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## THE STRUCTURE OF THE MECHANISM OF DEVELOPMENT OF TRADE IN THE DOMESTIC MARKET OF UKRAINE

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**Abstract.** The development of trade in the domestic market under the influence of various external factors in the conditions of European integration aspirations of Ukraine are quite complex. An important element of this process is the structure of the mechanism of development of trade. The aim of the study is to define and justify the mechanism of development of trade in the domestic market. This study is a necessary scientific and practical task, which will contribute to solving both practical and theoretical problems that hamper the development of trade. The approaches of domestic and foreign researchers and legal documents concerning the definition of the essence of the mechanism in the domestic market are analyzed. The modern structure of the mechanism of development of trade in the domestic market is proposed by authors. The introduction of the mechanism of development of trade in the domestic market and its efficiency depends on the ability of the subject of management to implement the functions of management at each level of the national economy. Authors determine these functions: planning, organization and motivation, monitoring and evaluation.

**Keywords:** manufacturers, internal environment, domestic market, domestic trade, environment, mechanism of development, functions of management, services, consumers, subjects of management, goods.

### Introduction

The internal market functioning efficiency becomes today the determinant of forming of Ukraine development endogen oriented model. The extrusion of domestic production at internal market and reducing of its competitiveness at world markets do not contribute to the processes of long-term economic growth. The consequences of over-endogenization of domestic market spur the reconsideration of its forming priorities in terms of trade and separate production branches development in order to implement the import substitution policy and increase the domestic production consumption level through its quality and competitive ability improvement. All the above mentioned will allow improvement of domestic market condition.

Setting up of the process of trade development at internal market under the influence of the range of external factors in terms of European integration aspirations of the country appears to be complicated. In economics as in any other science it is common practice to use the relevant mechanisms as the instruments of practical problems solution in order to regulate the development processes. The trade at internal market is no exception.

The aim of the research lies in the defining and rationalizing of trade development mechanism at internal market. It is the necessary scientific and applied task and its solution contributes to settling both practical and theoretical problems that hamper this development.

### Results

Problems of trade development at internal Ukrainian market are related to the negative influence of deterrent factors of institutional subsystem onto social, economic and regulatory ones. That leads to trade development slowdown on intensive basis that is not common to the developed countries – international trade leaders. Subsystems misbalance and contradictions that emerge between them do not correspond to theoretical basis of trade forming in Ukraine and decrease the efficiency of trade system development in general.

The practical side of the problem appears to be partly outlined in the Ukrainian Internal Trade Development Concept adopted by the Ukrainian Cabinet of Ministers (CMU) Resolution №1449 as of

December 20, 1997, which stipulates that the shortcomings of organizational mechanisms and legislative and regulatory basis of entrepreneurship activity public management to a large extent have caused the trade efficiency decrease as well as market mechanisms of cooperation between separate links of the single cycle «research-production-distribution-consumption» have not achieved efficient level. (CMU Resolution Source, 1997). It is logical that with availability of such problems the Concept has separate chapter «Forms and Mechanisms of State Management of Internal Trade Development», however the chapter does not rationalize or define any mechanism either by name or structure and the analysis of the document testifies to that.

Internal Trade Development Program till 2012 adopted by CMU Resolution №632 as of June 24, 2009 is another important document devoted to the problem. It stipulated only one mechanism – «the mechanism of socially important foodstuffs prices regulation» (CMU Resolution Source, 2009), the implementation of which provided improvement of regulatory and legislative basis through introduction of amendments to the Law of Ukraine «On prices and price setting». This indisputably is an important mechanism of artificial prices raising problem solution in Ukraine but introduction of only this one mechanism will not permit settling of trade development problem at internal market.

Nowadays CMU develops another document «Internal Trade Development State Policy Implementation Concept» (Draft Concept Source, 2014) that also stipulates introduction of mechanisms that will give additional incentive for trade development at internal market on the basis of functions and tasks distribution maintenance between central and local executive authorities. Introduction of these mechanisms aims to: create attractive conditions to conduct business and to efficiently control the activity of trade enterprises; promote attraction of investment and credit funds into the development of physical infrastructure; introduce innovative technologies; maintain accessibility of goods to the internal market; increase domestic producers competitive ability and their support; regulate relations over organization and functioning of retail markets; create conditions for agricultural products realization directly to their producers; increase retail trade turnover; increase of state and local budget revenues; expand trade area and create additional workplaces in trade.

The positive moment of the Concept under development nowadays is that the majority of measures planned to take due to the introduction of this mechanism are focused at overcoming of important problems that exist in trade at internal market. However the approach to the mechanism development should be grounded on such principal positions as correspondence of the construction of any economic mechanism by nature and structure and rationalization.

We have detached separate positions in the scientists' research that can be taken into account while rationalizing the mechanism of internal market trade development.

The developed in O. Aborneva research mechanism (Aborneva, 2005) is directed at state regulation of trade organizations economic activity in the form of integrated system based on the synthesis of the elements of economic, organizational and social nature peculiar to the process of state and trade entities cooperation and characterized by maintenance of stage-by-stage realization of the complex of tasks while conducting preventive measures of state influence on the branch. That is, the mechanism can efficiently exist in case of balancing of all trade system elements – interrelated subsystems of state and market regulation including self-regulation on the level of different trade activity entities that cannot function separately.

The nature of such mechanism lies in the necessity to improve institutional and management subsystems on different levels of national economy in order to solve the trade development problems of economic and social origin that in general corresponds to the logic of trade forming and development at internal market. Herewith the arguments reason into the necessity to rationalize the mechanism from the system approach point of view that allows maintaining the balance between the subsystems due to efficient management actions of trade activity entities responsible for its development. In its turn, «stage-by-stage introduction of the complex of tasks while taking preventive measures of state influence on the trade...» in the process of mechanism implementation testifies to the fact that the use of the mechanism is grounded on predicting possible changes in trade development, i. e. the mechanism takes into consideration possible changes in the following periods. In other words, these provisions can be taken into account while rationalizing the trade development mechanism at internal market of Ukraine.

At the same time N. Voziyanova has rationalized organizational and economic mechanism of trade development at internal market as the one that constitutes the system consisting of the state regulatory policy forming section and the relevant reactions of the market where the interrelations between the entities take place and their different reactions depending on the state actions on regulation are observed (Voziyanova,

2013). That means it has to secure achievement of the stated goal – to create relevant conditions and form visional trade development surrounding at internal market where the corporate conduct of market participants would be of top priority as the basic criterion of its participants efficient cooperation. The proposed by N. Yu. Voziyanova mechanism is built on the basis of system approach that stipulates the balanced cooperation between state institutions and trade activity entities where the former realize relevant management functions. The principle of system approach that stipulates close connection of economy with the variety of institutional relations emerging due to the existence of the range of political and social institutions is the basic principle of trade development mechanism forming at internal market.

The same as N. Voziyanova, I. Chernysh builds the trade state regulation mechanism at internal market on the principles of system approach granting it with the feature of internal trade factor that combines economic interests of enterprises with state social interest and defines its function as the instrument of the single system of administrative and legal regulation of trade subjects and entities activity at internal market and forming of legal norms of their functioning (Chernysh, 2011). She describes it as the complex of legal measures, with the help of which the regulation of public relations in trade is performed. It is obvious that such rationalizing of the state trade regulation mechanism at internal market is too constricted as far as the author tries to solve only the problem of processes unsettlement in trade. Even taking into consideration the fact that in order to adapt foreign experience of trade development at internal market in terms of European integration processes and solution of separate problems related to the inadequacy of national legislation concerning trade processes regulation (lack of the law «On Internal Trade») it is necessary to improve regulative and legislative fields, however only this one mechanism cannot solve the problems of Trade development at internal market.

Taking into consideration theoretical research and practical problems that testify to the unlimited use of the term «mechanism» in state documents developed in order to regulate trade and its development processes at internal market it is necessary to acutely define the nature and structure of the mechanism that does not come into conflict with scientific approaches to the development of any economic mechanism and, in particular, the mechanisms of any economic system development. And this leads to the solution of the given scientific and practical task by rationalizing scientific provisions over the characteristics of the nature of trade development mechanism at internal market.

Therefore the trade development mechanism at internal market should stipulate the availability of methods and leverages of influence on trade development that are formed in its every subsystem and interrelated between them and with the external surrounding factors. It should have inner structure consisting of subsystems the development efficiency of which testifies to the efficiency of mechanism and its operability and ability to secure trade development at internal market in terms of changes that take place in every subsystem. This mechanism has to constitute the reflection of certain social and economic relations between producers and consumers of goods and services where the interests of both parties are met. This testifies to the level of mechanism efficiency on one hand and to the level of trade development intensity at every stage – in the other hand.

Introduction of internal market trade development mechanism and its efficiency depends on the ability of management entity to realize management functions at every level of national economy. Planning function is realized through defining the criteria, selecting the factors, setting the planned targets on the basis of which the trade development diagnosis is conducted, and determining the level of planned targets achievement in the process of changes and the level of every subsystem efficiency. Organization function is realized through developing coordinated interrelations between the management entities at every stage and economic entities on one hand, and the goods producer and consumer of goods and services provided by internal trade – on the other hand. Motivation function is realized through motivating the economic entities to provide qualitative goods and services to the consumer, increasing the labour productivity, restraining unreasonable price increase for consumer goods and services, developing motivation of trade enterprises managers and entrepreneurs to introduce innovations. This requires the introduction of relevant leverages and taking relevant measures in the management subsystem (Popadynets, 2014). The control and evaluation functions are realized through controlling by the management entity of achieving the planned targets over the increase of trade efficiency at internal market and the established requirements to the economic entities over the quality of goods and services provided to the consumer and permanent monitoring of the subsystems efficiency condition on the basis of conducted evaluation by the parameters and factors.

Introduction of the mechanism is grounded on the adherence of the management entity to the range of principles, in particular: systematic introduction on the basis of setting the priorities over the trade efficiency increase depending on the urgency of problem that requires solution of both tactical and strategic tasks of system development; system regulation that stipulates defining of the management entities at every level of national economy responsible for trade development and setting the interrelations between them while solving the tasks over elimination of hampering factors negative influence in every subsystem; financial interest of trade entities in qualitative granting of goods and services to the consumer; efficiency principle compliance with which will promote trade development efficiency.

Considering the abovementioned and on the basis of conducted scientific research the aim of trade development mechanism introduction at internal market lies in performing by the inner trade of its social and economic function in order to meet the consumer needs for goods and services and production sphere that manufactures the goods on the basis of trade intensive development due to efficiency increase of every subsystem – institutional, management, social and economic.

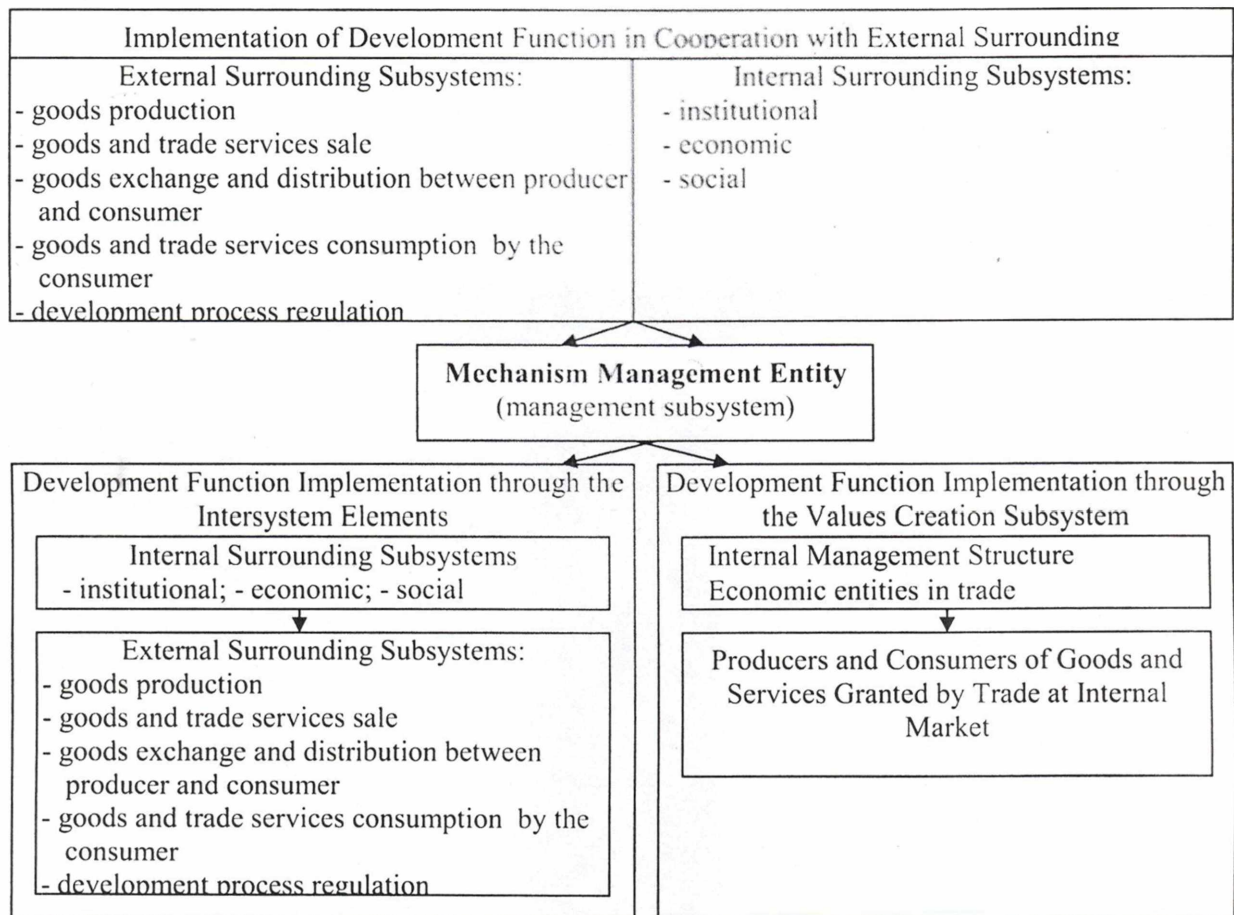
Moreover trade development mechanism at internal market as any economic system has certain structuring features. Interdependence between the subsystem elements is peculiar to the mechanism under the influence of internal and external surrounding factors. The efficiency level of social and economic subsystems depends on the efficiency of the other two subsystems. Depending on the efficiency of institutional and management subsystems the realization by internal trade of its social and economic function is performed in terms of production development acceleration, sale of goods, exchange and distribution of goods between producer and consumer and trade development process regulation at internal market. Therefore, considering the features peculiar to any economic system, the mechanism of trade development at internal market can be expanded by the subsystems of external surrounding in addition to the defined four subsystems of internal surrounding. The external surrounding subsystems reflect the level of realization by tradeoff its social and economic function, in particular: goods production, goods and trade services sale, goods exchange and distribution between producer and consumer, consumption of goods and trade services by consumer and development process regulation.

Unlike other external subsystems the subsystem of development process regulation reflects the interrelation efficiency level of only two internal subsystems (institutional and management). Therefore the intersystem elements influenced by the management entity can be added to the structural elements of trade development mechanism, in particular: productive forces, technical- economic and organizational-economic relations, productive relations and economic property relations.

By its nature the trade development mechanism at internal market corresponds to the structure of any social and economic system as far as the trade aims to meet the needs of consumers for qualitative goods and services and meet the needs of production. On this basis internal trade can be regarded as the values creation subsystem that secures human living activity. Therefore the mechanism constitutes the well organized integrity that encompasses producers and consumers connected by different links and interrelations with the internal trade intermediacy. Thus, regarding the trade development mechanism as social and economic system the consumers and producers can be added to its structure as main entities the needs of which are met.

The management subsystem where the inner structure of management and regulation of interrelations and interlinks between the trade entities, goods and services producers and consumers is formed is an important structural element of internal market trade development mechanism (Popadynets and Stotonyanska, 2011). Therefore, the vertical links between the management entity and economic entities in trade and horizontal links between producers and consumers are established through this subsystem. Also, management functions are realized in it in order to increase trade efficiency and performance by the latter of its social and economic function.

So basing on the abovementioned the structure of trade development mechanism at internal market can be represented as following (Fig. 1):



**Fig. 1.** Structure of Trade Development Mechanism at Internal Market

The Figure shows that all interrelations between all subsystems are maintained due to realization of development functions by the mechanism management entity and create the single trade system.

### Discussion

Therefore, on the basis of the conducted research on the rationalization of trade development mechanism at internal market the following conclusions can be made:

- the proposed mechanism is the instrument of trade development processes regulation at internal market and of practical problems solution;

- there is no trade development mechanism formed at internal market due to lack of this issue research by the scientists. This complicates solution of practical problems of internal trade development;

- the essence of trade development mechanism at internal market lies in the application by the management entity of the methods and influence leverages in trade development formed in every subsystem, in influence of goods and services on social and economic relations between producers and consumers where the interests of both parties are met, in maintenance of intensive trade development, in management entity's ability to realize management functions at every national economy level and in adherence to the range of rationalized principles by the management entity;

- trade development mechanism at internal market has the relevant structure that encompasses, except the defined four subsystems of the very system, also the subsystems of external surrounding that reflect the level of social and economic function realization by trade, intersystem elements influenced by management entity and the subsystems of values creation by goods and trade services producers and consumers;

- trade development mechanism introduction at internal market aims to maintain the performance of social and economic function by internal trade in order to meet the needs of consumers for goods and services and of production sphere that manufactures the goods on the basis of intensive trade development due to the increase of every subsystem efficiency – institutional, management, social and economic.

In the same time introduction of the rationalized mechanism is related to the selection of factors that influence every subsystem and define both their efficiency and the efficiency of the whole mechanism. That influences the possibility of management entity to take measures on trade development efficiency increase on the basis of obtained evaluation of subsystems condition and on finding the factors to rely on in order to secure trade development at internal market. Therefore, it is necessary to form scientific statements over the selection of trade development efficiency increase dominants. The research of trade development at internal market should be conducted in order to clearly set the problems of trade development and problems emerging in every defined subsystem. Solution of the task requires the selection of indicators that characterize the influence of factors and condition of every trade subsystem at internal market, the rationalization of trade evaluation principles and development of the relevant methodic of its efficiency evaluation on the market in terms of changes that take place in internal and external surrounding.

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