

UDC 330:338.2:330.322.12:330.55

DOI: <https://doi.org/10.32782/2224-6282/188-20>**Kluchnyk Liliya**

Ph.D.,

SI "Institute of Regional Research named after M.I. Dolishnyi
of National Academy of Sciences of Ukraine"ORCID: <https://orcid.org/0000-0003-4964-7887>**Ключник Л.В.**ДУ «Інститут регіональних досліджень імені М.І. Долишнього
Національної академії наук України»

CONCEPTUAL FOUNDATIONS FOR BUILDING A STATE POLICY OF MANAGING THE INVESTMENT POTENTIAL OF HOUSEHOLDS

The article examines the relationship between certain public policy instruments and household savings based on the data of the State Statistics Service of Ukraine in order to identify the most effective instruments, namely: budget policy that directly affects the level of household income through transfers to households in need of social protection. It has been determined that the effectiveness of public policy depends primarily on the coherence of its individual elements and the construction of an optimal ratio of factors affecting income, expenditures and the willingness of households to invest their own savings. It is found that the directions of the state policy necessary for the effective use of the investment potential of households should be aimed at: ensuring the participation of households in co-financing investment projects or programs; analyzing and adapting foreign experience in the domestic practice of using household savings, primarily the use of accumulative investment schemes (opening pension accounts, purchasing housing and business real estate, investing in education, etc.

Keywords: public policy instruments, household savings, income, investment, potential, state policy.

JEL classification: O41

КОНЦЕПТУАЛЬНІ ЗАСАДИ ПОБУДОВИ ДЕРЖАВНОЇ ПОЛІТИКИ УПРАВЛІННЯ ІНВЕСТИЦІЙНИМ ПОТЕНЦІАЛОМ ДОМАШНІХ ГОСПОДАРСТВ

У статті розглядаються взаємозв'язки між окремими інструментами державної політики та заощадженнями домогосподарств на основі даних Державної служби статистики України з метою визначення найбільш ефективних інструментів. Обґрунтовано місце держави для функціонування домогосподарств, а також визначено принципи, критерії і основні фактори монетарної та фіскальної політики, що впливають на процес формування використання інвестиційних можливостей домашніх господарств. Виявлено взаємозв'язки між окремими інструментами державної політики та заощадженнями домогосподарств на основі даних офіційної статистики України з метою визначення найбільш ефективних інструментів, а саме: бюджетна політика, яка безпосередньо впливає на рівень доходів домогосподарств через здійснення трансфертів домогосподарствам, що потребують соціального захисту, податкова політика, яка має вплив на формування обсягів домогосподарств через податкове навантаження, соціальна політика, яка безпосередньо впливає на зростання доходів домогосподарств, монетарна політика, що впливає на формування заощаджень домогосподарств та їх готовність інвестувати. Розраховано коефіцієнт кореляції щодо витрат бюджету на соціальний захист та доходами домогосподарств, що свідчить про наявність сильного зв'язку; коефіцієнт кореляції щодо витрат бюджету на соціальний захист та витратами зведеного бюджету України, що свідчить про наявність сильного зв'язку; коефіцієнт кореляції щодо зв'язку між доходами домашніх господарств та податковим навантаженням, що свідчить про наявність середнього зв'язку. Виявлено, що напрями державної політики, які необхідні для ефективного використання інвестиційного потенціалу домогосподарств, повинні бути спрямовані на наступні цілі, а саме: забезпечення участі домогосподарств у стві фінансуванні інвестиційних проектів чи програм; здійснення аналізу за адаптація у вітчизняну практику зарубіжного досвіду щодо використання заощаджень домогосподарств, насамперед використання накопичувальних інвестиційних схем; впровадження фінансових інструментів.

Ключові слова: інструменти державної політики, заощадження домогосподарств, доходи, інвестиції, потенціал, державна політика.

Statement of the problem. One of the priorities for ensuring the development of the national economy is to increase the efficiency of the use of domestic financial resources of all economic entities. Households are important participants in financial relations in Ukraine. Households as economic entities form a powerful investment potential that ensures not only their livelihoods but also contributes to the development of economic processes in the country as a whole. At the same time, a number of obstacles impede the formation and realization of households' own investment potential. It is worth noting the decline in economic activity in the country and the deterioration in the mood of

economic agents. At the same time, the experience of foreign countries shows that the results of households' financial activities can become a real foundation for ensuring their financial stability and ability to withstand external and internal challenges and crises. Today, households are part of an established system of macro- and microeconomic relations. In today's environment, the economic situation of households has a significant impact on the state of the country's financial system as a whole, namely, given the concentration of the bulk of national income in the hands of households, the division of their income structure into consumed and saved parts makes it possible to finance

both simple and expanded reproduction in any economic system. It should also be noted that households not only form a separate level of economics.

Thus, a number of problems remain unresolved, namely the lack of information on the relationship between certain public policy instruments and household savings in order to determine the most effective ones. And also, building an optimal ratio of factors that affect households' income, expenses and willingness to invest their own savings.

Analysis of recent research and publications. Since household savings are one of the main investment resources in the economy and contribute to the improvement of their well-being, a significant number of publications by both foreign and domestic scholars have been devoted to their study. Such well-known classics of economic thought as K. Marx, P. Marshall, J. Mill, J. Say, A. Smith, I. Fisher, and others have comprehensively studied the problems of savings formation and their relationship with investments. J. Keynes made a significant contribution to the theory of savings. Among the modern economists of the Western countries, F. Modigliani, F. Myshkin, P. Samuelson, J. Stiglitz, M. Friedman, and others have studied savings. Among the representatives of the Ukrainian economic science who also pay attention to the study of the role of household savings as an investment resource for economic development, we can single out the works of M. Alekseenko, Z. Vatamaniuk, O. Vatamaniuk, V. Heets, N. Dorofeeva, A. Ramsky, T. Kizima, V. Osetsyky, M. Savluk, and others. These scientists have studied the importance of household savings in economic development, the motives for the formation of savings and the mechanism of their transformation into investment resources, as well as household investments in banking and non-banking financial institutions.

Objectives of the article is to substantiating the conceptual foundations for building a state policy for managing the investment potential of households.

Summary of the main results of the study. The effectiveness of state regulation depends on a competitive investment market, protection of the rights of primary investors by improving regulations on investment and legislative consolidation of provisions on the functioning of the investment market, financial control over compliance with the law.

Thus, the effectiveness of public policy primarily depends on the coherence of its individual elements and the construction of an optimal balance of factors affecting

households' income, expenses and willingness to invest their own savings. Let us consider the relationships between individual policy instruments and household savings based on the data of the State Statistics Service of Ukraine in order to identify the most effective instruments.

1. Fiscal policy – directly affects household income through transfers to households in need of social protection.

The data of the National Bank of Ukraine on the dynamics of state budget expenditures on social protection and social security are provided by the National Bank of Ukraine, and the dynamics of household income is provided by the State Statistics Service [2]. The correlation coefficient between the two sets of data is 0.947, which indicates a strong relationship (Fig. 1).

For the analyzed period of 2012–2021, the elasticity calculation showed that, on average, over this period, with the exception of 2017, a 1% change in public spending led to a 0.5% change in household income.

At the same time, the share of social protection expenditures in the structure of total consolidated budget expenditures is 25.05%. The correlation coefficient between the two indicators is 0.95. Over the last nine years of the analyzed period (with the exception of 2017), a 1% change in social protection expenditures led to a 0.5% change in consolidated budget expenditures.

Thus, the state policy to increase the efficiency of using the investment opportunities of households in the public sector is to optimize the solution of the system of equations:

$$y_d = 16,488x + 132293,$$

$$y_b = 3,938x + 144780,$$

where, Y_d – household income, Y_b – total budget expenditures, X – budget expenditures on social protection and social security.

2. Taxes on income and property. According to economic theory, an increase in personal income taxes and fees leads to a decrease in household income. During 2012–2021, the tax burden on personal income in Ukraine grew rapidly [2], but this did not affect the positive dynamics of household income. The correlation coefficient between the two indicators is only 0.603.

It can be assumed that the tax burden on household income and property does not have a significant impact on household income. Thus, it can be concluded that this trend will continue up to a certain level of the tax burden on household income.

At the same time, taxes and fees on personal income account for 21.44% of the total revenues of the consolidated

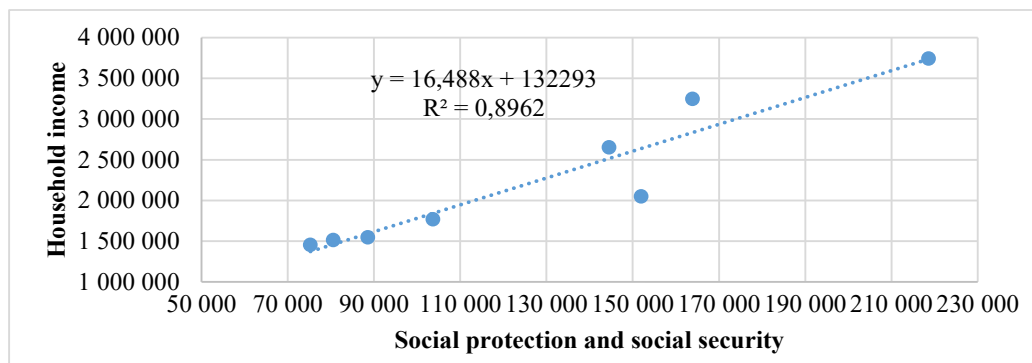


Figure 1. Relationship between budget expenditures on social protection and household income

Source: calculated by the author

budget of Ukraine [3]. The budget is largely dependent on tax revenues from individuals (the correlation coefficient is 0.99), a 1% change in tax leads to a 0.9% change in budget revenues.

Thus, it can be assumed that the tax burden on personal income is not optimal today and needs to be changed.

3. Business taxes – this group of taxes includes taxes on corporate income, indirect taxes, excise taxes, rents, and other fees paid by the corporate sector of the economy. Let's calculate them as total tax revenues minus personal income taxes [2]. The analysis shows, that there is a rather weak relationship between the tax burden on enterprises and household consumption expenditures (correlation coefficient is 0.53). However, there is a direct inverse relationship between the level of tax burden and employment (correlation coefficient of 0.82), which cannot affect household income. A 1% change in the level of taxation leads to a 0.42% change in the number of people employed in the economy in the opposite direction.

At the same time, various corporate taxes and indirect taxes account for 61.1% of consolidated budget revenues and are the budget-forming element of budget policy. Thus, it can be concluded that the tax system in Ukraine needs to be reformed and a clear, transparent taxation system created, whose indicators could be correlated with other macroeconomic indicators and allow for the construction of forecast models, both for the purposes of public administration and for potential investors.

Social policy should be directly linked to household income growth. Let us calculate social policy expenditures as the difference between social benefits in the structure of household income [2] and social protection expenditures of the consolidated budget of Ukraine [3].

A comparison of the dynamics of social fund payments and household income (Figure 7) shows a close relationship between them (correlation coefficient of 0.98). A 1% increase in social fund payments leads to a 0.92% increase in household income. Thus, one of the objectives of public policy should be to stimulate the development of social institutions, including private pension and insurance funds.

4. Monetary policy indirectly affects the formation of household savings and their willingness to invest. A stable monetary system and low inflation stimulate consumer confidence in financial institutions, while a low key policy rate discourages investment in the banking system. An analysis of the National Bank of Ukraine's key indicators [3] shows the following:

– There is a moderate relationship between the NBU discount rate and the inflation index (correlation coefficient of 0.74), but it was not possible to identify the average elasticity coefficient between the two indicators due to significant differences in annual indicators (Figure 8). Thus, we can conclude that the inflation index is influenced by other indicators besides the base rate.

– The relationship between the NBU's key policy rate and household deposits. The dynamics of household deposits growth was maintained despite fluctuations in the NBU's key policy rate. Given the relationship between the key policy rate and inflation, the same conclusion holds for the relationship between inflation and household deposits. In this case, an increase in the key policy rate causes a slight decrease in national currency deposits and an increase in foreign currency deposits, but there is no statistical significance to this relationship.

– Traditionally, it is believed that an increase in the key policy rate leads to a decrease in investment. However, an

analysis of the NBU data with a correlation coefficient of 0.72 shows that as the key policy rate rises, lending to the nonfinancial sector of the economy increases.

There is no relationship between the NBU discount rate and household income and expenditures. However, there is a link between the key policy rate and gross household savings (correlation coefficient -0.71), with a 1% decrease in the key policy rate leading to a 0.6% increase in savings.

Thus, the impact of monetary policy in Ukraine does not correspond to the traditional postulates of economic theory. At the same time, there is no relationship between household savings and fiscal policy in Ukraine. This can be explained by the inconsistency between monetary and fiscal policy and the fact that the actions of the executive branch offset the NBU's measures, and vice versa.

5. The state's communication policy is not subject to statistical accounting. However, as noted above, less than 20% of surveyed households use financial instruments to save their money, and 49% of households, despite having excess funds, keep cash at home. This situation indicates the absence of a unified information policy to improve the efficiency of households' investment opportunities and a low level of trust in financial institutions.

Thus, we can formulate the main measures to optimize public policy.

The analysis shows that the first thing that needs to be done is to reform the state's tax policy. It can be assumed that taxation of individuals does not correspond to the function of regulating household income and expenditures. Professor A. Krysovaty argues that "taxation of countries with developed market economies is an example that can be used as a model for approximation of domestic taxation. However, there is a problem in the need to find the optimal combination of progressive tax instruments and to review the changes in economic, social and institutional conditions" [4]. Therefore, it is advisable to take advantage of the experience of developed countries (Austria, Belgium, Spain, Canada, Czech Republic, Denmark, Estonia, France, Germany, Ireland, Israel, and the United States) and move from individual taxation, which depends on the level of income and does not take into account marital status, to taxation of household income. This approach allows choosing the most optimal option for income taxation (joint or separate taxation of spouses' income), takes into account the social characteristics of the household (presence of socially vulnerable persons in the household) and enhances social justice in taxation. When taxing spouses' income, significant benefits can be provided in the form of tax-free amounts of income for each of their members who are dependent on the taxpayer (minor children and the elderly). In addition, taxation of household income will allow for a more optimal approach to family planning, which is becoming more important in the context of the current demographic crisis in the country. The transition from the current taxation practice to the taxation of household income can be carried out gradually and in stages.

Another feature of the tax policy on household income taxation should be a return to the use of the tax-free minimum income, which should correspond to the level of the subsistence minimum set by the budget (currently, according to Article 169.1.1. of the Tax Code of Ukraine, the tax social benefit is 50% of the subsistence minimum for an able-bodied person [5]), and should apply to all household members regardless of their income.

Today, a personal income taxpayer simultaneously receives social assistance. Thus, paying taxes leads to an increase in budget expenditures on social protection. At the same time, global science has proven that the introduction of targeted tax privileges is a more effective measure than the payment of social transfers from the budget. Therefore, it is advisable to return to the practice of progressive income taxation, which is widespread in developed countries.

Domestic practice shows that the proportional taxation of personal income introduced on January 1, 2004, performs well only “the function of providing subsidies to wealthy households and stimulating imports (because wealthy households increase demand for expensive foreign-made goods)” [6]. For low-income groups of the population, it is advisable to set relatively low tax rates (or absolute tax exemption).

Another problem that has a significant impact on the level of household expenditures is the significant amount of expenditures on indirect taxes, primarily value added tax, which is stable in Ukraine and amounts to 20% according to Article 193.1 of the Tax Code of Ukraine. In order to reduce the pressure of indirect taxes on household budgets, it is advisable to use the experience of foreign countries where indirect tax rates are differentiated (essential goods are taxed at lower rates, luxury goods at higher rates, and other goods and services at the basic rate). In this case, the decrease in budget revenues due to lower rates for consumer goods will be offset by an increase in revenues from higher rates for luxury goods. As an option to reduce the costs of VAT administration, we can use the experience of the United States, where a differentiated sales tax is applied.

In Ukraine, despite the global experience, tax pressure on small investors is increasing. Thus, since January 1, 2015, the rate of 18% tax on interest on deposits has been in effect (Article 164 of the Tax Code of Ukraine [5]). As a result, the banking sector's attraction of funds from the population decreased from UAH 418,135 million in 2014 to UAH 410,895 million in 2015 [3]. The introduction

of such a tax significantly reduces the interest of households in saving on deposit accounts and, accordingly, reduces the resource base. In addition, one can question the substantial filling of the state budget by this tax, which, according to many experts, does not meet the country's need for additional financial revenues and is inefficient [7].

Conclusions. One of the problems of transforming household savings into investments is the financial illiteracy of the population. In a market environment, effective investment of savings requires at least minimal knowledge of the basics of financial market functioning and possible investment areas. The state should create the necessary conditions to provide households with the necessary information in direct cooperation with representatives of the financial sector, which can be an additional tool for the latter to promote investment services. In addition, the state should control the information flows in the media regarding financial services, which often provide incorrect and false information and, instead of educating consumers, cause panic and negative expectations that may later become reality.

It would be advisable to create a financial education channel, involve leading and well-known experts in the financial and investment sector, and a hotline to provide advice on financial literacy, financial legislation, organizing and running your own business, taxation, etc.

It is also advisable to introduce a number of changes to the domestic education system in line with global trends in order to improve the level of financial literacy of the population. Investments in education have always been and remain an important component of raising the level of human capital.

Certain areas of public policy can contribute to the effective use of the investment potential of households, namely: ensuring household participation in co-financing investment projects or programs; analyzing and adapting foreign experience in the use of household savings, especially the use of accumulative investment schemes (opening pension accounts, purchasing housing and business real estate, investing in education, etc.

References:

1. Ramskiy A. Yu. (2014) *Investytsiynyi potentsial domohospodarstv* [Investment potential of households]. Kyiv: KNUTD. (in Ukrainian)
2. Ofitsiynyy sayt Derzhavnoyi sluzhby statystyky Ukrainy [Official website of the State Statistics Service of Ukraine]. Available at: <https://www.ukrstat.gov.ua/> (in Ukrainian)
3. Ofitsiyniy sait Natsionalnoho banku Ukrainy [Official website of National Bank of Ukraine]. Available at: <https://bank.gov.ua/> (in Ukrainian)
4. Krysovatyi A. I. (2001) *Podatkovi systemy zarubizhnykh krain : navch. posib* [Tax systems of foreign countries]. Ternopil: Ekonomichna dumka, p. 258. (in Ukrainian)
5. Podatkovi kodeks Ukrainy [Tax Code of Ukraine] vid 02.12.2010 r. Available at: <https://zakon.rada.gov.ua/laws/show/2755-17#Text> (in Ukrainian)
6. Krysovatyi A. (2010) *Instytutsiina transformatsiia teorii podatkovoi polityky sotsialno-rynkovoï derzhavy* [Institutional transformation of the theory of tax policy of the social market state]. *Svit finansiv*, vol. 1, pp. 62–73. (in Ukrainian)
7. Hrynko T. V. ta in. (2017) *Suchasni transformatsii orhanizatsiino-ekonomichnoho mekhanizmu menedzhmentu ta lohistyky subiektiv pidpriemnytstva v systemi ekonomichnoi bezpeky Ukrainy : kolekt. monohr.* [Modern transformations of the organizational and economic mechanism of management and logistics of business entities in the system of economic security of Ukraine]. Dnipro, 487 p. (in Ukrainian)

Список використаних джерел:

1. Рамський А.Ю. Інвестиційний потенціал домогосподарств : монографія. Київ : КНУТД, 2014. 352 с.
2. Офіційний сайт Державної служби статистики України. URL: <http://www.ukrstat.gov.ua>
3. Офіційний сайт Національного банку України. URL: <https://bank.gov.ua/>
4. Крисоватий А.І. Податкові системи зарубіжних країн: навч. посіб. Тернопіль : Економічна думка, 2001. 258 с.
5. Податковий кодекс України від 02.12.2010 р. № 2755-VI. URL: <https://zakon.rada.gov.ua/laws/show/2755-17#Text>
6. Крисоватий А. Інституційна трансформація теорії податкової політики соціально-ринкової держави. *Світ фінансів*. 2010. Випуск 1. С. 62–73.
7. Сучасні трансформації організаційно-економічного механізму менеджменту та логістики суб'єктів підприємництва в системі економічної безпеки України: колект. моногр. / за заг. ред. Т.В. Гринько. Дніпро, 2017. 487 с.