: <https://minvr.ru>, "Развить электронную торговлю между Россией и Китаем помогут МТК," 2017. [Online]. Available: URL: <https://minvr.ru/press-center/news/5721>

20. Flyinglynx.com. “Russian e-commerce trends 2017.” [Online]. Available: URL: [https://flyinglynx.com/dataflow/nsc/files/media/russia\\_trends2017english\\_29174.pdf](https://flyinglynx.com/dataflow/nsc/files/media/russia_trends2017english_29174.pdf)
21. Daily Mail News. “Russian trade official sees great potential in China-Russia e-commerce.” 2017. [Online]. Available: URL: <http://dailymailnews.com/2017/09/17/russian-trade-official-sees-great-potential-in-china-russia-e-commerce>
22. Tass.ru. “Налог на AliExpress.” 2017. [Online]. Available: URL: <http://tass.ru/ekonomika/4564606>

*Malakhova Tatiana Sergeevna,  
Kuban State University,  
associate professor, the Faculty of Economics  
E-mail: travel23@bk.ru*

*Kolesnikov Nikita Pavlovich,  
Kuban State University,  
master of science, the Faculty of Economics  
E-mail: lajtborn@yandex.ru*

## **TRENDS AND CONTRADICTIONS OF THE GLOBAL ECONOMY CRISIS AND TRANSFORMATION OF THE WORLD FINANCIAL INSTITUTIONS**

**Abstract:** In the current conditions, the economic, political and technological shift from West towards East has a significant impact on the balance of power in the world, which leads to the formation of new centers of competition and commonwealth. In conditions of global turbulence, it has become obvious that management of global system is virtually impossible from a single center of power. In view of that, it would be unreasonable to overlook the role of international financial institutions in spreading of economic crises across an economic bloc or the world economy.

**Keywords:** vanguard, periphery, forms of interaction, world economy, geostrategic economic block, financial institutions, financial mediators, financial crisis.

At the beginning of 21-st century, the problem of institutional building for global management has been exacerbated, which has received a wide acclaim in the world community in the middle of 20-th century. The dynamics of globalization processes had profound impact on uneven development of particular countries and world regions. In this regard, it is essential to examine in which direction the balance of power in the world will change, as well as which countries are able to overcome crisis in the world's economy.

We live in the world, where a dominant position is not acquired only by superpowers, as it was in a bipolar system, but also by emerging geostrategic economic blocs that sought to assert their positions in global economic and political spheres. With the creation of a multipolar system and emergence of the new centers of power structural problems of the key world's economies like USA or EU worsen. Unfortunately, geopolitical confrontation comes again

to the forefront, which affects economic relations between countries. The world economic system, dating from the mid 20-th century has been characterized by a tense confrontation between socialism and capitalism, which was developing for a variety of patterns [1]. International economical and political relations at the time were bipolar, largely because of confrontation between two great powers – USSR and the USA. The question is: “Is bipolarity possible in the modern world?” From the point of view of prof. V. V. Perskaya, it is possible, in case that external and internal condition will be conducive to it [2].

According to a number of experts, the USA and CPR economies may act as poles of the world economy. Still, we would like to emphasize that the beginning of the 21-st century is characterized by creating a multipolar system led by numerous centers. At the same time, the concept of superpower, in our view, is a phenomenon of the bipolar system period when USA and USSR were clearly marked as leaders. In the

present circumstances, a core with a potential leader forms up, around which the periphery countries concentrate. Only in modern conditions they are not oriented towards the ideological dimension, but on the weight and importance of a leader in the global economic and political sphere. Therefore, instead of the concept of “superpower” we suggest the concept of “geostrategic economic bloc (GEB)” [3]. We suggest author’s definition of this notion in context of creating the multipolar system. Geostrategic economical bloc – is a union with partner countries (periphery) formed at the initiative of a dominant country with a purpose to assert interests of the first one and to increase their influence in a global politico-military, economic, monetary and financial spheres met with the periphery’s resource base, which in turn leads to the multipolar system chaired by particular centers of contention and commonwealth [4].

We shall highlight three key geostrategic economic blocs: NAFTA (dominant country – USA), EU (dominant country – Germany), East Asia (dominant country – China). Two of them have already been established – EU and NAFTA. There is a distinct politico-military and economic leader in every highlighted bloc (USA, Germany, China). Their purposes are nearly identical – to orient as many states as possible towards their side. If in the Soviet period countries were oriented towards the ideological dimension, nowadays they rely on dominant countries position in the global sphere. In addition, lead countries, i.e. USA, Germany, China have in common that they use expansionist strategy in monetary and financial spheres, banking and that their TNCs and TNBs distribute their affiliated companies all over the world.

We also note that with establishment of geostrategic economical bloc, positions of the USA are being dispersed and their weight in the global sphere is gradually declining. In the present circumstances, USA is one of the centers of power, which can’t help having influenced on their reputation in the medium and long terms. The main reasons for the reduction of military and political domination of

the US in the transformation of the global scope are: strengthening the position of the Asia-Pacific region, particularly China, Japan and some new industrial countries; the formation of integration groupings and international organizations in opposition to the US; approval of the positions of individual countries in the military-technical sphere, in particular Russia, Germany; reducing costs to the national US Department of Defense military-industrial complex. In addition over the past more than ten years, there is a tendency to reduce the share of the US in world GDP. This situation is symptomatic of the fact that in the global financial and economic system the United States was the largest debtors. It can be stated that in the present conditions, new competition and community centers, led by selected Asian and European countries. China has formed a modern infrastructure in some sectors of the economy, new factories and enterprises are opening, focusing on creating innovative products. It is also necessary to emphasize that the monetary and financial system of China has been able to combine a high degree of openness to strict national control. In addition to the above, the Asia-Pacific region rather calmly, «survived» the first wave of modern global monetary and financial crisis.

It is logical that the neo-liberal model of the market economy yields its positions and is being criticized by the expert community. In general, the ideas of the neo-liberalism were applied during the transformation of the countries of the Central and Eastern Europe. They served as the basis for reformation of the Russian economy, without taking into account specificity of its forming and historical development. As almost every dominant country assumes, there is no country that can solve successfully its structural problems in context of the globalization. By uniting with partner countries (periphery), they put emphasis on ensuring complementarity and mutual benefit, taking into account national interests of every partner. Yet matters are different in practice.

The sanctions, which have been imposed against Russia, have exacerbated the structural problems

of the Russian economy. The social and economic development of the country is conditional upon external factors, in particular, on fuel prices, on the modalities of participation in WTO, on the global economic crisis. All these factors have a negative impact on the national economy development. The first wave of the global crisis became a breaking point for lot states of the world, including Russia. In conditions of the turbulent state of the world economy and worsening of the geopolitical relations of Russia in the world, it becomes harder year by year to restore the national industrial landscape, which was lost in the end of 20-th century. In the present conditions, Russia operates in different international groups, EEMA, CIS, BRICS. Still, under modern circumstances it is hard for Russia to confront the existing or forming blocs [5]. Within CIS and EEMA Russia is not able to accept the role of a leader, that's why we can consider these unions only as a platform for constructive negotiations. The main goal of CPR is limiting of the dominating position of American dollar, which gives USA advantages towards other participants of the world economic system, as well as accelerating of the internationalization of the Chinese national currency – Chinese yuan. For this reason, only countries most powerful and that are able to regulate world economy can radically solve complicated problems that are on the agenda [6].

Moreover, we have defined possible scenarios of cooperation of Russia with particular countries and regions of the world after cancellation of sanctions or their weakening: collaboration with key players in a global economy (USA, Germany, Japan, China etc.); reorientation of the national economy on the Asian market and collaboration with partner states in this region; increased interaction with partner countries within BRICS, CIS and EEMA etc.; restoration and development of the close cooperation with EU, or emergence of the geopolitical positions onto Eurasian space. We suggest that in under circumstances of the global instability it is necessary to improve cooperation with EU because both Russia

and EU need a truce. There are two models of including countries in world economy represented in the academic work of R. S. Grinberg and L. S. Kosikova “New trends of the economical collaboration in the post-soviet space” – integration and adaptation [7]. It is showed that the mixed model of collaboration with post-socialistic countries is most useful, while it allows to take into account geopolitical and geo-economical interest of Russia in context of the global instability.

Finally, an important, if not a superior, role of finance in the today's global economy should not be overlooked. Today's finance functions are not limited only by the mediation of the exchange of goods and services or by fulfilling the role of economy's circulatory system – it occupies the primary role in managing medium and particularly large businesses, as well as in government regulation of economy. The cause of this was reaching the limits of capital accumulation in economy with regard to the progress in the science and technology, and consequently, price rise of technologies, lengthening the production cycle and appearance of mass production, resulting in release of a large amount of money resources. It was caused by the massive accumulation of temporarily spare monetary resources by banks and other financial intermediaries.

If finance is considered as a factor of forming and developing of geostrategic economical blocs, it is obvious that it plays a key role as well as political, cultural, territorial and general economic factors. Such integration generally takes place by creating a supra-national financial institution, the examples of which in the modern world are the ECB, the New Development Bank, the Eurasian Development Bank etc. However, the consequence of such integration can be spreading of financial crises, which arise in financial institutions of one bloc member country and proliferate across whole integration, or, in the worst case, across the whole world economy, as was the case with the US investment bank Lehman Brothers in 2008. Today's most risky financial institution not

only for the Eurozone, but for the world economy of financial derivatives, which are the main source of as well is Deutsche Bank due to its colossal amounts crises in financial system.

### References:

1. Bornschier F. The world economy in the world – system: structure, dependence and change // International Social Journal. 1982.– No. 1.– P. 38–39.
2. Перская В. В., Глуховцев В. Э. Многополярность: миф или реальность? (геоэкономические аспекты).– М.: Экономика, 2011.
3. Малахова Т. С. Кризис глобальной экономики: тенденции и противоречия: монография / Т. С. Малахова.– Краснодар: Кубанский гос. ун-т, 2015.
4. Малахова Т. С. Трансформация внешнеэкономических связей мирового авангарда и мировой периферии: позиции России: монография / Т. С. Малахова. – Краснодар: Кубанский гос. ун-т, 2016.
5. Малахова Т. С. Позиции России в глобальной экономике: тенденции и противоречия // Финансы и кредит. 2015. – No. 21(645). – С. 13–26.
6. Frank A. G. Crisis in the world economy. – Holmes & Meier Publishers, 1980.
7. Гринберг Р. С., Косикова Л. С. Новые тенденции экономического сотрудничества на постсоветском пространстве // Россия в глобализирующемся мире: политико-экономические очерки. – М.: Наука, 2004. – С. 445–460.

*Titova Elena Ernstovna,  
Senior Lecturer,  
Department of Economics, Belarusian State  
University of Informatics and Radioelectronics  
E-mail: titova@bsuir.by*

## **THE TECHNIQUE OF SELF-ASSESSMENT OF STUDENTS IN THE CONTEXT OF MODERN WORLD TRENDS IN HIGHER EDUCATION**

**Abstract:** Revealed the controversial nature of modern global trends in higher education. We consider the methods of self-assessment of students at seminars in high school. It justifies its relevance in the context of modern world trends in higher education. The technique is successfully applied by the author at the faculties of BSUIR and is an innovation in higher education. The effects of this methodology for the students themselves, effects for teachers and for the learning process are shown. The quantitative effects of the application of the technique are noted. Methods of self-assessment of students as an innovation in higher education.

**Keywords:** self-esteem, self-awareness, reflection, students self-evaluation methodology, self-esteem effects, consciousness, public consciousness.

*Титова Елена Эрнстовна,  
Старший преподаватель кафедры экономики  
Белорусского государственного  
университет информатики и радио-электроники  
E-mail: titova@bsuir.by*

## **МЕТОДИКА САМООЦЕНКИ СТУДЕНТОВ В КОНТЕКСТЕ СОВРЕМЕННЫХ МИРОВЫХ ТЕНДЕНЦИЙ В ВЫСШЕМ ОБРАЗОВАНИИ**

**Аннотация:** Выявлен противоречивый характер современных мировых тенденций в высшем образовании. Рассматривается методика самооценки студентов на семинарах в вузе. Обоснована ее актуальность в контексте современных мировых тенденций в высшем образовании. Методика успешно применяется автором на факультетах БГУИР и является инновацией в высшем образовании. Показаны теоретические основы и качественные эффекты данной методики для самих студентов, эффекты для преподавателей и для учебного процесса. Отмечены количественные эффекты применения методики.

**Ключевые слова:** Самооценка, самосознание, рефлексия, методика самооценки студентов, эффекты самооценки, сознание, общественное сознание.

Современные мировые тенденции в сфере высшего образования (интернационализация, внедрение инновационных учебных дисциплин, ком- мерциализация), с одной стороны, обеспечивают общественный прогресс, а с другой, порождают новые противоречия в обществе. Например, интер-

национализация в высшем образовании по сути означает выход элементов образовательного процесса за пределы национальных границ [7]. Инновационность также предполагает обязательный выход за определенную временными рамками границу производственных возможностей [4; 11]. Коммерциализация в образовании стирает устоявшиеся границы государственной поддержки высшей школы (стирает, но полностью не ликвидирует) [5].

Таким образом, каждая из современных тенденций в образовании предполагает «выход за пределы» (элемент беспредельности). И именно элемент беспредельности указанных тенденций порождает противоречие, отмеченное еще Аристотелем. В современном контексте, если для людей интернационализация, инновационность, коммерциализация «желанны сами по себе» [1, с. 54] и остальные цели подчинены вышеуказанным, то «так мы уйдем в бесконечность, а, значит, [наше] стремление бессмысленно и тщетно» [1, с. 54]. Тщетность увлечения беспредельными целями обусловлена тем, что человек – определенная сущность, то есть сущность, имеющая пределы. И как таковой (определенный) человек вступает в противоречие с беспредельными целями. Элемент беспредельности превращает тенденции прогресса в тенденции вызова для всего человечества, порождая экономические, экологические и социальные глобальные проблемы.

Противоречие, само по себе, не негативная, а позитивная реальность, поскольку является источником движения, развития. Поэтому задача науки выявлять противоречия, а не замалчивать. Например, на принципе внутреннего противоречия (разности потенциалов) работает любая гальванотехника (электрический аккумулятор). Наука нашла механизм разрешения этого противоречия через поток заряженных частиц. Если противоречия не выявлять или игнорировать, то при таком подходе противоречия не исчезают, а приводят к появлению проблем либо глобальных, либо локальных. Выявленная противоречивая природа

современных мировых тенденций в высшем образовании нуждается в поиске механизмов разрешения указанных противоречий. В качестве одного из таких механизмов предлагается методика самооценки студентов, поскольку противостоять негативным составляющим прогресса человечеству поможет профессионализм, опирающийся на адекватную оценку происходящего, прозрачные ответы на четкие вопросы. Например: «Что именно мы хотим получить от интернационализации, инновационности и коммерциализации в высшем образовании?». Ставить подобные вопросы и отвечать на них придется всем участникам образовательного процесса в вузе (и педагогам, и студентам). И если педагоги в вузах реагируют на вызовы времени в силу специфики профессии, то роль студентов в процессе обучения необходимо активизировать, развивая их сознание, самосознание через применение различных методик самооценки. Ведь именно современным студентам через несколько лет придется столкнуться с негативными сторонами прогресса и противостоять им, опираясь на адекватное (непредвзятое) восприятие реальности, самосознание и общественное сознание, а также на активизированные в учебном процессе ответственность и чувство меры.

В литературе отмечается применение различных методик самооценки студентов (пробные тестирования с целью самооценки студентов в системе Moodle – Тевяшев А. Д., Литвин А. Г., Манчинская Н. Б.; анкетирование, тестирование, хронометрирование в самооценке студентов – Шмер В. В.) [6; 10]. Голубева Н. М. подчеркивает, что рефлексивная практика «актуальна для всех участников образовательного процесса» [3, с. 49]. При этом подавляющее большинство исследований посвящено именно рефлексивной деятельности педагогов. Рефлексия студентов исследуется меньше. Объяснить это можно тем, что преподаватель (вуза или школы), будучи участником общественного производства, реализует самосознание как действенный принцип. Студенты же во время

учебы только готовятся стать частью общественного производства, поэтому их самосознание как действенный принцип проявляется эпизодически, например, во время ответа на семинаре.

Для активизации роли студентов в обучении предлагается методика самооценки студентами своих ответов на семинарских занятиях при изучении общественных и гуманитарных дисциплин (методика применяется несколько лет в студенческих группах факультетов радиотехники и электроники, компьютерного проектирования, инфокоммуникаций, информационных технологий и управления в учреждении образования БГУ-ИР). А поскольку образование – часть экономики (по данным Национального статистического комитета Республики Беларусь за 2017 год на долю образования приходилось 4% ВВП), то, с учетом теоретической обоснованности, новизны, актуальности и эффективности, данная методика приобретает статус инновации.

Являясь элементом самосознания, самооценка, предполагает критический подход к своим мыслям, поступкам и действиям. Отвечая на семинарах или решения задачи, студент публично проявляет самосознание как действенный принцип. После ответа, как правило, публичная самооценка отсутствует; студент получает отметку, обычно, без комментариев. В учебном процессе схематично можно выделить два полюса: студенты и преподаватели. Полярность позиций участников учебного процесса создает напряженность между ними во время взаимодействия. Методика самооценки студентов позволяет снизить напряжение во взаимодействии преподавателя и студентов, активизирует творческий и эмоциональный компоненты их взаимодействия. Теоретическую основу методики составляют философский и психологический аспекты рефлексии, а также дидактические принципы и законы. В литературе отмечается, что рефлексия – процесс и результат самоанализа субъекта [3]. Рефлексивная деятельность студента является центральным звеном предлагаемой методики.

Методика в образовании – описание конкретных приемов, способов педагогической деятельности, направленных на достижение определенных целей. Общепринято связывать цели контроля знаний с выявлением достижений студентов в изучении дисциплины и указывать пути дальнейшего совершенствования. Самооценка студентов добавляет к этим целям дальнейшее повышение качества образования, развитие у студентов ответственности и объективности. Методика, по Беркову В. Ф., состоит из нескольких компонентов:

- предписание некоторых действий;
- ограничение некоторых действий;
- оформление полученных результатов;
- наличие организационных средств для реализации методики (например, методика применяется в определенных учебных группах, по расписанию, опирается на определенные стандарты в образовании и т.д.) [2]. Предлагаемая методика соответствует требованиям «Образовательного стандарта высшего образования» для всех специальностей БГУИР.

Содержание методики:

- после ответа студенту предлагается оценить себя по 10-бальной системе. Студенты на первых порах отказываются от самооценки («не умею», «не могу сам себя оценивать», «это работа преподавателя» и т.д.). Из опыта применения методики студентам (всем, кроме будущих психологов) целесообразно предлагать несложные техники рефлексии (для лучшего восприятия), например,

- \* ретроспективную (анализ полноты ответа, наличия конспекта, точности формулировок);

- \* интроспективную (анализ ответов на дополнительные вопросы);

- преподаватель в нескольких предложениях (обязательно кратко, чтобы студент не забыл собственный ответ) показывает естественный характер самооценки, как неотъемлемого элемента поведения взрослого, ответственного человека. Полезно ориентировать студента на объективную

самооценку (завышенная самооценка – проявление неадекватности; заниженная (самоуничижение) – противоположная неадекватность). Таким образом, шаг влево, шаг вправо от объективности – это проявление различных неадекватных оценок. А поскольку процесс самооценки происходит публично, то студенты быстро схватывают, что нужно придерживаться объективности;

– подобные разъяснения необходимы на первом, максимум на втором занятии (в зависимости от группы). Преподавателю нужно набраться терпения до момента, когда начнут проявляться краткосрочные (для студентов и преподавателей) и долгосрочные (для учебного процесса) эффекты [8].

*Период освоения методики студентами.*

*Краткосрочные эффекты самооценки студентов для самих студентов:*

– самокритичный подход к своему ответу позволяет студенту избежать, как правило, завышенной самооценки;

– четко обозначенные недостатки впоследствии легче устранить;

– итоговая оценка, которую ставит преподаватель, не вызывает напряжение со стороны студента, поскольку в её формировании публично принимал участие сам студент;

– развивается самосознание студента;

– рефлексия зарождает новое знание в сознании студента и выполняет диагностическую, коммуникативную, мотивационную и коррекционную функции [3, 8].

*Период освоения методики преподавателями.*

*Краткосрочные эффекты самооценки студентов для преподавателей:*

– у преподавателя появляется временной лаг для объективной оценки, пока студент сам себя оценивает (2–3 минуты);

– преподаватель либо корректирует, либо соглашается с оценкой студента;

– рефлексивная деятельность студента позитивно воздействует на рефлексию преподавателя (совершенствуется профессионализм педагога

через рефлексию новых видов педагогического взаимодействия);

– рефлексивная деятельность преподавателя выполняет диагностическую, организаторскую, коррекционную функции [3; 8].

*Методика освоена студентами и преподавателями.*

*Долгосрочные эффекты самооценки студентов для учебного процесса:*

– краткосрочные эффекты самооценки студентов приобретают форму умений и навыков;

– краткосрочные эффекты методики для преподавателей приобретают форму умений и навыков;

– публичная самооценка развивает у студентов ответственность;

– учебный процесс становится более демократичным, так как студент участвует в выставлении оценки;

– значительно снижается количество конфликтных ситуаций во взаимоотношениях студентов и преподавателей;

– самооценки на семинарах в семестре подготавливают студентов к более спокойному, объективному восприятию экзаменационной оценки в сессию;

– развивается общественное сознание студентов;

– рефлексивная практика студентов и преподавателей повышает эффективность процесса обучения [8].

Косвенно (без выставления отметок) самооценку можно применять при обсуждении со студентами актуальных проблем обучающего процесса. Например, обсудить вопрос необходимости изучения «Экономической теории» инженерами и программистами [7]. Дискуссия приводит студентов к пониманию значения «Экономической теории» для поиска своего места в экономических системах (в РФ и других странах), для активизации своих позиций в обществе, для будущего карьерного роста.

В такой дискуссии развиваются не только самооценка и самосознание, но и общественное сознание будущих инженеров и программистов [8; 9]. А, поскольку, от уровня общественного сознания людей зависит состояние объектов, находящихся в общественной собственности (при высоком уровне общественного сознания объекты общественной собственности находятся в хорошем состоянии и, наоборот, при низком – в плохом состоянии), то в учебном процессе важно использовать любую возможность позитивного воздействия на общественное сознание студентов через общественные интересы.

Указанные выше качественные эффекты самооценки студентов сопровождаются количественными показателями в соответствии с дидактическим законом обусловленности результатов обучения характером деятельности обучающихся. Например, повышение среднего балла на экзамене по «Экономической теории» на инженерных специальностях можно прокомментировать следующими фактами:

- до применения методики на группу приходилось 1–5 «двоек»;
- после применения методики целые потоки (5–8 групп) сдают экзамен по «Экономической теории» вообще без «двоек». А в некоторых группах ниже «семи» баллов нет отметок.

Безусловно, на такие результаты влияет не только данная методика, но и содержание лекций, и комплекс иных методических приемов, которые есть в арсенале преподавателя. Поэтому неверно воспринимать данную методику в качестве панацеи от всех проблем в высшем образовании.

Методика самооценки применялась и применяется в работе с иностранными студентами (из Вьетнама, Нигерии, Пакистана, Ирака, Узбекистана и Туркменистана) в учреждении образования БГУИР. Иностранные студенты не отказываются от самооценки, но их рефлексивная деятельность демонстрирует зависимость

от особенностей их культуры и уровня владения русским языком.

Методика также может представлять интерес для преподавателей естественных и технических дисциплин.

Выводы по результатам исследования.

- Обоснована противоречивая природа современных мировых тенденций в высшем образовании.

- Показана связь между тенденциями в высшем образовании и необходимостью активизации роли студентов в образовательном процессе.

- Отмечена причина недостаточной изученности рефлексивной деятельности студентов в научной литературе.

- Теоретическими основами методики являются философский и психологический аспекты рефлексивной деятельности студентов и преподавателей, а также дидактические принципы и законы.

- Методика самооценки студентов опирается на развивающее и проблемное обучение.

- Показаны краткосрочные и долгосрочные эффекты рефлексивной деятельности студентов.

- Отмечены функции рефлексивной деятельности студентов на основе анализа существующих позиций других авторов.

- Предложенная методика самооценки студентов в комплексе с содержанием лекций и другими методическими принципами и средствами обучения позитивно влияет на уровень подготовки студентов.

- Отмечены количественные эффекты применения методики самооценки студентов.

- Широкое применение данной методики в сочетании с другими методическими приемами может снизить количество списываний на экзаменах, поскольку методика самооценки развивает ответственность студентов.

- Предложенная методика совместима с уже существующими методами оценки студентов, например, если студент в своем ответе постарался учесть замечания, сделанные другим студентам,

то преподаватель может без комментариев поставить отметку (она будет понятна).

– В процессе исследования применялись методы научной абстракции, диалектический метод, анализ, синтез, дедукция, индукция.

– Как самостоятельное исследование целесообразно изучать рефлексивную деятельность иностранных студентов.

– Дальнейшее исследование данной методики можно направить на поиск формализации каче-

ственных и количественных эффектов (на разработку формул).

Методика открыта для дальнейшего обсуждения ее теоретических основ и содержания с целью ее совершенствования и успешного применения в образовательном процессе.

Разработанная методика самооценки студентов на семинарских занятиях в вузе является актуальной и эффективной инновацией в сфере высшего образования.

### Список литературы:

1. Аристотель, Сочинения: В 4-х т. – Т. 4 / – М., 1983.
2. Берков В. Ф. Методология науки. Общие вопросы. – Минск, 2009.
3. Голубева Н. М. Развитие рефлексии педагогического взаимодействия у студентов вуза / Н. М. Голубева // Материалы Всероссийской научной конференции в рамках Международного симпозиума, посвященного 100-летию гуманитарного образования в СГУ. Под ред. М. С. Ткачевой. – М. 2017. – С. 48–52.
4. Карпенко И. В. Научная и инновационная деятельность как основа подготовки современного специалиста / И. В. Карпенко // Новости науки и технологий. 2017. – № 4 (43).
5. Салми Дж. Сценарии устойчивого финансирования высшего образования / Дж. Салми // Вестник международных организаций. 2010. – № 1(27) / [электронный ресурс] / Режим доступа: URL: [http://sibfrontier.ru/wp-content/uploads/2015/05/Salmi-Dzh.-Stsenarii-ustoychivogo-finansirovaniya-vyisshego-obrazovaniya\\_2010.pdf](http://sibfrontier.ru/wp-content/uploads/2015/05/Salmi-Dzh.-Stsenarii-ustoychivogo-finansirovaniya-vyisshego-obrazovaniya_2010.pdf) – Дата доступа 17.12. 2018.
6. Тевяшев А. Д. Об опыте использования системы дистанционного обучения Moodle при изучении фундаментальных математических дисциплин / А. Д. Тевяшев, А. Г. Литвин, Н. Б. Манчинская Высшее техническое образование: проблемы и пути развития. – Минск, 2018.
7. Титова Е. Э. Доклад: Интернационализация в высшем образовании как составной элемент интернационализации мирового хозяйства / Е. Э. Титова // 1-я Международная конференция по интернационализации в высшем образовании = PICASA-2015–1<sup>st</sup> Conference on Internationalization Practices in the Field of Higher Education / – Ереван. 2016. – С. 206–213. [электронный ресурс] / Режим доступа: URL: [http://picasa.yasu.am/wpcontent/uploads/2016/09/PICASA\\_Brochure\\_fullfinal.pdf](http://picasa.yasu.am/wpcontent/uploads/2016/09/PICASA_Brochure_fullfinal.pdf)
8. Титова Е. Э. Эффекты самооценки студентов на семинарских занятиях в вузе. Высшее техническое образование: проблемы и пути развития // – Минск, 2018.
9. Чагин Б. А. Структура и закономерности общественного сознания: учебное издание – Л. 1982.
10. Шмер В. В. Применение методики самооценки в физическом воспитании студентов экономического вуза. – Смалья, 2014. – № 4. – С. 67–70.
11. Шумилин А. Г. О реализации государственной программы инновационного развития Республики Беларусь и предложениях по активизации инновационного развития // Новости науки и технологий. 2017. – № 4 (43).

## Section 4. Economics, organization

*Kutateladze Rusudan,  
Doctor of Economics, Professor of Georgian Technical University,  
Tbilisi, Georgia*

*E-mail: r.kutateladze@gtu.ge*

*Chechelashvili Maia,  
Doctor of Economics, Professor of Georgian Technical University,  
Tbilisi, Georgia*

*E-mail: m.chechelashvili@mail.ru*

*Kurashvili Guguli,  
Doctor of Economics, Professor of Georgian Technical University,  
Tbilisi, Georgia*

*E-mail: g.kurashvili@gtu.ge*

### MANAGEMENT IN THEORY AND PRACTICE OF EDUCATION MANAGEMENT

**Abstract:** Management as a science and art has already provided significant economic changes in society. As a theoretical science, it is represented in numerous publications, training courses and disciplines of higher and secondary professional educational institutions. Domestic and foreign experience in management is a fertile ground for the formation of a procedural block of knowledge in general and historical knowledge in particular.

**Keywords:** management, knowledge, management tasks.

Knowledge of the historical past helps students to develop the ability to navigate the achievements of domestic and world culture, and as a result of mastering historical knowledge of management, a special type of thinking is formed that allows a specialist to move freely in the historical space and adequately evaluate modern management processes.

Professional knowledge makes it possible not only to solve managerial problems, but also to form a certain system of values: to critically perceive information, to reveal its meaning, to defend its position in a reasoned way. Profound professional knowledge allows us to develop such important qualities for

modern society as the breadth of thinking, tolerance, and creative imagination. The study of the theory and practice of management stimulates analytical thinking, the ability to see the interaction of the individual and society at different stages of evolution, creative approach to the historical experience of reform. And, finally, professional knowledge and their use as a tool of persuasion, justification, making analogies and generalizations is a manifestation of the general culture of a specialist in service and tourism.

Among the main goals of historical education, scientists – the developers of educational standards in higher education – single out: the development of

students' ability to comprehend events and phenomena of reality in their uniqueness. At the same time, taking into account the organic affiliation to a single historical stream, the ability of trainees to creatively apply historical knowledge is distinguished.

Obviously, there is much in common between the concepts of "management" and "management", however, as synonyms, these words cannot be used, since scientific language avoids synonyms, and practice always requires specificity, accuracy and simplicity of names. For pedagogical activity the definition of management formulated most closely by the American researcher Peter Drucker: "Management is a specific type of management activity that revolves around a person with the goal of making people capable of joint action, making their efforts effective and smoothing their inherent weaknesses, for human the ability to contribute to society is as dependent on the efficiency of enterprise management as it is on one's own efforts and the return of people" [1].

P. Drucker identifies the following management tasks:

- To unite people around the common goals of the enterprise;
- Develop in each employee his needs and, if possible, meet them;
- To promote the continuous development of people;
- To carry out production activities on the basis of communication and individual responsibility of employees;
- To evaluate the effectiveness of the enterprise not only in terms of production indicators, but also in terms of indicators that are connected with the work of people, with the social aspects of efficiency [1].

In domestic and foreign literature, management is defined as the type of management that best meets the needs and conditions of a market economy.

Management involves:

- conditions of market economy and freedom of entrepreneurship;

- the priority of the human factor;
- the presence of managers of special managerial education.

It can be added that: 1) In the foreign scientific literature management is not considered, since in Western countries it was formed in the process of natural development of a market economy; 2) The development of management abroad always assumed targeted training of specialists, whereas in Georgia the system of training managerial personnel, like market relations, is only beginning to take shape [2].

These arguments actualize the question of the legality of using the concept of "management" in our country, because:

- Georgia is already developing market relations;
- A start has been made to the training of specialist managers (including professional managers in the field of education, service and tourism);
- In the scientific and pedagogical literature, the main reserves of the theory of pedagogical management for intra-university management are highlighted, namely:
  - Intensive psychologization of the management process;
  - Gradual transition from a vertical command-administrative management system to a horizontal, professional cooperation system, which takes into account a personality-oriented approach to the activities of specialists;
  - Expansion of the development of intra-university organizational culture.

As for the development of the theory and practice of management as an academic discipline, the current economic and socio-cultural situation orients professional educational institutions to increase the share of practical training of future service specialists. It has been established that this approach is determined by the need for practice in competitive specialists. Market relations today impose strict requirements on beginning specialists: they must be ready for effective, professionally competent work

from the very first days of their practical activities after graduation.

If young specialists can meet information and educational needs by significantly expanding the information base (the Internet, numerous publications, including periodicals on management, marketing, business, entrepreneurship, etc.), then practical skills, skills and ways of working in alternative conditions of professional work to form and develop much more difficult, especially if you do it yourself. Today, a purposeful process is needed both in the teaching of practical skills and in the formation of the active position of the subject of instruction itself.

In our opinion, in order to solve these and many other problems, it is necessary to orient the training course on management to practice. In this case, the training material will contribute to:

- Ensuring the theoretical preparedness of students for professional activities. This means developing the ability to act professionally, not only at the level of achieving the goals, but also at the level of goal-setting, which corresponds to the developed theoretical thinking, readiness to build theoretical models and concepts, to implement forecasting and design;

- To expand the practical orientation of knowledge in the field of service and tourism. This will allow students, while studying at a university, to develop practical action skills in their application [2].

In our opinion, education in management theory should be received not only by those students who in the future plan to become leaders, but also by all the rest. The fact is that each employee at his workplace can also implement management functions. He can plan, analyze, carry out self-control. Knowledge, skills and management skills will allow future specialists in the service sector to resolve misunderstandings in communication, to prevent the so-called information and semantic gaps, often occurring between the head and subordinates. Interest in this case is supported by specific topics related to the further employment of students, for example, questions relating to the horizontal and

vertical types of career when studying the topic “Career Management”.

Training service professionals should be focused on a level higher than the level of an ordinary artist. Students need to go through management practice, it is advisable to enter the appropriate content in the programs of existing practices. The relevance of this position is obvious: students will more deeply delve into the content of the external relations of an enterprise, a specific subdivision, study management documentation and information flows, familiarize themselves with the formulation of personnel management, study the socio-psychological climate and organizational culture, i.e. the start of activity of any enterprise or organization. The program of practice should provide special tasks for the application of theoretical knowledge, working out the relevant skills. It is obvious that students armed with knowledge and skills in the basics of management will be much more prepared for competitive conditions of employment [2].

If the students’ professional interests are connected with management in the field of education, they, as a rule, turn to books on pedagogical management. This is true, since in such publications the specifics of the object of management, the educational system, are taken into account as much as possible, and all the recommendations are given with regard to this specificity. However, practice shows that creatively working teacher-managers are more and more often turning to works of a more general nature, such as “Basics of Management”, “Management”, “Strategic Management”, “Innovation Management”, etc. Meanwhile works are not directly focused on education as an independent industry, which has its own explanations. First, the excessive adaptation of the general management theory to the object of management under consideration – the education system – leads to the fact that pedagogical laws and theories become dominant. This limits the creative search processes for the development of theory and practice of management in the educational sphere. Secondly,

the education system as one of the most conservative systems is not the best practice for studying management theory: many aspects of management are not generally reflected in the theory and practice of pedagogical management (for example, risk management, certain aspects of general and strategic management, etc.). Thirdly, the historical period of development of the theory of management in the field of education is not long enough, especially if it concerns the Georgian education system.

Consequently, the knowledge of the laws and laws of management theory and practice is generally more appropriate to implement on the material, not associated with the pedagogical theory and practice. In addition, it will allow deeper and more thoroughly study and realize the field of education as an independent industry, and the theory and practice of its management – as industry management. In addition, the study of the characteristics of management in other areas of human activity makes it possible to get to know the education industry as a field of people's workforce creation, not only within educational institutions, but also in the service sector, based on personnel centers and training centers in enterprises workplace. If you believe the forecasts, then with the development of society, the need for specialist educators in non-pedagogical enterprises will increase. Such specialists are needed today, for example, as employees in the emerging knowledge management structures [3].

The limited knowledge of science and art of managing only the theory of pedagogical management sometimes justifies itself in the system of advanced training of teachers and heads of the educational system, since this contingent of learners learns everything from the point of view of their professional, namely pedagogical, experience. For them, in the cognitive process, the starting point is manufacturing practice. In our opinion, management training at a higher educational institution should be structured differently: theoretical issues should be disclosed on the example of the activities of enterprises of vari-

ous forms of ownership, including the example of the activities of educational institutions. With this approach, the learning component of the cognitive process is greatly expanded, because:

- the range of situations, methods, methods, means in respect of which specific issues of management theory and practice are being considered is increasing;

- the study of management practices outside the educational sphere will allow future specialists in the field of service and tourism to bring something new into the theory and practice of management;

- it is possible to compare, transfer ideas from one sphere of human activity to another, the opportunity to develop a creative beginning.

In other words, the study of management is carried out with the wide application of management theory in the management of various objects and processes, including in the education system.

According to M. Demarest, learning management will be effective if it is possible to overcome barriers to learning and knowledge creation; problems associated with the storage and distribution of knowledge (in particular, implicit); difficulties associated with the assessment of knowledge.

The main importance of the practice, according to S. L. Rubinstein, is that it includes acquired knowledge and skills in a life context in which knowledge and skills acquire new qualities. The identification and selection of practical skills within a particular academic discipline today is a difficult pedagogical problem. On the one hand, the introduction of state educational standards entitles an educational institution and a teacher to independently draw up educational programs in educational disciplines. On the other hand, in state educational standards for specialties and specializations only general qualification requirements for graduates are given. This, again, allows for the independent selection of those skills and practical actions that should be formed in the student during the study of the relevant discipline.

According to UNESCO research, basic skills are an important component in providing high-quality vocational education. Moreover, the improvement of basic skills training is one of the tools for reforming the professional education of a service and tourism specialist. Basic skills are understood as “personal and interpersonal qualities, abilities, skills and knowledge, which are expressed in various forms and in diverse situations of work and social life”.

The relevance of basic skills due to the following circumstances:

1. Society, the market for goods, services, labor are characterized by rapid rates of change. In order for individuals to react to changes adequately, appropriate new approaches, knowledge, skills and abilities are needed that would ensure that every specialist in the service industry is ready for systematic changes and the ability to master new approaches needed in both work and social life.

2. The rapid pace of change has a multi-level character, which creates a greater degree of uncertainty and complexity and raises the need for new personal and interpersonal skills. At the global level, these are political transformations, lower trade barriers, the growing importance of information and communication technologies, higher rates of technology and product obsolescence, internationalization, and the influence of massive flows of international capital.

At the level of society, this is the creation of market mechanisms in the sphere of public services, increasing preoccupation with the preservation of the environment, new forms of management, etc.

At the enterprise level, this includes reducing organizations, decentralization, procurement partnerships and strategic alliances, capital mobility, the impact of computers and software, the demand for flexible labor and staff mobility, as well as the activation of individual entrepreneurship, small and medium business, etc.

At the individual level, there are situations when a specialist in the working environment faces a great deal of uncertainty in planning a profession and ca-

reer, with the need to work in conditions of partial, contract employment, with increased territorial mobility, with increased workload, with increased responsibility and stress.

There are tendencies to the reduction of social protection from the state, the need to independently take care of pensions, etc. In a developed market economy, the tendency of direct correspondence between the level of basic skills that a person has, the possibility of obtaining employment and the subsequent well-being in life.

These trends create a high degree of uncertainty for the service specialist, which creates the need for additional knowledge, skills and abilities, makes new types of personal and social competence in demand. The possibilities of the discipline “Management” in this regard are undoubted. This discipline is part of the federal component of the curriculum in many specialties of the University of Service and Economics. The specifics of the content of management education makes it possible to develop basic skills in addition to professional ones.

The formation of basic skills allows the service specialist to plan, work effectively in a team, competently solve problems, show initiative and creativity, master leadership skills and develop entrepreneurial skills, acquire organizational and communication skills.

At present, there is no single classification of basic skills. As an example, consider the eight main categories into which these skills proposed by Simon Sho (1998) can be distributed:

- basic skills – reading and writing; they enable people to read, write, speak and use numbers at the level necessary to function successfully and to advance in work and in society;

- life skills – relationships with other people, skills of self-management, professional and social growth. They allow people to live a full social life and contribute to society;

- key skills – communication, problem solving, teamwork. These skills contribute to the develop-

ment of fruitful activities on a wide range of indicators, mainly at work, but also from the point of view of society and the immediate environment;

- social and civic skills – social activity, moral rules and values, cooperation. They help people to live together and to take a useful part in the social and economic life of a state or state association, such as the CIS and the European Union;

- skills for obtaining employment – information processing, adaptation, independent decision-making. They are most often sought after by employers and provide access to employment, and also help people develop competence and their careers;

- entrepreneurial skills – independent activity, search and research of business opportunities. These skills broaden opportunities for starting your own business, its improvement and development;

- management skills – communication, counseling, analytical thinking, training, mentoring. These skills are used by people to self-manage and control others (mostly at work);

- broad skills – analysis, planning, control. They belong to the “higher order” skills that people apply in contexts, in each of which they already possess professional or specific skills and knowledge.

In our opinion, the categories of skills developed by S. Sho take into account the needs of specialists and organizations in mastering skills, abilities and ways of working and in acquiring relevant new knowledge.

In addition, knowledge of the issues of theory and practice of management makes it possible to:

- to get acquainted with the legacy of outstanding scientists in the field of management, their ideas, systems, approaches, theories;

- through historical reflection to join the management ideas and experience.

The development of management in the field of education is a promising promising scientific direction and reserve for the development of the theory and practice of management of the educational system.

### References:

1. Drucker P. F. Market: how to take the lead. Practice and principles / Trans. from English – M., 1999.
2. Demarest M. Understanding knowledge management // Long Range Planning. – 30 (3). 1997.
3. Margaret Martinez. Mass Customization: Designing for Successful Learning // International Journal of Educational Technology. 2000.– Vol. 2.– No. 2.i.

*Odnorog Maksym Anatolijovych,  
Scientific-research  
financial Institute State educational-scientific institution  
“Academy of financial management”  
Ministry of Finance of Ukraine,  
Doctoral student Department of theory of Economics and Finance  
E-mail: Odnorog\_BTNAU@ukr.net*

*Kraus Nataliia Mykolaiivna,  
Borys Grinchenko Kyiv University,  
Professor of the Department of Finance and Economics  
E-mail: k2205n@ukr.net*

*Goloborodko Oleksandr Petrovych,  
Poltava National Technical Yuri Kondratyuk University,  
Associate Professor of the Department of Management and Logistics  
E-mail: algol.55@mail.ru*

## **INSTITUTIONAL FRAMEWORK OF INNOVATIVE ACTIVITY IN THE AGRARIAN SPHERE**

**Abstract:** This paper considers the conceptual category of institutional economic theory, the institutional structure (the set of formal and informal institutions) innovative activities in the agricultural production, the current state of institutional provision of innovative activities in the agrarian industry of Ukraine. The reasons of the inefficient institutional structure of science and innovative development of the industry.

**Keywords:** innovation, institution innovation resources, intellectual product, competition, conceptual category.

Institutionalism is among methodologically productive areas of economic theory in the study of content areas and mechanism for implementing the processes of systemic transformation of the economy to an innovative model of development. In most developed countries targeted state support of innovation activity is gradually minimized to creating innovative institutional environment that encourages innovation and attracts foreign capital in the innovation sector. Today in innovative sphere of agricultural sector of Ukraine the need to improve the use of the institutional approach, established relationships between the state and scientific areas and business entities, mechanisms to encourage the cre-

ation of competitive innovative products and their manufacturing, is of the paramount importance. Research various different views of the institutions as an economic category showed that there are no single treatment for their definition and classification, produced not a single concept on the content of the definition “institution”.

Modern security contributions importance of institutional innovation in agricultural sector due to the need to find new mechanisms and methods of interaction between all participants of the innovation process [1]. A key factor in promotion of innovative activities, the results of numerous studies are structuring the basic blocks of institutional func-

tioning of market technologies (patents and licenses, scientific and technologically demanding products, high-tech capital, scientific and technical experts), i. e. innovative transformations change – the production of scientific knowledge and innovation, their commercialization and application, that provide legal and organizational basis in innovation sphere. Most studies on special topics of institutional factors on economic growth related primarily to the role of political and legal institutions in economic conflicts and reducing transaction costs, but technological and organizational innovations in the institutional system, which have direct impact on economic development, are often overlooked. So it is important to assess the role of institutional structure and institutional changes, aimed at efficiency of innovation activity in agricultural production.

The vast majority of researchers treat institutionalism as a sustainable system of basic institutions that has developed historically, which regulates the functioning of the main interconnected public spheres – economic, political and ideological, or in a more narrow sense, as a ‘web’ of interconnected institutions and the resulting political and economic organizations. Institutions in the economic literature are mainly the following components: institutions as rules that are resistant standards; as standards of behavior; as habits, routines, customs, traditions, institutions as patterns of thinking; as social relations; as laws and organizations (institutions) that control certain social relations; as the mechanisms for resolving conflicts between economic actors; as law enforcing mechanism; as equilibrium in the standard coordination repeating game [4, 67; 5, 151]. In our opinion this is due to the complexity and diversity of this category and different methodological approaches application to its study.

New institutionalism, in order to justify the actions and functions of the factors that shape the institutional system of innovation, differentiate the concept of “institutes” and “institutions”. The vast majority of researchers see “institutions” as system of formal (rela-

tively stable and long-term social and economic norms “are defined in the laws and all sorts of prescriptions, so these are “public and transparent”) and informal institutions (they act through moral and ethical values, beliefs, taboos, habits, reflecting the general civilizational and cultural level of the individual and society. Some elements of the institutional system are quite dynamic in nature and serve as means of affecting the real state of the innovation process (eg, laws, regulations, agreements, etc.). However, the other – is an objective content and forms whole range of economic relations superstructure (eg, market, competition, ownership, etc.), so it is hard to influence [6, 223]. Another form of revealing institutions are institutes (another translation – organization). The institute is the subject of an institutional mechanism. As noted by D. North “... there are no other solutions besides using institutional mechanisms to set the rules, and use of the organization – to ensure compliance with these rules”.

To provide highly efficient innovative activity in the agricultural industry, as our research reveals, the systematic approach to the creation of appropriate institutions with appropriate set of rules and regulations is necessary, including:

- institutional and organizational support – a system of organizations (government), providing formulation and implementation of state policy in innovation field [2];
- institutional law support – system of legal acts regulating the implementation of state policy in innovation field;
- institutional support of innovative transformations (production of scientific knowledge and innovation, their commercialization and application) and functioning of technology market (patents and licenses, scientific and technologically demanding products, high-tech capital, scientific and technical experts);
- institutional staffing – the specific activities carried out during training for implementation of the state policy in innovation field [3].

Overall institutional transformation on the formation of institutional support innovation system, in experience of developed countries, should not occur in isolation but as part of the national innovation system (NIS), providing synergetical effect on sustainable economic development based on the generation, dissemination and practical application of new knowledge and innovation [5; 6]. Unfortunately, institutional configurations of innovation activity in the agricultural sector of Ukraine do not provide an appropriate structured system of innovation's institutional support. Major problem is the implementation of institutional structuring depth of interdisciplinary links in the innovation cycle "basic research – development – commercialization of innovations in production", functioning of research and high-tech products market, cooperative and contractual relationships within the scientific, technical and innovative structures and external contractors also. Therefore, only a small part of the national agrarian scientific capacity, as in Ukrainian scientific environment in general, is focused on keeping scientific knowledge up to date.

Considering, from our point of view, the key problem of mutual influence on institutions and innovation and in particular the development of scientific, technical and human capacities, it should be noted that arrangements for innovation in the agricultural sector are being held mainly on acquisition of foreign machinery and equipment, the introduction of individual technological elements of the innovation process without scientifically integrated approach to shaping of innovation projects and adaptation to institutional forms and structures, in which they were supposed to be implemented. Rules and regulations, established by law of Ukraine, central and local authorities were ineffective regarding stimulation of innovation process organization [5]. This was a major conceptual mistake that preserved inefficient institutional structure of science and innovative development of the industry branch. It should be noted that Ukraine has enough powerful

scientific potential of agricultural science, which in the conditions of effective institutional system has the power to carry out scientific support of competitive domestic agricultural production, its release to the world market.

Practice has proved that it is due to the formation of institutional innovation system, the conditions for effective use of existing scientific potential consideration of complex intractable conflict and ways to overcome them by increasing the efficiency of the institutions interdependencies innovation system.

With the growth of investment in basic innovation starts or accelerates production growth and increases its market share while displacing outdated technology, lowering costs, creating added value to interested shareholders, lower prices, demand increase. This positive process indexes improvement innovations, new investments attraction into innovation projects and regular increase in sales due to the emergence of new competitive products. Further – quantity of workplaces increase, improvement of population's welfare. That's the way to support of one institute to another. This explains the situation when optimal organization of scientifically demanding production specifies designing those products, which are expected on the market.

With development of business-system in case of shaping functional institutional system of innovation activity, where innovations are often very different from each other – adaptation of object transformation is happening to theoretical ideology and objects and approach to their application, its global changes in conditions of implementation of a solution (created innovation), also regarding connection of the latter with various institutions: technical, economical, social.

Providing effective operation and development of the agricultural sector in Ukraine in modern conditions grounding on innovative principles requires the harmonization of government institutions, business and scientific institutions in form of partnership, implementing the concept of institutional support innovative development of the industry at the re-

gional and national level. Institutions, as latest studies of “new” and “old” institutionalists reveal, are most frequently meant as prevailing set of rules, regulations, guidelines, traditions and customs that form a framework limitation operation corresponding type of economic system and create models of economic behavior of economic subjects objects based on innovation. Institutional structure’s base of any type is a set of formal and informal institutions. The current condition of institutional support for innovation in agricultural production makes it necessary to increase integration of science, business and government agencies institutions, organizing theirs closer cooperation to enhance innovation activity on the basis of shaping

innovation resources’ management business-system, a mechanism of attracting private investors to perform scientific-innovation process.

Effective comprehensive structural institutional changes in innovation activity may be seen through analysis of the gross domestic product structure, results of internal and external trade, labour distribution and its productivity. It is proved that scientists carry out effective researches and their findings have high susceptibility in production, because they are working in adequate institutional sphere; development of effective institutional environment is the result of advanced scientific research methods of research institutes and high proficiency of scientists.

### References:

1. National statistics service of Ukraine / scientific and innovation activity in Ukraine / statistics journal “Avgust trade, Ltd.” – K.: 2017.
2. National statistics service of Ukraine / scientific and innovation activity in Ukraine /statistics journal SE “Information-analytical Agency”.– K.: 2018.
3. Activity report about NAAS for 2006–2019 and 2012 periods.– K.: Agricultural science, 2018.
4. Lapatinskiy Y. Institutional agricultural matrix [Text] / Lapatinskiy Y. // Economy of Ukraine.– 4.– C. 64–72.
5. Nort D. Institutions, institutional change and economy functioning / D. Nort.– K.: Osnovy, 2000.– 198 p.
6. Institution, contracts and organisations: perspectives from new instution economics / ed. by.– Cheltenham: Edgar Elgar Publishing, 2000.– 460 p.

*Saidov Rasulbek Boltaboevich,  
Doctor of Philosophy, Dean of Banking Faculty*

*Tashkent Institute of Finance*

*E-mail: saidov\_rasulbek@mail.ru*

*Khasanboeva Malikakhon Valijon kizi,*

*Student, Faculty of Banking*

*Tashkent Institute of Finance*

*E-mail: malikakhasanboeva@gmail.com*

*Ibrokhimov Ilkhomjon Shavkatjon ugli,*

*Master degree student, Faculty of Banking*

*Tashkent Institute of Finance*

*E-mail: ilkhomjon.ibrokhimov@mail.ru*

## **DIGITALIZATION OF BANKING SPHERE CONTRIBUTES TO THE DEVELOPMENT OF THE ECONOMY AND THE GROWTH OF ENTREPRENEURSHIP**

**Abstract:** the article outlines the significance of digitalization in the example of banking sphere, the role of digital banking in the development of the economy and signs its contribution to the growth of entrepreneurship. In the era of modern technology and rapidly changing demand of customers, the need for digitization of the banking sphere is ever increasing. Although switching from traditional banks to digital banks requires some effort and inquires budgetary allocations, it brings enormous benefits to the whole society. In the article, statistical data to show how digital banking system is improving across the world is provided.

**Keywords:** digital banking, online banking, mobile banking, peer comparisons, agility, “one-click” system, personalized service.

It is undeniable that digital modernization of economy is the need of today’s world. National economy in either developed or developing countries have necessity to new services and without them, it has become hard to survive in world competition. Thus, each country is trying to digitalize various sectors of economy systematically. Klaus Schwab, the founder and executive chairperson of the World Economic Forum outlined such a transformation of societies as the “fourth industrial revolution” or “Industry 4.0” [1]. According to experts, in the next decade, information technology will fundamentally change a person’s personal life, business and global economy.

Digitalization has been occurring in banking sector as well as other financial and industrial fields. When issues such as attracting foreign investment, expanding welfare of a nation and increasing convenience of each individual in society are among priorities, it is difficult to imagine all of these without banking services. Applying modern information technologies in banking services and ensuring their continuity is crucial for further developments of other fields. Because the reliability of banks is one of the most important factors determining the development any national economic system.

Digital banking does not only mean going paperless or it is far beyond online and mobile banking.

Each customer with a digital bank starts his operations via the internet and stays online without the need to visit any physical location. Although in online banking many core activities are available online, there has not been a full transition to the digital world. The front-end is digital, nevertheless, behind-the-scenes processes remain largely the same whereas digital banking includes the digitization of this legacy back-end.

Digital banks proactively inform customers about a rich spectrum of personalized products and services, including financial advice, new opportunities, and peer comparisons used by professional analysts showing which stocks may be overvalued or which

might make good additions to a portfolio. Customers benefit from fair prices with increased transparency and comparability. Banks meet their needs with immediate, high-quality interactions, and transactions are performed quickly and securely. A good payment system is essential for the efficient functioning of an economy. With the advancement of technology, the speed of service has greatly improved and accelerated non-cash money circulation. In the economy, it provides health competition atmosphere, takes away barriers to new entrants and motivate banks to advance their services. In one word, both customers and government enjoy the banking experience (Figure 1).

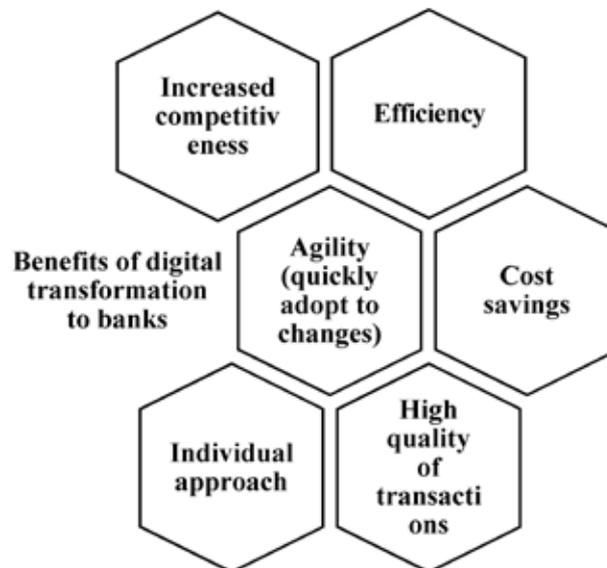


Figure 1. The advantage of digital banking system to banks [4]

Being aware of the benefits digitization brings most banks are expanding their budgets on technology advancement. In 2018, global organization EY that is one of the firms Ernst & Young Global Limited conducted the survey and asked senior executives at 221 banks across 29 markets about their views regarding their views regarding “their bank’s financial performance, strategic business priorities and technology adoption plans over the next 12 to 36 months. According Global banking outlook survey, almost two-thirds of banks anticipate that their technology investment budgets would rise by more

than 10% in 2018 (Figure 2). Investing in technology to serve customers better, drive efficiency and implement digital transformation programs all feature in the top 10 priorities for banks globally. The increase in budgets is also expected to influence positively on most functions, with more money available for investments in a range of areas, including compliance, risk, finance, IT, operations and product development. Despite these encouraging results, we still expect that most banks will struggle to become more digitally mature over the next three years unless they develop coherent strategies and investment

plans and address legacy concerns related to poor data and disparate risk and control processes [2].

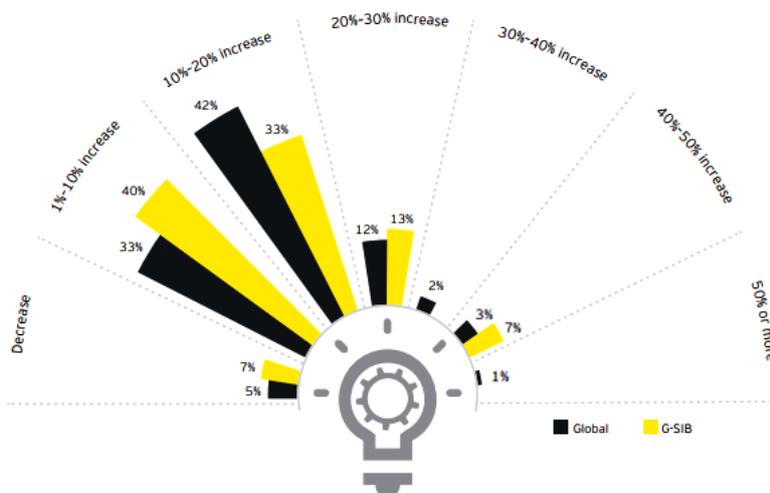


Figure 2. Expected % change in banks 2018 technology investment budgets  
Source: Global banking outlook 2018

Nowadays, wholesale digitalization is not an essential feature of banking sphere because of associated costs. However, banks try seriously considering a variety of alternatives. Year by year bank’s digital maturity ambitions are strengthening. The following

figure indicates that how banking industry aspires toward digital maturity between 2018 and 2020 [2]. Sixty two percent of global banks expect to be digitally mature in 2020, compared with just 19% in 2018. (Figure 3).

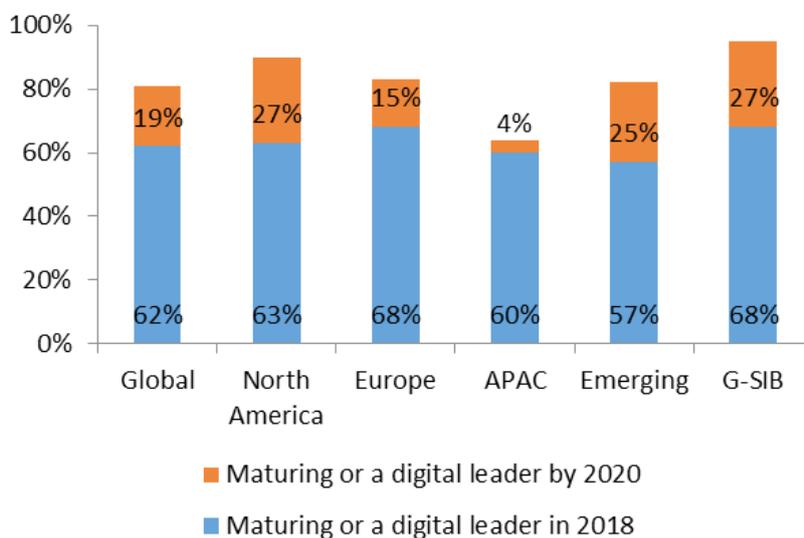


Figure 3. The banking industry aspires toward digital maturity  
Source: Global banking outlook 2018

Overall result of digitization in banking sphere and increased digital maturity come with huge advantages to the whole society. Let us look at the entrepreneurial and business sphere.

Commercial and specialized banks always play an important role in the growth and development of entrepreneurship. Apart from providing financial assistance, banks also give valuable inputs to support

and promote their enterprise. Positive outcomes of digital banks can be as followings:

- **Personalized service.** Entrepreneurs want a bank that behaves the way they do. “Digitally focused challengers” are able to provide a more personalized customer service. Any time 24/7 is ready for entrepreneurs and they can easily control all their financial steps without help of bank assistant and can get financial advice so quickly from the exports with no additional efforts. In addition, the process and the operations they make are no longer time consuming and “painful”. As Ben Little, co-founder of innovation consultancy **Fearlessly Frank** said, “Entrepreneurs want a bank that behaves as they do, and works at the same speed too – both from a personal point of view and business point of view” [5].
- **Reduced costs.** The growth of digital banking has reduced the cost of starting or doing business tremendously and greatly helped entrepreneurs in modern days. It is also very helpful for those involved with businesses on foreign soil. For instance, most international businesses are conducted on credit, with payment later. Commercial Banks offer a quick foreign exchange – a service where money is transferred to any part of the world on behalf of the banks’ clients. With banks playing this crucial role, they have now become a very important part of promoting entrepreneurial development [6].

Currently, Uzbekistan is also implementing reforms to introduce digital banking in its banking system. On June 30, 2018 the Central Bank of the Republic of Uzbekistan approved a procedure for «Registration and licensing of banks, approved by

the Resolution of the Board of the Central Bank of the Republic of Uzbekistan dated August 15, 2009 N23/3” was amended and supplemented [7]. According to it, the creation of conditions for the introduction of modern banking services in Uzbekistan, the introduction of innovative banking technologies and the establishment of a digital banking business are planned. In August 2018, there was only one bank with own mobile system but in November 2018, the number of banks with their mobile phone app system has reached 13. Because of practical work in Uzbekistan “Qishloq Qurilish bank” and “Kapitalbank” have set up their digital banking.

Digital banking has not only modernized the economy, but also has a high place in strengthening the economic cooperation with the foreign countries and gaining their trust. Thus, the following suggestions are acceptable to enhance digital banking services in banks:

- To advance customer care;
- To prevent overcrowding/traffic;
- To increase awareness, account confirmation and high security;
- To establish easy interaction with expanded engagement and applicance of world experience.

To conclude, digitalization deduced the bank from the status of a complex and frightening system, whose only task is to carry out obscure operations with money. The application can now be a friend, assistant and adviser in financial matters. New revolution in the banking sphere has benefited both government and individuals as well, from the simple customer, employee to a businessperson. The more we admit that it is important in our success, the more impossible for us to think a world without digital banking.

### References:

1. Article: “Digital banking as a component of credit organization’s economic security” by Gontar A. A. Вестник Волжского университета имени В. Н. Татищева – No. 4. – Том 1. 2017.
2. Global banking outlook, 2018. Ernst & Young Global Limited, UK. – P. 15–16.

3. Electronic source. URL: <https://www.fivedegrees.com/digital-banking/what-is-digital-banking>
4. Prepared by the author on the information of the web site. Electronic source. URL: <https://www.ventureskies.com/blog/digital-banking>
5. Electronic source. URL: <https://www.theguardian.com/small-business-network/2016/dec/28/challenger-bank-entrepreneur-funding-startups>
6. Electronic source. URL: <https://www.entrepreneur.com/article/323863> Article: “The contribution of Banks in the growth and development of Entrepreneurship” by Ajay Sharma, President – Abhinav Outsourcings Pvt. Ltd
7. Electronic resource. URL: <https://www.spot.uz/ru/2018/06/20/digital-bank>

## Section 5. Economic theory

*Ramishvili Varlam,  
Doctor of Economics,  
Professor of Georgian Technical University, Tbilisi, Georgia  
E-mail: v.ramishvili@gmail.com*

*Baratashvili Evgeni,  
Doctor of Economics,  
Professor of Georgian Technical University, Tbilisi, Georgia  
E-mail: barata49@mail.ru*

*Lagvilava Tamar,  
Doctor of Business Administration, professor-assistant of  
Georgian Technical University, Tbilisi, Georgia  
E-mail: t.lagvilava@gmail.com*

### INFLUENCE OF LAFFER CURVE IN STATE GOVERNMENTS OF DEVELOPING COUNTRIES

**Abstract:** In connection with a significant differentiation of regions, the task of establishing the optimal tax burden is of particular relevance. The article analyzes the tax burden and its impact on the economic stability of the regions during the financial crisis. An assessment of the tax burden. The conclusion is made about the need for an individual approach in the tax policy pursued in the region, depending on its socio-economic development.

**Keywords:** taxation, tax policy, Laffer curve, socio-economic development of regions, tax burden, economic sustainability.

The withdrawal by the state in favor of society of a certain part of the gross domestic product in the form of obligatory deductions constitutes the essence of the tax, as A. Smith pointed out in his classic essay "Studies on the nature and causes of the wealth of nations". It is noted that the main function of taxes is not only the fiscal function, aimed at the formation of monetary expenditures of the state, but also regulating. Taxes, affecting economic processes, have a corresponding stimulating or inhibiting effect in various spheres of social activity.

These functions are interdependent, since the implementation of the fiscal function forms the material basis for the development of socio-economic relations, investment in selected sectors of the economy, etc. At the same time, the positive dynamics of macroeconomic indicators creates conditions for increasing tax revenues to all levels of the budget.

To determine the amount of the required tax burden is quite difficult. An optimal balance should be achieved between two mutually-directed processes: on the one hand, the interests of the state interested in maximizing tax flows, and on the other, the desire

of entrepreneurs pursuing the goal of reducing the tax component in their business.

This problem is becoming more acute and acquires a special urgency due to the fact that at present there is a great differentiation of regions according to economic, social, demographic, natural resource and many other features. Statistics show large differences in the standard of living of the population, even between neighboring regions. Some regions of the country are subsidized, while others can become “engines” of economic development, able to carry along certain sectors of the national economy complex. All this leads to the conclusion about the need for an individual approach to the practice of tax administration conducted in the region, taking into account all the features and nuances of their development.

The classical definition of the tax burden as a value indicating the share of taxes in GDP does not fully reflect the actual tax burden on the country’s economy, given the scale of tax evasion.

In addition, the level of tax burden should correspond to the level of development of the tax and industrial potentials of the region and take into account all aspects of the socio-economic sphere. Since, there is a large differentiation of regions, according to the degree of economic development, the greatest interest is not an abstract static parameter

determining the magnitude of the tax burden, but an assessment of the effectiveness of all tax policy in the region, taking into account the dynamics of its industrial development and the level of tax revenues over a certain period of time.

The most accurate way to solve this problem is the method based on the calculation of efficiency parameters within the framework of A. Laffer’s concept, according to which the dependence of the amount of tax revenues on the level of tax burden is described by a parabola with a maximum point. It is understood that there are two Laffer curves: production and fiscal. Each of them has its own maximum point, the excess of which leads to stagnation of economic development or reduction of tax revenues. In addition, there is a shift of the vertices of the two parabolas so that the maximum point of the fiscal curve along the abscissa axis shifts relative to the maximum point of the production curve.

Thus, even with the beginning of a downturn in economic activity for a limited time period, it is still possible to receive a sufficient amount of tax collections. In this case, it is indicated that there are Laffer points of the 1<sup>st</sup> and 2<sup>nd</sup> kind:  $\theta^*$  and  $\theta^{**}$ , which are maximum points and at which at a certain level of tax burden there are depressions in the regional economy and a decrease in tax revenues (Figure 1).

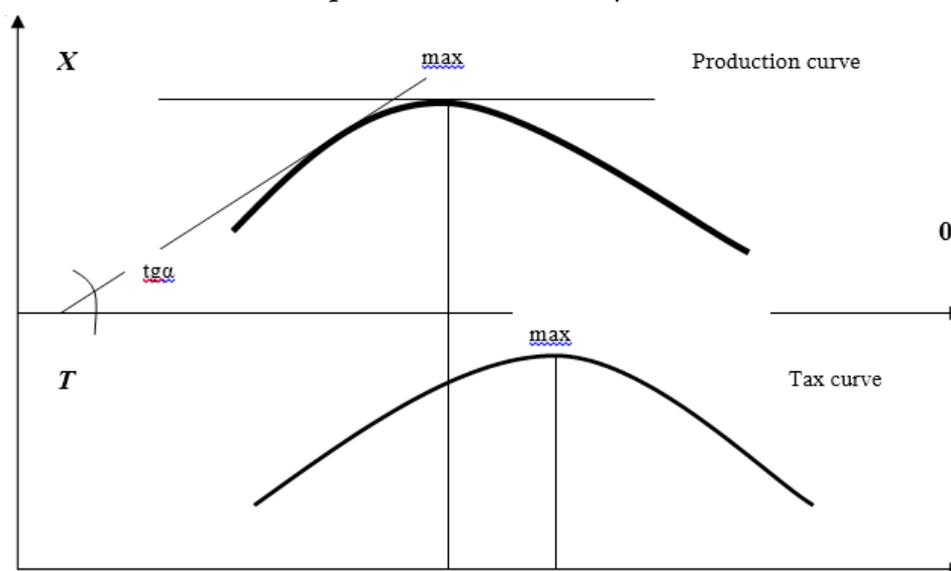


Figure 1.

Mathematically, these points are calculated by differentiating the corresponding curves and are determined when the tangent is parallel to the abscissa axis, i.e., the tangent of the angle  $\alpha$  is zero.

The Laffer points on the production and fiscal curve, thus, the conditions for the Laffer points of the 1st kind are fulfilled:

$$dX(\theta^*)/d\theta = 0; d^2X(\theta^*)/d\theta^2 < 0,$$

where  $X$  is the volume of production;  $\theta^*$  is the Laffer point of the 1st kind;  $\theta$  is the tax burden.

For points of Laffer of the 2-nd kind:

$$dT(\theta^{**})/d\theta = 0; d^2T(\theta^{**})/d\theta^2 < 0,$$

where  $T$  is the amount of tax revenue;  $\theta^{**}$  is the Laffer point of the 2<sup>nd</sup> kind;  $\theta$  is the tax burden.

The level of the existing tax burden  $\theta$  is calculated in the usual way and is defined as the share of tax revenues in GDP.

World practice shows the significance of tax revenues for the country's development. Taxes represent the main source of income of the state budget, the more budget revenue, the easier it is for the state to solve economic and political problems. Tax revenues are entirely dependent on the tax burden. The increase in the tax rate leads to an increase of income until it reaches optimal size and then it starts to go down. Graphically this dependence is well reflected in the Laffer curve.

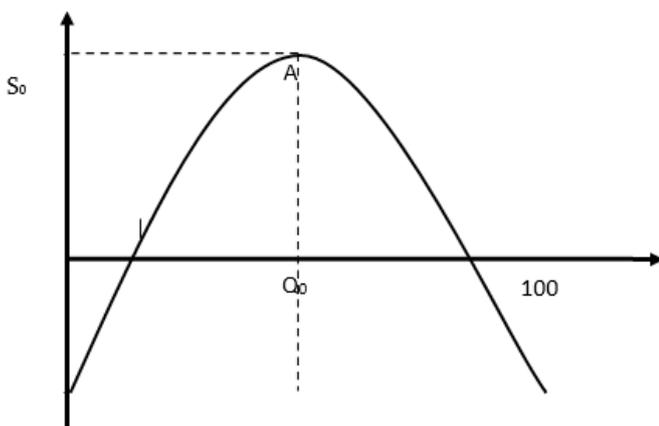


Figure 2.

Famous American scientist A. Laffer reflects the dependence of tax rates on tax revenues by the example of his country. The United States represent

a classic example of a market economy, where economic potential of the country is mastered or fully mastered. The tax systems of developed countries (Denmark, France, UK, US) show that their tax burden is higher than in developing countries. Optimal maximum point on the Laffer curve, on the one hand, will give us the highest financial results and, on the other hand, prevents the development of a quasi-market and monopolies, which in turn will cause the development of full competition in the market economy.

Although this judgment can be applied only to developed countries, as it does not address the economic problems of developing countries (social, undeveloped markets, etc.). What is optimal for developed countries, it will be impossible for developing countries. We think in order to reach the optimal point, we have to put on this chart the indicator of deviations from the economic potential that the chart will be as follows.

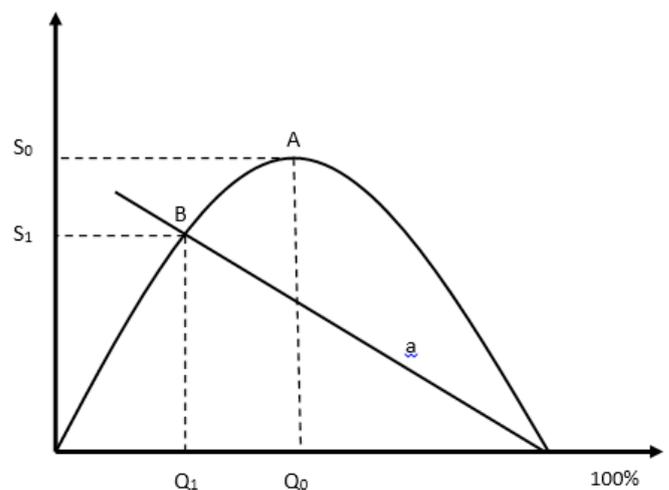


Figure 3.

Point A indicates the optimum point of tax revenue in developed countries, that is higher, fiscal record, when its economic development is economic potential or close to it. Point B – the optimal point of tax revenue in developing countries; and the plane – a measure of deviation from economic potential. It inhibits the possibility of reaching the optimum point from point B to point A, that is, the movement

from the point  $Q_1$  to the point  $Q_0$  does not give us moving from point A to point B, accordingly, tax revenues will not be able to move from point  $S_1$  to point  $S_2$ , i.e.,  $S_1$  is an optimal point of tax revenues of developing countries. The further economic development of the countries used from the economic potential, plane and more to shift to the left, and contrariwise, when the economic development of the country close to economic potential, the plane would be close to the point A.

In the assessment of taxation of developing countries with the help of the Laffer curve, there are two problems:

1. If the tax burden is less than the optimum tax revenue (point B), then tax revenues will be smaller (point C). The quasi-market will develop, as in tax benefits the market is not fully competitive, such as in Georgia.

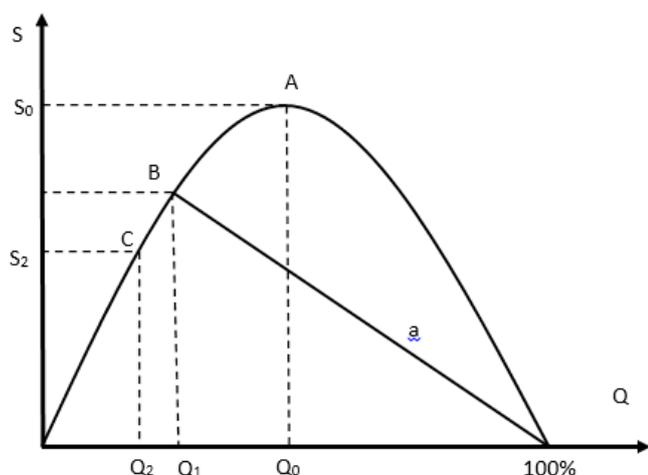


Figure 4.

2. If in developing countries, such as Russia, the tax burden is more than the optimal tax revenue (point B), then the income will be lower (point D):

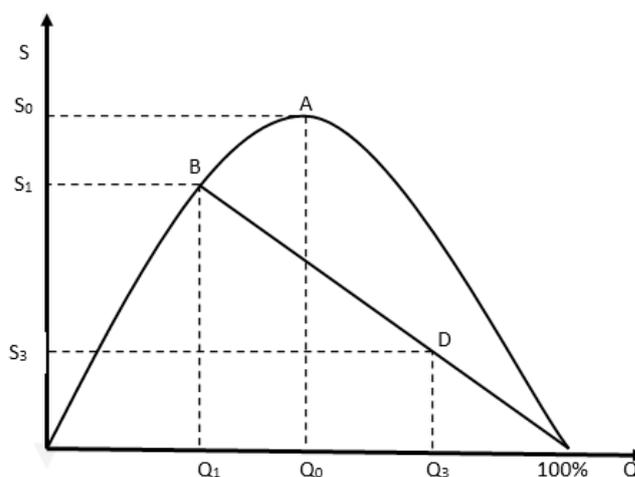


Figure 5.

Thus, the application of the Laffer curve, representing the model of optimization of tax revenues, is justified only in relation to developed countries, and the point that is optimal for developed countries, may not be optimal for developing countries, because untapped economic potential will prevent this. Its supreme fiscal point will be at the point of intersection of the plane of deviation from the economic potential and the Laffer curve.

### References:

1. Principles of Economics. Gregory Mankiw 2008.
2. Economy. Robert Fisher, Smales 2006.
3. Whether, Economics, Brue, McConnell 2007.
4. The tax code of Georgia, 2017. Law of Georgia of Tax Code of Georgia; URL: <https://matsne.gov.ge/en/document/download/1043717/93/en/pdf>
5. The tax code of Estonia 2016. Republic of Estonia, Tax and Customs Board; URL: <https://www.emta.ee/eng/private-client/declaration-income/tax-rates>
6. The tax code of Poland, 2011. Poland Income Taxes and Tax Laws URL: [http://www.worldwide-tax.com/poland/poland\\_tax.asp](http://www.worldwide-tax.com/poland/poland_tax.asp)

7. The United States tax code 2015. US Tax Center. URL: <https://www.irs.com/articles/2018-federal-tax-rates-personal-exemptions-and-standard-deductions>
8. The tax code of Denmark 2014. URL: [https://www.plesner.com/speciale/tax%20law?sc\\_lang=en](https://www.plesner.com/speciale/tax%20law?sc_lang=en)
9. The tax code of Italy 2009; CODICE FISCALE, URL: <https://www.studiolegalemetta.com/en/italian-tax-code-codice-fiscale>
10. The tax code of France 2009. A guide to taxes in France. URL: <https://www.expatica.com/fr/finance/taxes/a-guide-to-taxes-in-france-101156>

*Eshev Alibek,  
Karshi Engineeringeconomic Institute  
E-mail: alibek\_8805@mail.ru*

## **INCREASING THE COMPETITIVENESS OF AGRICULTURAL PRODUCTS AND ITS STRATEGIC APPROACHES**

**Abstract:** In this article priority directions of agricultural competitiveness of the Republic of Uzbekistan, main criteria and direction of the development strategy of the sector are considered. Important aspects and necessary modern management methods for strategic development are considered. As well as the improvement of new technologies in order to achieve competitiveness and address the issues on the set tasks for the development of the sector for the production of products.

**Keywords:** Agriculture, agrarian sector, strategic analysis, market, commodity, produce, resource use, competitiveness, level growth, new requests.

The importance of the agrarian sector in the social and economic development of the countries of the world is growing rapidly, as it is precisely one of the main directions of sustainable development of our country is agriculture. Trends in this area lead to awareness of the need to use modern management technologies for strategic development. Effective strategic management of the agricultural sector is possible today only if it is recognized as the production of quality products. Without an integrated approach to solving planning, quality assurance and management, it is impossible to further improve its development.

Efficiency in the strategic management of the agricultural sector is expressed in how timely and accurately farms are able to respond to new demands and requirements. For the successful operation of these farms, it is necessary to determine the mission, vision, values, and objectives of the activity, to conduct strategic analysis using various methodologies and modeling methods. The absence or vague formulation of some of these components may serve as an obstacle to the formation of a sector strategy. The strategy reveals long-term goals, objectives and directions of the development of the system.

The need to formulate a strategy is to increase the efficiency of resource use, “differentiation based

on the distinctive characteristics of the territories and taking into account agricultural specialization the creation of growth points that allow the effective use of concentrated resources,” creating opportunities for interaction and the formation of an integrated system of the agricultural sector.

In this connection, the issues of development and liberalization of the economy are aimed at further strengthening macroeconomic stability and maintaining high economic growth rates, increasing its competitiveness, modernizing and intensively developing agriculture, actively attracting foreign investment in the economy and in particular country agriculture by improving the investment climate, is the main strategy of the agricultural sector.

To improve the agrarian sector, the government has to fulfill its tasks, in particular, the expansion of social and corporate interaction between government and business in realizing the tasks of long-term economic development of the agro-industrial complex. At the same time, the implementation of the strategy for the development of the agricultural sector, development of new technologies in order to achieve competitiveness, solve marketing problems for the development of the sector and focus on creating an independent environment for the production of agricultural products.

Agriculture is one of the important branches of the economy of Uzbekistan. This industry, along with meeting the population's demand for food products and processing industries for raw materials, is considered one of the promising sources of strengthening economic potential.

In the "Strategy of Actions for the five priority development directions of the Republic of Uzbekistan in 2017–2021", approved by the Decree of the President of the Republic of Uzbekistan of February 7, 2017 No. UP-4947, the main attention is paid to modernization and intensive strategic development of agriculture.

The deepening of structural reforms and the dynamic development of agricultural production, the further strengthening of the country's food security, the expansion of the production of environmentally friendly products, a significant increase in the export potential of the agricultural sector are the most important tasks foreseen for implementation in the future.

Priority directions of strategic development of agriculture, defined in the Strategy of Action are:

- Development of agriculture through deepening of structural reforms, further strengthening of food security and export potential of the country;
- Improvement of issues on improvement of reclamation state of irrigated lands, development of land reclamation and irrigation facilities, introduction of modern water and resource-saving technologies into the industry, use of innovative technology;
- introduction of research works on the creation of new selection varieties of agricultural crops with high productivity, resistance to diseases and pests adapted to local soil, climatic and environmental conditions;
- reconstruction and construction of existing processing enterprises that produce agricultural products and packaging materials on the basis of deep processing;
- Development of multidisciplinary farms engaged in the production, processing, procurement and sale of agricultural products, construction work and the provision of services;

- Expansion of the infrastructure for storage, transportation and marketing of agricultural products, provision of agrochemical, financial and other modern market services;

- adopting systemic measures to mitigate the negative impact of global climate change and the drying up of the Aral Sea on the development of agriculture and the livelihoods of the population.

In order to fulfill these tasks by the socialists, work will be carried out to further optimize the acreage areas associated with the expansion of areas for potatoes, vegetables, intensive gardens, oil crops and vineyards. The measures taken to optimize the composition of sown areas and increase yields will lead to a significant increase in agricultural production in our country.

In a market economy, the survivability of any enterprise, its stable position in the market of goods is determined by the level of its competitiveness, that is, the ability to produce and sell goods that are more attractive to consumers than price goods of their competitors in terms of price and non-price characteristics. It characterizes the possibilities and dynamics of adaptation of farmers to the conditions of market competition.

An important aspect of competitiveness is the availability of competitive advantages, that is unique tangible and intangible assets owned by the enterprise, which are strategically important for business and allow winning in a competitive struggle. In order to become a market leader, the company needs to outstrip competitors in innovations in the production and marketing system, in establishing new prices, and reducing costs. Therefore, competitiveness is not a constant sign, the advantage over an opponent can be lost with time, both due to environmental factors, and due to internal factors. Among the efficiency factors, the level of education, the efficiency of markets, the size of the market, and the level of technological development are singled out.

At present, the agricultural production system ensures the growth of the level of product quality, and

hence the confidence in increasing consumer satisfaction in agricultural products. In a market economy, the survivability of any enterprise, its stable position in the market of goods is determined by the level of its competitiveness, that is, the ability to produce and sell goods that are more attractive to consumers than price goods of their competitors in terms of price and non-price characteristics. It characterizes the possibilities and dynamics of adaptation to the conditions

of market competition. Competition in agriculture is formed simultaneously by farms with different forms of ownership and management according to the most favorable economic conditions. Since competitiveness lies in the ability of any market entity to outstrip competitors in achieving the set strategic goals, to consolidate their positions in the market and to derive some benefits for effective operation is considered to be one of the most elements

### References:

1. The speech of the President of Uzbekistan Sh. Mirziyoyev at the extended meeting of the Cabinet of Ministers on January 14, 2017, devoted to a comprehensive analysis of the results of the country's social and economic development in 2016 and determining the most important priorities of the economic program for 2017. The popular word. January 19, 2017. – No. 3.
2. The Decree of the President of the Republic of Uzbekistan Sh. Mirziyoyev on January 23, 2017. "On the Strategy of Actions for the Further Development of the Republic of Uzbekistan".
3. Altukhova L. A., Semko I. A. Methodology for a comprehensive assessment of the level of competitiveness of agricultural entrepreneurial structures // Journal of Russian Entrepreneurship. 2011.
4. Gusakov V. G. The newest economy and organization of agriculture in the conditions of market formation: scientific search, problems, solutions / V. G. Gusakov. – Minsk: Institute of System Studies in the AIC, 2008. – 431 p.
5. Pelikh S. A. Innovative investment environment in the agro-industrial complex of China and Belarus: analysis, problems, solutions / S. A. Pelikh, Van Yaotian. – Minsk: Law and Economics, 2012. – 176 p.

## Contents

<b>Section 1. Marketing</b> .....	<b>3</b>
<i>Dr. Anietie Peter Akpan, Dr. Samuel George Etuk</i>	
TANGIBILISATION OF SERVICE AND CUSTOMER SATISFACTION IN HOSPITALS: IMPLICATION FOR MANAGEMENT .....	3
<b>Section 2. Management</b> .....	<b>9</b>
<i>Almukhambetova Botagoz Zhenisovna, Ermankulova Rima Ibadullaevna</i>	
THE PROSPECTS OF E-COMMERCE IN KAZAKHSTAN .....	9
<b>Section 3. World economy</b> .....	<b>12</b>
<i>Abdullayev Israfil Gasim</i>	
TANAP AND TAP: PIECE OF THE GREATER COMPETITION IN ENERGY POLITICS .....	12
<i>Bailov Vladislav, Tian Gang</i>	
DEVELOPMENT OF EXPORT OF AGRICULTURAL PRODUCTS FROM THE EAEU COUNTRIES TO THE CHINESE MARKET AS ONE OF THE WAYS TO SOLVE THE PROBLEMS OF FOOD SECURITY IN CHINA.....	19
<i>Kotlyarov Kirill, Tian Gang</i>	
CHINESE ALIBABA INFLUENCE ON RUSSIAN SME E-COMMERCE 2015–2017 YEARS .....	28
<i>Malakhova Tatiana Sergeevna, Kolesnikov Nikita Pavlovich</i>	
TRENDS AND CONTRADICTIONS OF THE GLOBAL ECONOMY CRISIS AND TRANSFORMATION OF THE WORLD FINANCIAL INSTITUTIONS .....	38
<i>Titova Elena Ernstovna</i>	
THE TECHNIQUE OF SELF-ASSESSMENT OF STUDENTS IN THE CONTEXT OF MODERN WORLD TRENDS IN HIGHER EDUCATION .....	42
<b>Section 4. Economics, organization</b> .....	<b>48</b>
<i>Kutateladze Rusudan, Chechelashvili Maia, Kurashvili Guguli</i>	
MANAGEMENT IN THEORY AND PRACTICE OF EDUCATION MANAGEMENT .....	48
<i>Odnorog Maksym Anatolijovych, Kraus Nataliia Mykolaiivna, Goloborodko Oleksandr Petrovych</i>	
INSTITUTIONAL FRAMEWORK OF INNOVATIVE ACTIVITY IN THE AGRARIAN SPHERE.....	54
<i>Saidov Rasulbek Boltaboevich, Khasanboeva Malikakhon Valijon kizi, Ibrokhimov Ilkhomjon Shavkatjon ugli</i>	
DIGITALIZATION OF BANKING SPHERE CONTRIBUTES TO THE DEVELOPMENT OF THE ECONOMY AND THE GROWTH OF ENTREPRENEURSHIP .....	58
<b>Section 5. Economic theory</b> .....	<b>63</b>
<i>Ramishvili Varlam, Baratashvili Evgeni, Lagvilava Tamar</i>	
INFLUENCE OF LAFFER CURVE IN STATE GOVERNMENTS OF DEVELOPING COUNTRIES.....	63
<i>Eshev Alibek</i>	
INCREASING THE COMPETITIVENESS OF AGRICULTURAL PRODUCTS AND ITS STRATEGIC APPROACHES .....	68

