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**THE INFLUENCE OF THE INSTITUTIONAL ENVIRONMENT
ON THE COSTS FORMING IN THE AGRARIAN SECTOR
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Тимофійв С. Вплив інституціонального середовища на формування витрат в аграрному секторі економіки

Проаналізовано особливості процесу формування трансакційних і трансформаційних витрат в аграрному секторі в умовах трансформаційного періоду. Досліджено чинники, які впливають на формування додаткових витрат і витрат аграрних підприємств у недосконалому інституціональному середовищі. Запропоновано шляхи підвищення ефективності управління витратами в аграрній галузі.

Ключові слова: *інституціональне середовище, трансакційні витрати, трансформаційні витрати, вплив, чинники.*

Tymofiyiv S. The influence of the institutional environment on the costs forming in the agrarian sector of economy

The peculiarities of process of the transaction and transformation costs forming under conditions of transformational period are analyzed. The factors which influence on forming of the additional costs and losses of agrarian enterprises under the imperfect institutional environment are researched. The ways of increasing the efficiency of the costs management in the agrarian branch are proposed.

Key words: *institutional environment, transaction costs, transformation costs, influence, factors.*

Тымофийв С. Влияние институциональной среды на формирование расходов в аграрном секторе экономики

Проанализированы особенности процесса формирования трансакционных и трансформационных издержек в аграрном секторе в условиях трансформационного периода. Исследованы факторы, которые влияют на формирования дополнительных расходов и потерь аграрных предприятий в несовершенной институциональной среде. Предложены пути повышения эффективности управления затратами в аграрной отрасли.

Ключевые слова: *институциональная среда, трансакционные издержки, трансформационные издержки, влияние, факторы.*

The standing of the problem. Under present day conditions Ukrainian economy is on the final stage of the transformational processes, which has started after changing the command economy to the market-oriented one. During the transformational period the market infrastructure was formed and all the main institutions of market economy were developed. But there are arguments to speak about protracted character of market transformations. This confirms by functioning of the large black sector of economy, the law imperfection in the context of regulation the economic relations, the high level of economic environment uncertainty etc.

The negative processes, which are caused by the transformational period peculiarities, create the problems for the effective functioning of market participants. One of these problems, especially in agrarian branch, is the high expenses of the agrarian producers. The additional expenses are connected with increased risk which is caused by the uncertainty conditions of economy; the situation when the directors of enterprises have the insufficient information for adoption the most rational decisions; the functioning of the black sector of economy and the informal institutions created by it. We can avoid these expenditures by making the favorable conditions.

That's why the research of the character and the regularities of influence of the transformational period factors on the aggregate costs of agrarian production is the actual problem nowadays. Its solution can help to detect and to make use of reserves of aggregate costs lowering, to make better the conditions of agrarian production and to strengthen the competitive position of native producers on the internal and external market.

The analysis of the latest researches and publications. The special features of economy functioning under transformational conditions were researched in works of such scientists as V. Geyets, M. Pavlovsky, V. Lysytsky, Y. Pahomov, V. Homyakov and others. The economists V. Andriychuk, S. Demyanenko, V. Linyk researched the problems of forming expenses and their regulation in agrarian sector [1; 2].

But the problem of overcoming the negative processes in native economy and its separate branches (including the agrarian sector) on the background of dynamic development of leading countries economy is unsettled. This situation demands the extension of theoretical and practical researches in direction of increasing of national economy functioning efficiency.

The standing of the task. The goal of the article is analysis of transformational period conditions influence on the aggregate costs forming in the agrarian branch. The object of research is the aggregate costs of agrarian branch, namely their transformational and transactional component. The subject is the process of aggregate costs forming under the influence of economic environment factors.

The main material statement. In economists opinion, the modern Ukrainian economy can be characterized as the transformational financial and economic system of transitive type. It has the next peculiarities: the market institutions are developed not enough; there are the inadvertences in budgetary and investment policy; national economy has high level of openness etc. [3].

As the result of this the agrarian branch incurs the influence of negative factors of transformational period which are created by the imperfect environment. So the general instability of economic situation always makes a mediate impact on the economic branches development.

The consolidation of well-organized mechanism of market relations in agrarian branch gets complicated because of agricultural and industrial production price disparity, the monopolization of the marketing channels of agrarian production, the institutional structure imperfection, the insufficient development of agrarian market infrastructure and so on.

Besides that the existing peculiarities of agrarian production such as the seasonal prevalence, the disproportional of income during the year, the great part of the manual works, the risk of unfavorable nature conditions influence, the low profitability make the agricultural sector especially vulnerable to the external conditions influence.

That's why the conditions of Ukrainian agrarian production functioning, we think, conduce the increase of aggregate costs due to additional expenditures of market participants:

- the expenses for supporting the normal functioning of production under the imperfect external conditions for agrarian and processing enterprises;
- the expenditures of branch regulation for the government.

We classify these additional expenditures as the ineffective expenses and losses. The economic agents may avoid them in proportion to improvement the conditions of their activity.

Thus we distinguish two centers of transaction costs forming in agrarian branch which are equivalently important: the microeconomic level and the macroeconomic level.

On the microeconomic level the transaction costs flows are the result of separate enterprises functioning. The flows forming on the macroeconomic level is connected with the activity of state regulative organs and the non-governmental structures which are totally important for the branch (agrotrade groups, agrarian stocks etc.).

Now we will observe each of these levels in details. As for the microeconomic level, we will make the logical analysis in order to research the transformational period influence on the aggregate costs of agrarian producers. This analysis bases on the examples which show how the main factors of transformational period influence on the economic agents functioning.

Thus the economic crises (for example 1991-1992, 1998-1999, 2008-2009) always cause the inflation, the increase of production

resources prices, the revision of the contract terms by contractors as the result of changing priorities and so on. That's why the enterprises have to adapt to the new conditions again and again. So they have the additional expenses (losses) of transformational (the resources value) and the transactional (the contract terms revising) character.

The frequent changes of the regulatory and legal framework which are typical for the Ukrainian legal system reduce the economic environment transparency and make impossible the development of long-term strategy for the enterprises. Thereby the market participants make the inadvertences in methods of market behavior. This causes the losses determined as the missed income that the enterprises could get in case of favorable external conditions.

The high level of uncertainty and risk connected with the disregarding of law causes the expenses and losses of transaction character. These expenses and losses are caused by the exposure of economic agents rights and property, the absence of legal possibilities to fight with the unfair competition etc. Besides the same ineffective expenses ensue in consequence of substantial complication of making decisions by the directors of enterprises. We mean decisions which are desirable for the

economic agents first of all. Because under conditions of the law infringement the engine of making decisions often is the interest of foreigners instead of the economic expediency of these decisions.

So we can see that the transformational processes in economy and the imperfection of institutional structure connected with them objectively cause the increase of aggregate costs of economic agents, the agrarian enterprises in particular. The aggregate costs increasing appears in the form of transformation and transaction costs increasing.

The economists confirm this opinion and accent that the peculiarities of transformational period cause the high expenses of market participants. These peculiarities are among the main reasons of the economy inefficiency of the third world countries. The scientists also say that in countries with the transformational economy (in post-Soviet countries in particular) the reforms failures are conditioned by the imperfection of the economic development model [3].

We think that in order to research the transformational period factors influence on forming of the aggregate costs in agrarian branch it is reasonable to separate two groups of factors: those factors which cause the additional expenses (table 1) and those of them which cause the losses (table 2).

Table 1

The factors that make influence on the additional expenses forming under conditions of the transformational period

The factor	The character of influence on the aggregate costs
The insufficient quantity of financial resources at the economic agents disposal	The necessity to attract the loans and the additional expenses for paying bank interest*
	The impossibility to allocate the costs for the production modernization and the high expenses of obsolete equipment exploitation*
The inflation processes	The increasing of enterprises expenses as the result of resources (material, labor, financial) prices raising*
The regulatory and legal framework imperfection (in tax sphere in particular)	The expenses which are caused by the unintentional law infringement (including the tax legislation)**
The increased risk of non-payments	The decrease of financial resources amount at the enterprises disposal because of suppliers demand to make the necessary prepayment*
The absence of real legal protection of the agrarian producers interests	The additional costs for judicial regulation of conflicts**
	The unofficial costs which are caused by the corruption of the state power, the abuses of private sector and the criminality**

* – transformation costs; ** – transaction costs.

Table 2

The factors that make influence on the losses forming under conditions of transformational period

The factor	The character of influence on the aggregate costs
The abruptness of the economic environment changes	The losses (the alternative expenses in form of the missed income) caused by making the ineffective or wrong business decisions ^{**}
The insufficiency of information at the enterprises directors disposal	
The absence of the state regulation influence on the forming of agrarian production purchasing prices	The agrarian producers miss the part of profit because of the artificial understatement of purchasing prices by the processing enterprises ^{**}
The insufficient regulation of the insurance sphere	The impossibility of getting the insurance compensation by insurant because of obstruction from the side of insurer ^{**}
The insufficient of financial resources at the economic agents disposal	The losses caused by incomplete exploitation of production capacities [*]
The opacity of economic environment	The losses caused by the evasion from the contract terms execution by the partners (this evasion cannot be detected) ^{**}

^{*} – transformation costs; ^{**} – transaction costs.

The analysis conducted during our research shows a great number of negative factors of the transformational period. Under conditions of the agrarian sector of Ukrainian economy those factors make active influence on the increase of economic agents aggregate costs. The unfavorable external conditions and the interaction with imperfect environment as the result causes the high level of transformation and transaction costs of agrarian producers.

The second important component of the aggregate costs in agrarian branch is the costs of macrolevel, the costs of the state regulation in particular. The functions of these types of costs are substantially connected with the ensuring of the effective functioning and the expanded reproduction of the branch.

It would be reasonable to admit that the state expenses consist of the current expenses and the development expenses. The current expenses are the budget items which concern to financing the enterprises, the measures of economy regulation and so on. The development expenses are the expenses for financing the investment and innovation activity. These costs include the costs directed on the structural reorganization of economy, the subventions and the expenses connected with the expanded reproduction [4].

Under this classification we notice that on the background of incomplete transformational processes the state of Ukrainian economy can be characterized as the advantage of current costs over the development costs. This situation has a negative influence on the national economy expanded reproduction, and the agrarian sector development in particular.

The economic environment imperfection impels the state to make the additional expenses for realization the measures of current problems solution. In the agrarian sector these problems are:

- the expenses for realization the state programs of agrarian branch support;
- the accumulation of VAT costs of the agrarian enterprises on the special accounts instead of paying to budget;
- the increase of expenses of the judicial bodies maintenance caused by the heightened frequency of recourses;
- the increase of expenses of the controlling bodies maintenance caused by the high risk of abuse.

Thus we observe the increase of the aggregate costs on the macrolevel in agrarian sector. This is the result of functioning of the surplus transaction costs which are connected with the necessity of neutralization of the unfavorable economic conditions influence.

The resume. Under the influence of the transformational period factors the transformation and transaction costs level objectively exceeds its potential level under the favorable economic conditions.

The imperfection of the environment where the economic agents function (as the cause) and the high aggregate costs (as the effect) cause the decrease of agrarian production efficiency, the worsening of native agrarian enterprises competitiveness, the increase of the state regulation costs connected with the maintenance and the stabilization of agrarian sector. Taking into consideration that the agrarian branch forms up to 16% of GDP and 1/4 of currency income in Ukrainian economy [5], we can affirm that this situation makes the influence on the worsening of national economy functioning in general.

That's why under conditions of Ukrainian economy there is the necessity of improving the quality of environment where the economic agents act. It is necessary to increase the environment transparency with the aim of decreasing the ineffective expenses and losses during the economic activity. We think one of the ways to reach this is using the new approaches to the practice of economic processes managing.

The important question in this context is the problem of exclusion of aggregate costs increasing in agrarian branch. Because this increase complicates the agrarian sector functioning and makes it non-competitive in market conditions. In our opinion we can reach the exclusion of aggregate costs increasing in way of organization the effective costs management. This concerns the transformational and transactional component of costs.

We would say that in the context of transformation costs management (these costs concern to the production process directly) nowadays there are a lot of systems of management methods for the different market situations including the conditions of imperfect institutional environment. But in the context of managing the transaction component of aggregate costs today there are neither accomplished models of management nor even methods of distinguishing these costs from the total costs. Thus the reserves of increasing the efficiency of agrarian branch functioning are not used because of the absence of the methodology of transaction costs accounting and management which corresponds to the modern requirements.

So we think that solving the problem of transaction costs management in the context of improvement the functioning of the market mechanism elements is one of the main directions of work on the increase of agrarian branch functioning efficiency. In our opinion the management has to start from the separated accounting of transaction costs on the enterprises level and from using the accounting information in order to make the managerial decisions connected with the optimization of transaction costs as the component of economic agent's expenses.

As the concluding part of transaction costs management we see the detailed analysis of transaction costs flows by the state regulative organs, particularly in the context of inefficient expenses and losses detection. The result of this analysis would be used under the process of development of the adequate measures of the aggregate costs decreasing in agrarian branch.

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