

**THE INSTITUTIONAL PROVISION OF THE DEVELOPMENT OF THE CONSUMERISM IN UKRAINE:  
CHALLENGES AND PERSPECTIVES**

*The article deals with the peculiarities of the development of the consumerism and its institutional support. The present state of the institutional provision of consumerism in Ukraine is analyzed and key problems are revealed. The main state institutional tools are investigated and systematized in the context of fulfilling the tasks of the consumerism, whose realization takes place in three stages: preliminary, current and subsequent. The prospective measures on the activation of the state and market institutions in the direction of development of consumerism in Ukraine are substantiated.*

**Keywords:** consumerism, institutional support, the protection of consumer interests, public organizations, quality of goods, competitive environment, socio-economic development.

**Гришова І. Ю., Шестаковська Т. Л. Інституціональне забезпечення розвитку консюмеризму в Україні: проблеми та перспективи.**

*У статті розглянуто та визначено особливості розвитку консюмеризму та його інституційного забезпечення. Проаналізовано сучасний стан інституційного забезпечення консюмеризму в Україні та виявлено ключові проблеми. Досліджено і систематизовано основні державні інституційні інструменти у контексті виконання завдань консюмеризму, реалізація яких відбувається в три етапи: попередній, поточний і послідуєчий. Обґрунтовано перспективні заходи щодо активізації державних та ринкових інституцій у напрямку розвитку консюмеризму в Україні.*

**Ключові слова:** консюмеризм, інституційне забезпечення, захист інтересів споживачів, громадські організації, якість товару, конкурентне середовище, соціально-економічний розвиток.

**Гришова И. Ю., Шестаковская Т. Л. Институциональное обеспечение развития консюмеризма в Украине: проблемы и перспективы.**

*В статье рассмотрены и определены особенности развития консюмеризму и его институционального обеспечения. Проанализировано современное состояние институционального обеспечения консюмеризму в Украине и выявлены ключевые проблемы. Исследована и систематизированы основные государственные институциональные инструменты в контексте выполнения задач консюмеризму, реализация которых происходит в три этапа: предварительный, текущий и последующий. Обоснованно перспективные меры по активизации государственных и рыночных институтов в направлении развития консюмеризма в Украине.*

**Ключевые слова:** консюмеризм, институциональное обеспечение, защита интересов потребителей, общественные организации, качество товара, конкурентная среда, социально-экономическое развитие.

*The way the problem is stated.* The development of globalization processes, the entry of Ukraine into the developed European space leads to the emergence of a number of new challenges for our country in the sphere of development of civilized, important for the society institutions whose functioning is related to the political rights and freedoms of citizens, the protection of their economic interests in the conditions of imperfect market competition. The problem of protecting the interests of consumers of goods and services takes important place in the world and domestic practice of regulating socio-economic relations. It is characterized by a certain specificity, because it lies at the intersection of the planes of the social policy of the state, oriented to the needs of man and the economic, which is able to ensure the realization of these needs. The duality of such relationships depends on the political situation in the society, the perfection of the legal regulation

of socio-economic relations, the responsibility of entrepreneurs and the activity of the population. The implementation of these strategic tasks requires effective social and economic policy, where the institutional support of consumerism as a system for protecting consumers' interests as an important factor in improving the quality of life of the population, occupies a significant place.

*The analysis of recent research.* The research of the essence, role, tasks and peculiarities of the forms of manifestation of the consumerism has been given considerable attention to by the modern scientists of the West. Among them are F. Kotler, P. Drucker, J. Hirst, L. Rosenberg, J. Hobson, J.-J. Lamben, J. Bremond, A. Zheledan and others. The domestic science has just begun to accumulate the developments on this issue. One of the first to analyze the mechanisms of consumerism in Ukraine, were V. O. Mandybura, O. M. Yazvins'ka, S. V. Gerasimova. We can find in their developments the overall qualitative assessment of the consumerism as a social phenomenon and economic mechanism, the research of the history of its development in different countries of the world. The issue of protecting consumer interests in Ukraine and its institutional support was also studied by T. N. Gorodetska, I. P. Slabkovs'ka, L. M. Galat, V. M. Kravchenko, T. M. Kisiliova and others.

*Setting objectives.* The aim of the article is to investigate the current problems and substantiate prospects of the development of consumerism in Ukraine in the context of its institutional support.

*Presenting main material.* Ukraine has created and actually operates a number of institutions ensuring the protection of the rights and interests of consumers. The set of such institutions creates a system of state executive bodies that exercise state control over the compliance with the legislation of Ukraine on the protection of consumers' rights in the central and local government executive bodies and economic entities – enterprises, institutions, organizations irrespective of the forms of the ownership, entrepreneurs and foreign legal entities engaged in entrepreneurial activity on the territory of Ukraine, ensure the implementation of national policies to protect the consumers' interests.

Ukraine has established a system of government bodies of executive power to protect the rights of citizens as consumers. The main directions of the implementation of the state policy on consumer rights protection are the technical regulation of the production and import of goods (works and services) while conducting the consumer policy [1]. The legislative normative base, which affects the protection of consumer rights, has more than one hundred legal documents, and during the period of existence of the state it has changed and improved several times (Fig. 1).

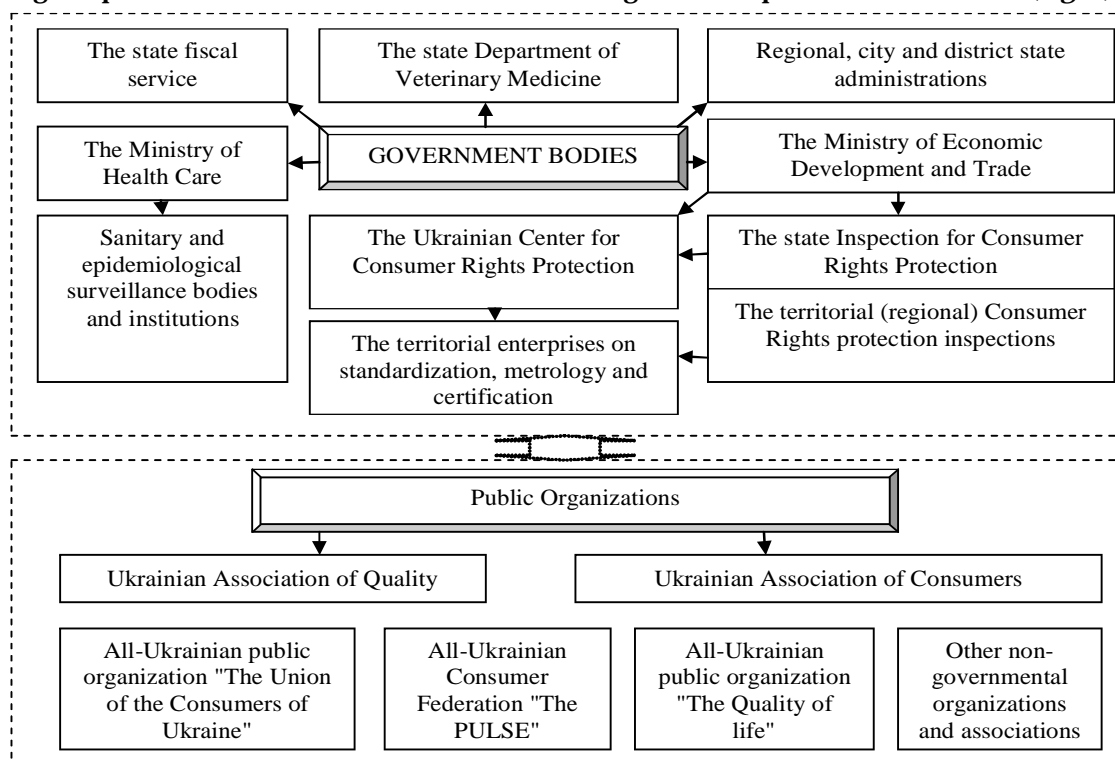


Fig. 1. The state and public structures that ensure the fulfillment of the tasks of consumerism in Ukraine

The State Consumer Inspection of Ukraine, which is a specially authorized central executive body in the field of state control over observance of the law on the protection of the consumer rights, carries out a state policy in the sphere of state control in compliance with the legislation on protection of consumer rights, whose activity is directed and coordinated by the Cabinet of Ministers of Ukraine through the Minister for Economic Development and Trade of Ukraine [2].

According to Art. 26 of the Law of Ukraine «On the Local Self-Government» the bodies of the local self-government have the right to decide on the issues: approving of socio-economic development programs, of the relevant territorial communities the targeted programs on other issues of the local self-government; the establishment, in accordance with the law, of the rules of trade in the markets, whose violations provide for administrative liability [3]. Based on the above-mentioned powers and needs of the community, the local self-government bodies can create and finance from the territorial community's budgets their own programs for consumer rights protection, as well as according to Art. 28 of the Law of Ukraine «On the protection of Consumer Rights» to create structural units on consumer rights protection [4; 5]. But in reality, there is a number of problems, the main ones being the lack of funds in the budgets for the creation of the units, as well as some deformation in the system of consumer rights protection by the local government bodies due to the disparity of a Current legislative framework.

For example, according to Article 28 of the Law of Ukraine «On the protection of Consumer Rights», the structural units on consumer rights protection of the executive bodies of the local self-government have the right to detect the goods of inadequate quality, without the necessary information or without accompanying documents, to suspend or terminate the sale of goods, but the right to inspect economic entities' objects in compliance with the requirements of the current legislation on the protection of consumer rights, the right to give economic entities binding on the execution of orders to terminate violations of consumers' rights belongs only to the territorial executive body in the sphere of consumer rights protection [5; 6]. Also, the local self-government bodies may establish, in accordance with the law, trade rules in the markets, but according to the norms of the Code of Ukraine on Administrative Offenses, only the territorial executive body in the sphere of consumer rights protection may impose a penalty for violating the requirements of the current legislation on the protection of consumer rights [7]. It is clear from the given examples that it is necessary to resolve legislatively the institutional and legal conflicts regarding the division of powers between the territorial executive authorities and the local self-government bodies in the sphere of consumer rights protection [1; 2].

One of the main components of the institutional framework of the state that effectively protects the rights of its citizens is the right of the independent consumer organizations to participate in the process of realizing the tasks of the consumerism. The experience of the democratic states demonstrates that democracy begins «from the bottom» – through the participation of every citizen in solving the issues related to their living conditions. The most effective mechanisms for involving citizens are public awareness, public consultations, public control, audit, monitoring [8].

Analyzing the existing system of state bodies that ensure the implementation of the tasks of the consumerism in Ukraine, it becomes clear that instead of strengthening the supervision of the quality of goods at the stage of their production, the state gives priority to the next control by directing its inspection activity to the sphere of trade, provision of services and public catering, that is, to the final stage of the circulation of goods, only fixing the massive violations, deficiencies and pointing to the non-compliance of the goods with the requirements of the normative documents, practically having no effect on the production and import, that is, on the initial stage, where the disadvantages arise. By 2015, the State Inspectorate of Ukraine for the Consumer Rights Protection and its territorial divisions have checked over 30 thousand business entities to comply with the requirements of the legislation on consumers' protection in the area of trade, restaurant management and provision of services (works), violations have been established in 64.5 % of cases. The structure of the detected violations in 2015 is shown in *Fig. 2* [8; 9].

In the context of the foregoing, it should be noted that there is a certain tendency in Ukraine to duplicate the functions of the mechanism of the consumerism. This, in its turn, unjustifiably

exacerbates regulatory influence on business entities, and also confirms the fact that various authorities of the executive branch deal with the issues of consumer protection, which often do not coordinate their actions among themselves. This situation shows that there is no clear vertically integrated system for ensuring the development of the consumerism, and the executive bodies of the local self-government can not work effectively because of the lack of the effective legal and regulatory framework for their activities. Due to the contradictions of the current legal framework in the sphere of institutional support for the development of the consumerism, the administrative influence on the economic entities increases in spite of the principles of the market economy and the deregulation of entrepreneurial activity [1]. As a result, the existing mechanism of the consumerism in Ukraine does not work as well as in the developed countries of the world and it is oriented mainly in the fiscal direction of subsequent control, and not in the direction of preventing the entry of non-quality products into markets.

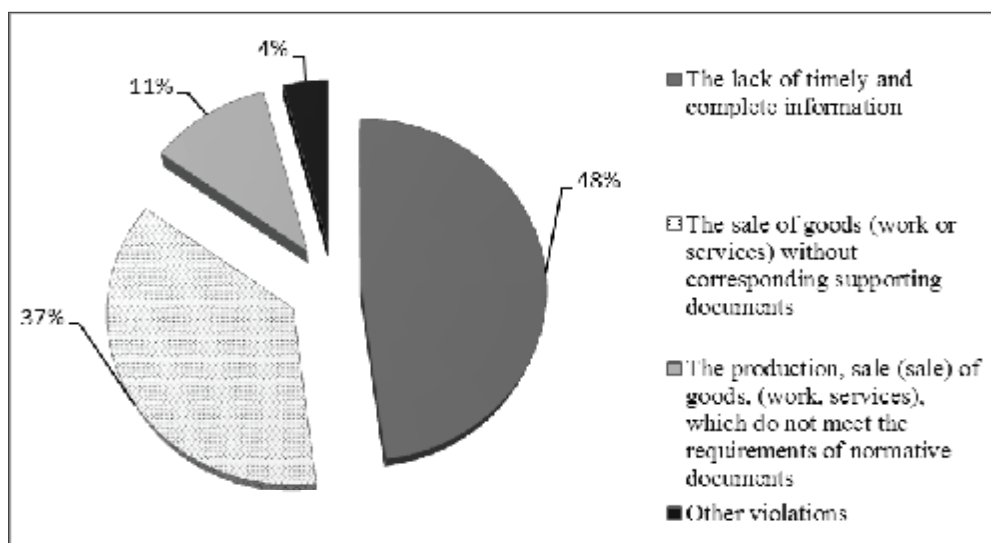
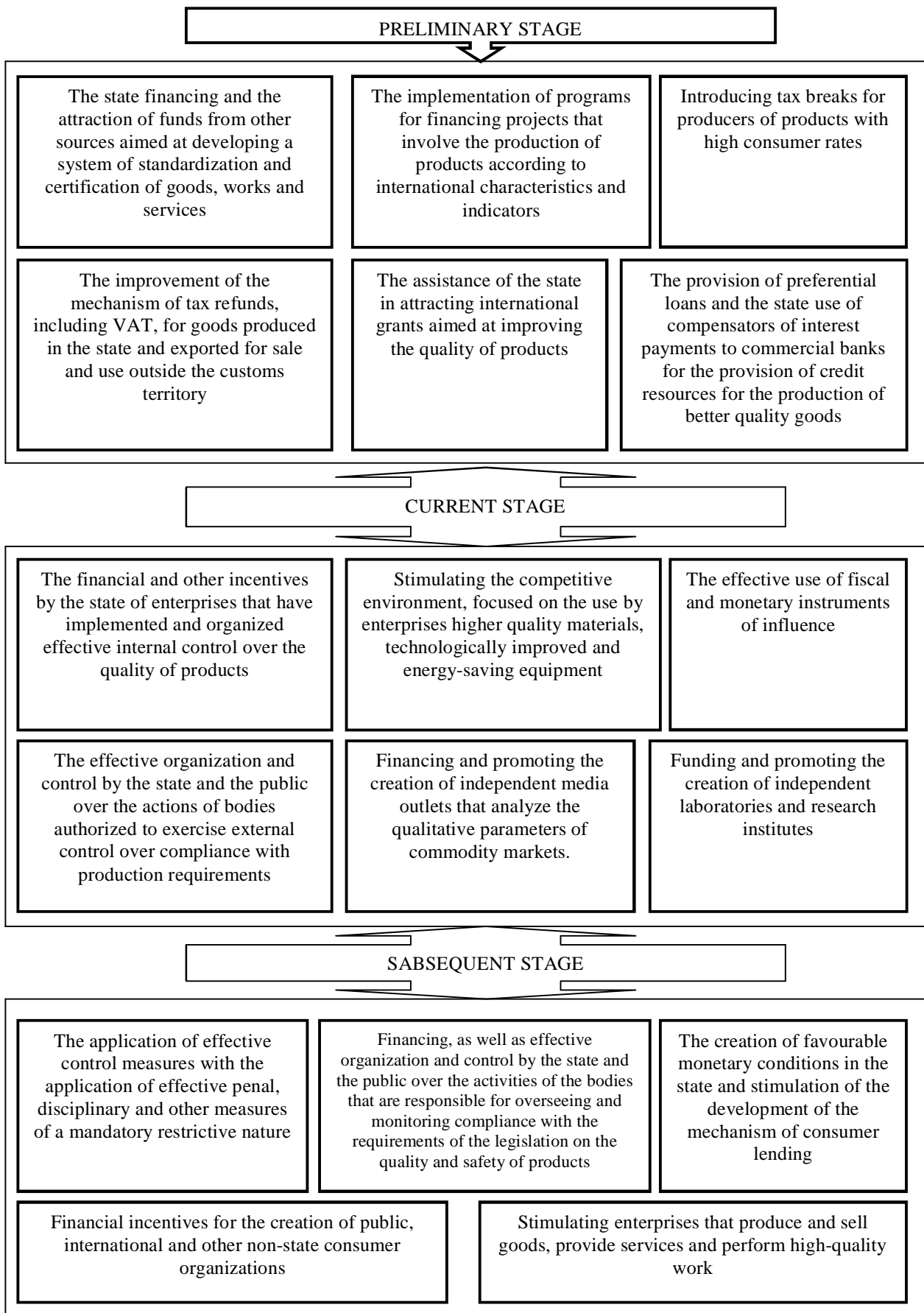


Fig. 2. The structure of detected violations of the consumer rights protection in Ukraine in 2015

In the context of meeting the challenges of the consumerism, institutional provision in Ukraine involves creating new and improving existing institutions involved in this area, as well as developing and improving the necessary regulatory, methodological and guidance framework for the observance of consumer rights. Most scholars regard the nature of the consumerism in the conceptual space only from the legal point of view, without analyzing the underlying economic preconditions that affect the qualitative and functional characteristics of the consumerism and, accordingly, transform into satisfaction or not satisfaction of consumers' interests. In our opinion, it is worthwhile to divide the state institutional instruments in the context of fulfilling the tasks of the consumerism as a certain control process at the preliminary, current and subsequent stages, which, accordingly, will be inherent in certain instruments that the state can use for the effective functioning of the mechanism of the consumerism (Fig. 3).

At the preliminary stage, government tools are aimed at creating the preconditions for providing the basis for the consumerism, namely the formation of an effective system of standardization and certification of products. In addition, the financing of pre-control measures is aimed at stimulating producers by indirect methods to comply with the standards of product quality, which, in its turn, ensures compliance with consumers' rights.

At the current stage, the instruments of state influence are aimed at stimulating a competitive environment, which will encourage producers to produce high-quality products in accordance with the developed system of standards. It is namely this aspect that is important from the point of view of securing the tasks of the consumerism without the use of the system of coercion. At this stage the control should also be aimed at creating and developing an information space for consumers and producers, financing and promoting the development of independent expert laboratories that will control the quality of goods.



**Fig. 3. The stages of the implementation of the state institutional instruments in the context of the implementation of the tasks of the consumerism**

The next step involves the use of institutional tools aimed at creating an information base for dangerous and poor-quality goods, as well as the formation and development of an effective system of administrative and judicial protection of consumers' rights.

In our opinion, in order to improve the institutional support of the development of the consumerism, in Ukraine, it is expedient:

- to create a system of training and informing citizens about their rights as well as consumers of products and services, on the initiatives for protecting their rights and increasing their satisfaction, in particular, on the initiatives of enterprises to protect products from counterfeiting;

- to conduct independent comparative studies of consumer properties of products and services and publicize their results. To introduce the National Consumer Satisfaction Index, consistent with the pan-European index. These measures should ensure consumers' awareness, help them make the informed choice of products with the best quality;

- to improve the system of controlling the safety of products and services. It should be borne in mind that this system should not lead to the additional costs for the enterprises that produce quality and safe products. To increase the responsibility of producers (suppliers) for the losses caused to the consumers and the environment by dangerous products;

- to coordinate the activities of the state bodies that control the quality of the products and its security, clearly regulate and distribute their responsibility, eliminate the duplication of their functions;

- to introduce a system of monitoring the impact of enterprises on the environment (emissions, waste, resource conservation) and publish the results of monitoring;

- to strengthen the technological potential and ensure the competitiveness of enterprises;

- to participate in international information and design networks of the market of environmentally safe goods and services;

- to harmonize national regulations with international ones regarding the application of procedures, rules and conformity assessment schemes;

- to improve the methodology of conducting full-scale certification of products;

- to carry out the full certification of production as one of the most important stages in the certification of serial and mass production products.

The practice has shown that, alongside with the state regulation and the work of public organizations, one of the effective tools for the normalization of relations between producer and consumer is the organization of self-regulation of business. This is due to the fact that self-regulation has objective advantages over regulation. Firstly, it is more flexible and more responsive to new phenomena in one or another sphere. Secondly, it is less formalized. Self-regulatory bodies can approach specific actions of a particular firm not only from the point of view of formal rules. Thirdly, the norms of self-regulation are often more realistic than legislation, because they are coming from the needs of real life and really formed relationships. The studies have shown that only the existence of a strong, comprehensive system of protection of consumers' interests, including self-regulatory structures for businesses, is a prerequisite for the development of a perfectly competitive economy. And only in the presence of such an economy may the existence of a class of consumers, as a full unit of society, is possible.

An important step towards the development of the consumerism in Ukraine should be the adoption of a state program of consumers' protection at the national level, which will ensure the development of competition, the coherence of actions, the elimination of duplication of functions, etc. Providing tax benefits, financing programs, etc. would be a very useful step for the development and maintenance of effective consumers' protection organizations. Informational and educational activities, especially on the use of mass media should become among the most promising tasks of the state.

Thus, the priority tasks of state structures in the direction of the development of the consumerism are, proposed to include the following: firstly, the creation of a single center, which could unite the efforts of dissociated associations, unions, partnerships, guilds in the activities on protecting the rights of consumers. It will strengthen the financial side of the activities of these

organizations, as well as consolidate information bases for complaints from clients to various companies working on the consumer market; and secondly, the activation of the work on training entrepreneurs on the basics of work with consumers, which will improve the production process and, accordingly, improve the economic performance of the enterprise; the development of a single standard for collecting information on consumers' complaints, for its further accumulation and use in the creation of national commercial information networks and information banks.

The gradual stratification of the business based on the principles of attitude towards the client, that is, in essence, by targeting price or non-price competition, creates a ground for the development of self-regulatory business systems. This element of the mechanism of the development of the consumerism is at the stage of formation in Ukraine. Over the past few years, many different business associations have emerged, one of their objectives is the formation of customs for a conscientious attitude towards clients and the pre-trial settlement of conflicts. As a rule, this is not the only and not even the main goal, but the very fact of its proclamation, is a positive phenomenon, without doubt.

**Conclusions.** The development of the institutional support in Ukraine involves creating new and improving existing institutions employed in this area, as well as developing and improving the necessary regulatory, methodological and instructive, framework as for the regulation of the tasks of the consumerism. The State Inspection of Ukraine on consumer protection functions, which at the present stage of development does not act as effectively as the Ukrainian society needs and shows the experience of the leading countries of the world proves, functions for realizing the control in compliance with the tasks of the consumerism in the state. It is determined that the modern stage of the development of economy requires an increase in the level of performance of the functions of the consumerism. In the sphere of reforming the institutional environment for the development of the consumerism, it is advisable to ensure the transparency of the administrative practice of market surveillance bodies for both Ukrainian and foreign business entities, to increase the effectiveness of the interaction of business entities with controlling bodies, as well as differentiate the functions of supervisory authorities and control over the safety of different types of products, create conditions for minimizing corruption in market surveillance. It is substantiated that a strategically important vector for the further development of the consumerism in Ukraine is the expansion of cooperation between the state and public organizations based on the principles of balancing interests between the state, business and consumer, providing state support to non-governmental organizations, while maintaining the independence of their decisions, supporting a social dialogue between the state and public organizations and the active role of local authorities in supporting these processes.

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