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# REPORTS

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## **MOTIVATION METHODS OF PERSONNEL IN BUDGETARY INSTITUTIONS**

### *Abstract*

In the public sector, for the effective implementation of the management, exist the levers, with which the administration reaches the goals. In many cases, the use of the mentioned levers is negatively reflected on the employees and it delays the chance of getting the perfect result. In modern conditions, such levers are represented by the process of controlling the mercenaries and motivating them. In general, the term “control” is negatively perceived. When the people hear the mentioned term, they imagine themselves tightening the rules, introduction of restrictions, punishment and other negative conditions, but the “motivation” is mostly equalized with only gratuity. The goal of our research is addressed to find out what kind of motivation is preferred by the employees hired in the public sector; how the manager should take into account their interests and what they should pay attention to. Interest in the public sector was caused by the fact that in this sector the finances are somewhat limited and depended on the budget of central or local self-government. At the first glance it seems that the use of different types of motivating factors is limited here. In the article we have tried to find out the motivational expectation of employees and the responsive reaction of managers. For this purpose, more than 120 employees hired in the public sector were interviewed and the area of inquiry covered the regions of Adjara and Guria. The inquiry has shown that the most of the employees hired in the public sector gives the priority to

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the career advancement during the motivation period, as well as the favorable environment and gratuity is also very important for them. The public sector managers through this research will be ensured by the opportunities of properly planning the motivation factors and taking the expectations in consideration that the employees have, and also the possibilities of planning the motivation strategy and its implementation tactics in order to increase consequently the labor productivity of employees in the public sector.

*Keywords: motivation, public sector, strategy, tactics*

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**MULTI-STRUCTURING OF LOCALITIES  
IN THE GLOBAL ECONOMY**

*Abstract*

Rapid development of regional competitive models has made a significant contribution to the understanding of the new system of global society construction, as well as innovative forms of its transformation. This required rethinking not only of the concepts of its functioning, but also of the global paradigms, whose number was rapidly growing. During the last quarter of a century the range of existing paradigms included the following ones: Postindustrial, Homo Oeconomicus, Homo Sociologicus, Homo Informaticus, Homo Urbanus, Homo Network and many others. Their interaction and methodological competition led to a significant rethinking of the phenomenon of regional/local development. The theoretical vacuum was gradually filled with new developments. The most significant of them became the following: theory of technocities (J. Downey), cities competition (C. Jensen-Butler, S. Hardy), the theory of endogenous regional growth (B. Karlsson), the new regionalism (V. Keating), bioregionalism (McGinnis), localization (M. Porter), convergence / divergence of regions (A. Ro-

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driguez-Poce), spatial planning (W. Salet), regional world (M. Storper) and many others.

Dilemma of identifying regions became very important for further scientific discussions. What statistics should be taken into account? The US state is considered to be the region; EU regions are identified as NUTS-1, NUTS-2, and NUTS-3, region in Ukraine is called oblast. An EU NUTS-2 region may be considered the depressive region, but it may have two world-class clusters. A very specific question arises: is there a border between the region as an administrative-territorial unit and an innovative local model of economic development. It is often called “the locality”. It should be noted that outcomes of a locality’s activities may be found far beyond the home region. This phenomenon is well reflected in the indicators: GSP in the US, GDP of region in the EU, GRP in Ukraine, as well as in the unemployment rates, the structure of incomes of population etc. It should be noted that these indicators are obsolete and are not suitable for identification of modern localities. The reasons for this are the following. First, the network effect is not taken into account. Secondly, the relationship between the concepts of locality, cluster, technology park, technopolis, innotech, agglomeration has not been defined. Thirdly, there are difficulties in calculating the added value that freelancers engaged in outsourcing create.

Taking everything aforementioned into account, it should be noted, that modern locality has a multi-structural model, which includes obtaining a number of effects: commercial, infrastructural, innovative, creative, and territorial ones.

To my mind, in the nearest future some new synthetic models will emerge to identify high activity of localities and the innovative forms of economic growth located within them. I think that such certainty in the sphere of regional economic science is expected in the US, the EU, Georgia and Ukraine.

***Keywords:*** *region, locality, localization, NUTS, GRP*

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**THE TRANSFORMATION OF UKRAINE'S  
LOGISTICS MANAGEMENT IN THE CONTEXT OF THE  
EUROPEAN INTEGRATION STRATEGY IMPLEMENTATION**

*Abstract*

Logistics management, using modern logistic approaches, allows us to use the methods and tools in aggregate to improve the efficiency of the enterprise. This is possible through the development of the system of theoretical and applied knowledge and the formation of a comprehensive instrumental and methodological support for the logistic management system of Ukraine in the context of strengthening European integration processes in the context of increasing its competitiveness.

**Keywords:** *logistics, management, controlling, logistics management, the strategy of logistics management.*

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**PROBLEMS OF INNOVATIVE DEVELOPMENT OF HIGHER  
EDUCATION IN LATVIA**

*Abstract*

The increasing role of education in modern conditions requires the search for new effective governance mechanisms that would contribute to its innovative development and increase of competitiveness in the global world. At the same time, practice shows the direct dependence of the level of development of the education system in the country on the effectiveness of management and the optimal balance between the public and private sectors.

For Latvia, small scales of scientific and innovative activity are characteristic. Most of the research is concentrated in public higher education institutions, and the level of their funding does not reach even the declared indicators. Improvement of the funding system for scientific research is necessary for Latvia and in accordance with a pan-European strategy that clearly defines development goals, evaluation criteria for all EU countries. Latvia does not reach these goals in terms of funding. It is necessary to correct the bias towards the orientation on EU grants, since the EU innovative strategy cannot concentrate on Latvia's national interests and meet its needs.

It is necessary to improve state regulation, increase the autonomy and effectiveness of the functioning of higher education institutions. The key direction here is the expansion of sources of financing, attraction of enterprises and business. The change in the structure of the state order and its improvement will also lead to an increase in the efficiency of the functioning of higher education institutions and the education system as a whole. In

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addition, the process of globalization and internationalization requires the application of an active foreign policy at the state level, which should be manifested in maintaining the image of higher education, its attractiveness to foreign students, especially from developing countries.

Reforming the system of higher education, including the financing system, should be guided by strategic goals and the relationship with the labor market. Improving the effectiveness of the education system is a complex problem that affects not only the management system, but also financial aspects: increasing the financial autonomy of higher education institutions in Latvia, expanding the resource base, and increasing the amount of funding. The reorientation of funding for results will improve the quality of training of specialists, as well as an innovative component of the activities of universities. In addition, the distribution of public funding should be understandable and focused on objective indicators, while reducing the importance of the incoming performance indicators.

The study and analysis of current trends in the development of the education system, the appearance of disproportions and new phenomena require increased attention and the development of effective regulatory mechanisms and instruments. Only a well-thought-out, systematic and purposeful policy of the state can ensure the effective functioning of institutions of higher education, including - and systemic improvement of the quality of provided educational services in the modern conditions of the formation of the knowledge society.

**Key words:** *higher education, university, innovative development, financial autonomy*

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**PRIORITY DIRECTIONS OF DEVELOPMENT OF SHIP-  
BUILDING IN RESPONSE TO GLOBAL CHALLENGES**

*Abstract*

The concept of forecasting the development of shipbuilding in Ukraine based on global challenges is considered. The purpose of the study is to formulate a strategy for the development of shipbuilding by forming general directions in response to global challenges. The directions of shipbuilding development are grouped of calls; scenarios of the industry development are considered and on this basis the shipbuilding strategy is substantiated within each scenario; the necessity of transition of shipbuilding of Ukraine from industrial to innovative type of development is proved.

Application of the proposed development strategy in shipbuilding will allow to form a proposal in the growing market of medium-sized vessels; enterprises will have access to new technologies and resources. Moreover, additional benefits will be gained in the field of social and labor relations, environmental efficiency. Consequently, the implementation of the strategy will ensure the sustainable development of shipbuilding in Ukraine by innovative type and adaptability of enterprises to global economic changes.

**Keywords:** *shipbuilding, strategy, integration, integrated corporate structure.*

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**REGIONAL ECONOMIC POLICY: TECHNOLOGICAL  
ASPECT THESES**

*Abstract*

1. On the basis of comprehension (clarification) of the concept of the region, an attempt is made to form and implement economic policy at different levels of regional development.
2. There is given the definition of the regional economy as an exclusively social factor in the development of the overall economy.
3. The unity and difference in general economic and regional policy is shown.
4. Analysis of the role and place of the technological factor in the development of modern regional economies is given.
5. The indicators of the evaluation of the technological factor in the development of regional economies are proposed.

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### IMPACT OF ETHNIC CROPS ON SOCIAL CAPITAL AND BUSINESS

#### *Abstract*

The concept of social capital becomes more popular not only in sociology and economics, but in other sciences as well, in which this issue is widely discussed. “Social capital” is quite a broad concept. Diversity of opinions on the nature of this phenomenon complicates the methodology of its measuring. Analysis of existing explanations of social capital, theoretical approaches to its study show that social sciences are still very far from clear understanding of agreed explanation of this phenomenon and the mechanisms of its influence on business. It has been determined in result of research that the degree of trust is connected with business success, and it is considered that in those cultures, where trust is higher, the degree of transaction reduces; in such countries the level of investments is higher. We consider that social capital promotes formation of social relations of an individual, which becomes the basis for the so-called efficient economic behavior and finds a positive reflection on development of business. The results of study of social capital in ethnic groups of different categories showed that the factor of trust was practically unchanged within last 15 years. As it has been mentioned, apart from trust, tolerance and civil identity are also important. The study has showed that they are connected with economic advance of the country. It was determined in the process of cross-cultural research of social capital that most of the ethnic difference is noticed in the multicultural society.

**Key words:** *Social capital, ethnic groups, businesses, crossover-cultural, empirical conclusions.*

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**MANAGEMENT OF MARITIME LEGAL EDUCATION (ON  
THE EXAMPLE OF THE MARITIME LAW FACULTY OF THE  
ADMIRAL MAKAROV NATIONAL UNIVERSITY OF SHIP-  
BUILDING)**

*Abstract*

The article is devoted to the management of maritime legal education on the example of the Maritime Law Faculty of the Admiral Makarov National University of Shipbuilding (Ukraine, Mykolaiv). The competitive environment of the faculty is considered. One of the competitive advantages of the Faculty is the experience of teaching Law of the Sea and Maritime Law. The activity at the faculty has been analyzed from the point of view of management functions: planning, organization, motivation and control. The strategic goal of the Faculty is to develop international cooperation with foreign educational institutions, both technical and legal, as well as foreign legal practitioners who deal with maritime law issues.

**Keywords:** *management, legal education, Law of the Se, Maritime Law.*

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**KNOWLEDGE ECONOMY AND INNOVATIVE  
ENTREPRENEURIAL POLICY**

*Abstract*

The modern globalization is characterized by a number of specific peculiarities of postindustrial development among which, in our opinion, the actualization of the formation of the knowledge-based economics is the most important. It must be mentioned that globalization determines the addition of dimensions with perspectives for knowledge economics such as, for example, resource-technological, informational, communicative and institutional structures. According to the postindustrial theory the main resource of postindustrial economy is information and knowledge. The main type of manufacturing activities is the high level automated production and among the main technologies science-inclusive technologies are used, from the types of economic activities different services become the most spread. If the agriculture field was the determinant in pre-industrial society, industry was in industrial society and the theoretical knowledge with the universities (as the place for active generating, getting together and mastering of knowledge) is determinant.

It must be mentioned that the effectiveness of the whole innovative process depends on the efficient functioning of knowledge-based entrepreneurship which, in its own turn, contributes the development and implementation of innovative entrepreneurial policies by the state. Within the innovative entrepreneurial policy the formation of the institutional component, its systematic modernization in dynamics, compliance and synchronization of general formal institutions and business culture as an informal institution should be envisaged.

It must be mentioned that in the process of forming the knowledge economy the innovative aspect of entrepreneurial activities is of a particular importance in the context of all business entities. Therefore, the effective-

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ness of the whole innovative process depends on the efficient functioning of knowledge-based entrepreneurship which, in its own turn, contributes the development and implementation of innovative entrepreneurial policies by the state. Within the innovative entrepreneurial policy the formation of the institutional component, its systematic modernization in dynamics, compliance and synchronization of general formal institutions and business culture as an informal institution should be envisaged.

We think that innovational entrepreneurial policy in Georgia and corresponding arrangements of institutional modernization must be directed to overcoming the above mentioned backwardness. The perfection of business culture (as an informal institute) must be paid attention to. The researches prove that the cultural factor has the decisive importance for developing the entrepreneurial and innovational business. As for the desired position of Georgia, it is necessary to implement the transformation of cultural values in perspective such as reinforcement of long term orientation (pragmatism), reduction of authority distance and development of individual qualities, reduction of power distance and development of individual characters.

***Keywords:** knowledge economy, synchronization institutions, culture as factor*

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**REALIZATION OF THE CONCEPTUAL  
MODEL OF FORECASTING OF TECHNICAL EDUCATION  
SPECIALISTS IN THE REGION**

*Abstract*

Today the quality of educational services in our country, unfortunately, is inferior to the quality of education in developed countries. The quality of education is the primary factor determining the amount of labor without which it is impossible to create a consumer value. The quality of labor creates the image of the country as a whole. Training is provided by higher education institutions, but the most interesting is that if earlier (10 years ago) only cadres with higher education were needed, the study showed that with the same success now people with professional education are in demand or short-term retraining courses for specialists.

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The forecasting of what kind of professional staff and which area are needed, is mainly based on the results of sociological survey analysis; there is no indication of the number of professional staff required for this or that area. On the basis of the data provided in the work, we suggest a specialist number for any field, proposed by the mathematical model.

The paper also deals with the conceptual model of forecasting of specialist demand. With these and other proposals, we are going to turn to local authorities to make the right investments for the development of the Region.

**Keywords:** *conceptual model, forecasting, matrices of correspondence.*

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### **PECULARITIES OF USING THE POTENTIAL OF ASSUR- ANCE ENGAGEMENTS OTHER THAN AUDIT OR REVIEW OF HISTORICAL FINANCIAL INFORMATION**

#### *Abstract*

At the current stage of development of economic relations, audit clients consider themselves to be protected not only under the condition of the availability of properly prepared financial statements, but also after careful verification and evaluation of management decisions in terms of their effectiveness, optimality, expediency. Today, a broad interpretation of the audit has been transformed into the definition of the assurance engagement, which is set out in the International Framework for Assurance Engagement prepared by the International Auditing and Assurance Standard Board (IAASB) International Federation of Accounting (IFAC). The classification of audit types at this time should be considered in terms of the classification of assurance engagements proposed in the International Standards on Quality Control, Audit, Review, Other Assurance and Related Services: audit of

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historical financial information; review of historical financial information; assurance engagements other than audits or reviews of historical financial information; related services engagements.

However, the practice of conducting assurance engagements other than audit or review of historical financial information in accordance with International Standards is not sufficiently representative in Ukraine and, accordingly, the level of potential using of such engagements is rather low. This situation can be explained by such reasons. First, the lack of well-defined criteria does not allow such engagements to be undertaken precisely as assurance engagements, which increases the proportion of related and other professional services, primarily consulting. Secondly, the issues of organization and methodology of the conducting such engagements, taking into account the requirements of the International Standards, are underdeveloped, and the lack of methodological recommendations forces auditors to be cautious while agreeing to conduct them.

The peculiarities of assurance engagements other than audit or review of historical financial information are determined by comparing the audit of historical financial information, in particular with the statutory audit (lower level of social significance, specific features of the elements), and with such engagements as consulting (higher level of value for management personnel and owners, differences in purpose and elements). These specific features determine the effect of factors that slow down and at the same time actualize the development of other assurance engagements.

Worldwide practice is the introduction of a statutory audit, and such cases may also be foreseen for some assurance engagements other than audit or review of historical financial information. If we consider world practice, it is almost obligatory, for example, to conduct the assurance engagements in the context of reporting on social issues. The developed International Standards relate precisely to the objects of importance for society as a whole: reports on greenhouse gases, hypothetical financial information included in the issue prospectus. In national practice, the similar cases can be used. For example, in carrying out statutory audit of public joint stock companies, the auditor should investigate the state of corporate governance. Since the state of corporate governance is actually non-historical non-financial information, it may be advisable to impose the obligation to fulfill certain assurance engagements other than audit or review of historical financial information.

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Assurance engagements other than audit or review of historical financial information can be widely used in the mechanism of providing a positive international and investment image of regional entities, for which it is advisable to establish a reference list of objects that can serve as a subject matter of assurance engagements other than audit or review of historical financial information (for example, information contained in investment projects).

**Key words:** auditing, assurance engagements, assurance engagement other than audit or review of historical financial information, elements of assurance engagement, International Standards of *Quality Control, Auditing, Review, Other Assurance, and Related Services*

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**INTERPRETATION OF THE CONCEPT OF “METHOD OF CONTROL” AT VARIOUS STAGES OF DEVELOPMENT OF SOCIAL AND ECONOMIC THOUGHT IN UKRAINE**

*Abstract*

The classification of control methods is based on the concept of its method. Methodology (in Greek “methodos” is the way to study, theory, thought + “logos” – theory) is the study of the structure, logical organization, methods and means of action; the study of the principles of framework, the forms and methods of scientific knowledge. The method (in Greek “methodos” is research) is the way of research that determines the approach to the objects under consideration, that is, the scientific knowledge and establishment of the truth. Based on the definitions, the methodology should be understood as the study of structure, logical organization, methods and means of activity in the field of theory and practice.

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The dictionaries of Economics consider method as: a way to achieve a goal, a sort of orderly activity; a way of studying phenomena and social life; a systematic way of achieving theoretical or practical results; solving problems or obtaining new information, etc. The proof of the uncertainty of the concept of “method of control” is the application of different terminology in relation to the method of control by researchers.

Taking into account that the social and economic thought of the last century in Ukraine developed in several stages, we have conditionally distinguished three periods of the development of the concept of “method of control”: the Soviet period, the post-Soviet period (transitional period) and the modern period (recent decade).

In the period of the formation of the theoretical foundations of control in the USSR, the main thing was to prove the advantageous distinction of Soviet science from “bourgeois” science which was reflected in various ways of demonstrating its exclusivity and led to the introduction of the term “Lenin’s control”. Under the conditions of the command and administrative system, along with the control and audit departments and other controlling bodies, the committees of the party, and then the people’s control, were established. Their activities were aimed at revealing facts of mismanagement, wastefulness, abuse and crime. Of course, the control of those times was dependent, focused only on the protection of state ownership and was of a purely applied nature.

In the post-Soviet (transitional) period, the vast majority of scientists considered the method of control as a set of techniques and methods used in the study of financial and economic activities of business entities, as well as a systematic way of scientific knowledge. It is precisely at this stage that, for the first time, the method of control is interpreted in two aspects: as a science and as a practical activity.

When Ukraine got independence many forms of ownership emerged, different from the state. The development of market relations facilitated the appearance of a large number of controlling bodies. Their activities were supposed to contribute to radical changes in the state’s economy, and to the strengthening of its economic situation. Current state of economic control shows that the final formulations of the basics of the theory of control, the main elements of the control cognition process and the method of control have not been completed. At this stage, scientists have a rather common

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idea about the method of control. They are different by the fact that this term is considered in various spheres and with a certain purpose which determines the specific objectives and methods of carrying out control activities, as well as the application of new control procedures.

At present stage of development of economic thought in Ukraine the concept of “method of control” includes not only methods and procedures but also the principles of organization, systematic orderliness and balance of its elements.

***Keywords:** method of control, control, controlling procedures, methodology of control, social and economic thought, control activities, stages of control development*

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## **ACTIVATION OF INVESTMENT AND INNOVATION ACTIVITIES OF AGRICULTURAL PRODUCERS THROUGH THE INTRODUCTION OF THE MECHANISM OF INVESTMENT-INNOVATIVE TAX CREDIT**

### *Abstract*

One of the powerful tools for the development of investment and innovation activities of agricultural producers may be a mechanism of investment-innovative tax credit, the functioning of which provides for the full or partial exemption of the taxpayer from payment of the agreed amount of tax liabilities for one or several taxes (fees) during one or more reporting periods from the subsequent stage-by-stage repayment of the loan amount and accrued interest, under certain conditions specified in the contract.

The procedure and conditions for granting an investment-innovative tax credit include the following:

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1. The investment-innovative tax credit must be documented by an agreement on an investment-innovative tax credit.

2. The right to use the investment-innovative tax credit should be vested in all business entities engaged in activities in the field of agricultural production and whose activities are aimed at: renewal, modernization, reconstruction of agricultural machinery, agricultural equipment and production technologies; cultivation of new types of crops; production of new types of agricultural products (crop and livestock); carrying out of scientific researches, acquisition of patents; introduction of resource and energy-saving technologies in agricultural commodity production; intensification of production through the attraction of investment resources; increase in the level of conditions and wages in the sphere of agricultural production.

3. The decision on granting an investment-innovative tax credit must be made by a specially authorized commission under the regional state administration.

4. The amount of investment-innovative tax credit can be determined in the amount of the total amount of funds allocated for investments and innovations, or in a smaller amount, the urgent need for which arises from the taxpayer.

5. The terms for granting an investment-innovative tax credit should be established depending on the period of time defined as the tax period for the relevant tax, taking into account the seasonality of agricultural production (from 6 months to 5 years).

6. Interest on the amount of investment-innovative tax credit should be set at the rate of 50 percent of the discount rate of the National Bank of Ukraine, effective during the validity period of the contract.

7. During the validity of the agreement on investment-innovative tax credit, restrictions are set for reducing the amount of tax payments.

8. The effect of the investment tax credit is terminated upon the expiration of the validity period of the relevant contract or may be terminated ahead of schedule in the event of payment of the entire amount due and the relevant interest before the expiration of the specified term of the relevant contract, in the event of a violation by the taxpayer of the terms of the contract or by agreement of the parties or by a court decision.

The implementation of these actions is designed to promote the introduction of the mechanism of investment-innovative tax credit in the prac-

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tice of taxation of agricultural producers in terms of enhancing their innovation and investment activities.

***Keywords:** investments, innovations, taxes, taxpayer, investment-innovative tax credit, agricultural commodity producers*

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**THE SUBJECT MATTER OF THE  
DEFINITION OF “METHOD OF INTERNAL CONTROL”**

*Abstract*

Control (in French “sontrôle” from “contrerôle”) is a list which is kept in duplicate; in Latin “contra” means against and Latin rotulus” means folding) is a supervision of the object and maintenance of its functioning in accordance with the established principles because of the general comparison of the actual state of the object with the state to be ensured. The method (in Greek “μέθοδος” means “a way through”) is a systematic set of stages that must be taken to accomplish a specific engagement or achieve a certain goal; the notion of identical algorithm of action and technological process.

In Ukraine, there are no generally accepted and generally recognized definitions of “control”, “internal control”, “method of control”, “method of internal control”. This fact makes the understanding and perception of these concepts complicated, but at the same time allows scientists presenting their own vision of this terminology depending on the purpose of the study.

It can be stated that most scientists understand similarly the definition of “method of control”. The main difference lies in the fact that scientists consider this term in various spheres and in achieving different goals. This leads to discrepancies in the definitions that appear in the identification of types of control, the list of methods, the use of different information for the

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achievement of specific objective – the use of control procedures at different levels and objects of economic activity.

Method of control at the practical level, in addition to methods and techniques, includes principles of organization, ways of implementing control functions, that is the means by which control activities are carried out. The combination of these elements determines the method of economic control including internal control.

Internal control is the process of continuous influence on entities by tracking deviations and correcting managerial decisions to bring the actual state of objects to the desired.

Quite often the method of internal control is defined as a set of methods, procedures and techniques that provide a real assessment of controlled entities. There are more advanced viewpoints that reveal techniques, procedures and methods (general scientific, specific, financial, economic, organizational, operational, technical) and determine the specific objectives of internal control (study of the legality, feasibility, reliability of financial and economic operations on the basis of accounting, reporting, normative and other information, study of the actual state of controlled entities).

A typical definition of the 2000s was the interpretation of the method of control, including internal control in a broad vision, which implies its understanding in two aspects: both science and practical activity. Under the method of economic control as a science we understand its own approach to the knowledge of economic phenomena that make up its subject with the help of special techniques, methods, means, in various forms. The method of economic control as a practical activity is a logically completed system of control actions in which specific principles, ways, methods and means of studying the object which are duly documented are actively manifested. According to the results certain decisions are made.

The author suggests to define the method of internal control as a logically complete system of actions, properly organized, which is carried out on the basis of certain principles and rules using a combination of methods and techniques and the use of certain means.

***Key words:*** control, method, method of control, method of internal control, control procedures, control activity

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### **EXTENDING THE POWERS OF LOCAL SELF-GOVERNMENT BODIES WHEN ESTABLISHING LOCAL TAXES AND FEES IN THE CONTEXT OF STIMULATING THE INNOVATION DEVELOPMENT OF AGRICULTURAL PRODUCERS IN THE REGION**

#### *Abstract*

Innovation and innovation-oriented model of the development of the region should become a key element of increasing its competitiveness and financial self-sufficiency. But innovation requires a large number of investment resources and various sources of financing. Given the limited and insufficient budgetary resources to finance the transition of the country's economy to an innovative model of development, the tax incentive mechanism for innovation activities, along with the stimulating organizational levers, should play a leading role. Tax preferences can be additional infusions that can help enterprises in their innovative activities, especially in such areas as agro-industrial production.

In particular, attention is focused on the need to introduce a system of investment-innovative tax credits as an effective tool to stimulate business activity. There is an opinion that tax preferences for income tax for enterprises carrying out innovation activities and income tax for individuals who are engaged in the innovation process should be adopted in the first place. The possibility of using tax preferences for VAT as an indirect tax is considered. But these proposals have two drawbacks. First, in this case, taxpayers who apply a simplified taxation system in the form of a single tax payment (such as in Ukraine) actually remain outside the sphere of influence. Secondly, local self-government bodies are deprived of leverage through the application of local taxes and fees, which include a single tax, in particular.

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The system of local taxation should not only ensure the needs of local budgets in the receipt of funds, but also take into account the need to stimulate innovative activity of economic entities in the region. According to the Tax Code of Ukraine, local taxes include two taxes and two fees: a property tax, which consists of a real estate tax that differs from a land plot, a transport tax, a payment for land; a single tax, including the group IV for agricultural producers; a fee for parking spaces for vehicles; tourist fee.

When reforming the system of local taxation in the context of stimulating the innovation activity of enterprises in the region, it is advisable to consider the possibility of using such tax incentive tools as: tax discounts, tax holidays, application of differentiated rates or their reduction, introduction of a tax investment loan.

Among the main problems of local taxation in the context of the need to stimulate innovation activity is the lack of the right of local self-government bodies to establish their own tax preferences on their territory. Currently, local self-government bodies of Ukraine are virtually deprived of the right to influence the elements of local taxes, which narrows the potential of local taxation, especially in the sphere of stimulating innovative activity of economic entities in the region in order to strengthen the region's innovative and investment potential.

The lack of the ability of local self-government bodies to influence the definition of privileges and rates of local taxes and fees for the purpose of activating innovation does not contribute to improving the competitiveness and investment attractiveness of the regions. Ukraine should implement tax incentives at the state and regional levels. To do this, it is necessary to solve such problems: firstly, to expand the powers of local self-government bodies, local authorities and territorial communities to identify elements of local taxes and fees, and secondly, to develop a mechanism for investment-innovative tax credits and other types of tax incentives that enhance the innovation activities of the region.

***Key words:** taxation, regional development, innovation development, local taxes and fees, agricultural producers, local self-government bodies*

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**REGIONAL PRIORITIES IN THE DISTRIBUTION OF STATE  
FINANCIAL SUPPORT FOR AGRICULTURAL PRODUCERS  
IN THE CONTEXT OF STRENGTHENING THE INNOVATIVE  
POTENTIAL OF THE REGION**

*Abstract*

Agriculture, because of its specific features, can not exist without the support of the state (this is confirmed by the experience of the EU and other countries of the world), which manifests itself both in tax instruments and in other forms of payments, subsidies, grants, etc. On the other hand, state financial support should not only support the financial position of agricultural producers, but also stimulate their investment and innovation activity, that is, to have not only extensive but also intense focus.

The main principles of state financial support for the development of agriculture in Ukraine are defined in the Law of Ukraine “On State Support to Agriculture of Ukraine” and the Unified Integrated Strategy for the Development of Agriculture and Rural Areas for 2015-2020 and implemented in the following forms: indirect state support (provision of tax privileges); direct state support (budget allocations, budget loans, budget subsidy). Expenditures on state financial support of agricultural producers are represented in various types, but directly related to the direct influence on the financial condition and development of agricultural producers are as follows: financial support of measures in the agro-industrial complex through cheapening of loans (2015-2018); partial compensation of the cost of electricity used for irrigation in irrigated lands (2012); state support of the livestock industry (2012-2018); state support for the development of hops, laying down and supervising young gardens, vineyards and berries (2012-2014, 2017-2018); financial support of agricultural producers (2017-2018) in the form of a budget subsidy owing to the abolition of the special

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VAT regime; financial support of the farm on returning (2012-2018) and irretrievable bases (2018).

The main problems in applying fiscal incentives that worsen the conditions for conducting innovation activities in Ukraine in general and in the field of agricultural production in particular are: lack of guarantees for obtaining state support; lack of stability and consistency in fiscal policy support for innovation; limited budget support for innovation activities; the complexity of receiving budget support; irregular funding.

Having high potential for development of agricultural production, in the amount of state support for agricultural producers, which in fact is an additional investment resource, often agricultural regions occupy low places. This situation arises because the factors of regional development and its prospects are not fully taken into account in the current distribution of budgetary funds. In particular, such factors as: quality of land, zonal features, intensity of using of land, profitability of cultivated production (for crop production), types of activity, product profitability, its strategic importance for the development of the region and the country as a whole (for livestock breeding) are not taken into account. This situation needs to be intensified, as well as by own resources, and by changes in existing mechanisms of distribution of funds.

It is necessary to make adjustments to the order of distribution of budgetary funds in the direction of taking into account the specifics of land areas, types of economic activities, priorities and prospects for regional development in allocating funds between the regions and entities applying for it. In this process, local self-government bodies should play an active role. This will allow for a cumulative effect of the growth of financial resources and the volume of agricultural production, taking into account the requirements of quality, organicity and environmental friendliness for activating innovation activity and innovative development of the regions.

***Key words:** state support, budget subsidy, regional development, innovative development, agricultural producers*

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**THE MAIN TRENDS OF HIGHER EDUCATION  
INTERNATIONALIZATION STRATEGIES**

*Abstract*

The importance of internationalization for higher education is difficult to overestimate. The increased number of strategies at European, national and institutional level aimed at enhancing higher education internationalization is a positive trend. The programmes, projects, institutions, national and regional policies and strategies is the subject of many governance discussions regarding the internationalization of higher education.

There is no general applicable model of internationalization. Most national strategies in Europe and worldwide are focused on mobility, economic gains, recruitment of international students and enhancement of international visibility. The countries with high internationalization results incorporate these approaches into the comprehensive strategies, in which internationalization of the curriculum, digital learning and intercultural competencies as a means to enhance the quality of education and research receive more attention. There is a need to break down the barrier between internationalization of science and education. The interaction between the different stakeholders in higher education is essential for the development of internationalization strategy. It is important to give more autonomy to higher education institutions and governmental support in the development of higher education internationalization, in recognizing the importance of internationalization for the society, in building a dialogue among people of different nations and cultural backgrounds, and for the business sector through talent recruitment, research and commercialization of the innovations. The overview of the main trends in the internationalization strategies in five European Union countries (Finland, France, Italy, Romania and Spain) proved that cooperation in the quadrangle “education–government–

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business–civil society” provides internalization enforcement increasing the competitiveness of the higher education system at the global market.

***Keywords:** higher education internationalization; internationalization strategy; internationalization policies; international cooperation; mobility.*

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**SHIP’S POWER PLANT CONTROL SYSTEMS**

*Abstract*

Electricity generation and distribution systems require special attention to network coefficient efficiency– Ignoring this component can greatly increase ship-owners expenses. This does not depend on whether it is connected to the electric power system of government (National Grid) or to the separate offshore/(island) system, because overall, all power stations are provided with several generating devices, therefore the main expenditures are flowing to the exploitation of these generators. To minimize these expenditures it is important that, the generators should work as close as possible to the coefficient of action and the general system requirements.

Owner of the Offshore and Marine Systems (Island) and Owner of Electric Power is the same person. That’s why never is involved more generators into operation working process , than required by the load of the vessel during the operation,to avoid in order to avoid unnecessary expenses.

There are many types of electrical power management systems (Power Management Systems –P.M.S.), which also may be cited as Energy Distribution Confol Units ( E.D.C.U.). Old systems are mainly based on the use of real components of electrical mechanical basis, while modern systems are mostly electronic-bellere and often computer based.

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**IMPROVEMENT OF THE ORGANIZATIONAL  
AND ECONOMIC MECHANISM OF THE  
ENTREPRENEURSHIP DEVELOPMENT INFRASTRUCTURE**

*Abstract*

This article discusses the role and development trend of small business and private entrepreneurship in Uzbekistan, in particular, a statistical analysis of the Namangan region. The author analyzes the measures taken by the government to develop small business in Uzbekistan in recent years. At the end of the article, recommendations were proposed for improving the organizational and economic mechanism of entrepreneurial activity in Uzbekistan.

**Key words:** *organizational and economic mechanism, entrepreneurial activity, small business, private entrepreneurship, property.*

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**ACADEMIC PLAGIARISM AS THE FACTOR  
OF FIKTIVIZATION OF HUMAN CAPITAL IN  
THE EDUCATIONAL SPHERE**

*Abstract*

Academic integrity is now becoming a prerequisite for the functioning of the educational space, ensuring progressive development of the Ukrainian

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educational system. Plagiarists-senior officials, deputies for whom dissertations are written on an order, scientists engaged in self-citations in explicit and hidden form, a large number of nonscientific articles and monographs - these and other shameful phenomena form the modern “face” of the Ukrainian educational system, which is in a state of constant reformation.

In order to ensure academic integrity in the university, the effective practice is to check scientific papers on plagiarism. This practice should extend to all works – student papers, carried out for educational purposes, papers of educational and pedagogical personnel. Implementation of the strategy of the integrity of universities will also contribute to the vision of social responsibility of scientific and pedagogical personnel, integration into the European educational space, participation in international educational and scientific projects.

***Keywords:** academic integrity, fiktivization of human capital, academic plagiarism, Ukrainian educational system.*

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**SOCIAL RESPONSIBILITY AND ECONOMIC  
EFFICIENCY OF THE ENTERPRISE:  
HOW STRONG IS THE INTERRELATION?**

*Abstract*

The research is aimed at determining the impact of corporate social responsibility on its economic performance in the long-term and short-term period. The urgency of the work is to substantiate the importance of implementing measures in the field of social responsibility for the management of companies. Undoubtedly, socially responsible practices also contribute to obtaining a social effect, but the development of the concept of social responsibility will promote the very substantiation of the close relationship

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between its implementation and the growth of the economic efficiency of the enterprise.

**Keywords:** social responsibility, economic efficiency, socially responsible practices, social efficiency, quantitative justification.

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**INSTITUTIONALIZATION OF INTERNATIONAL  
FINANCING OF INNOVATIVE ACTIVITY**

*Abstract*

An expanded reproduction of the Ukrainian economy based on an innovative development model should provide significant investment for activating the innovation process at all its stages - from generating a scientific idea to the introduction of innovations into all spheres of public life. For Ukraine, whose economies have long been in a state of low growth and under the pressure of adverse external and internal factors, international financial resources should be considered as an important tool for activating innovation activity.

Transnational corporations, global and regional specialized international financial organizations, foreign governments, and integration associations belong to international institutions that finance the economy. Currently, the annual inflow of foreign direct investment into the development of the Ukrainian economy is at a critical level - about 1% of GDP, which is not only sufficient for the formation and implementation of an innovative economic model, but also for the emergence of a transition economy in which the current degree of deterioration of the main of funds is more than 60%, including in industry - almost 77% [1]. Moreover, the distribution of foreign investment by branches of economy and in the regions of the country is chaotic and not aimed at achieving the goals of structural adjustment

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of the economy, and investment activity is basically not characterized by innovative characteristics.

The financial resources coming to Ukraine for the implementation of socio-economic development projects from specialized international financial organizations (IMF, World Bank, European Bank for Reconstruction and Development, European Investment Bank and Credit Institution for Renaissance) do not have a tangible influence on the revitalization of the innovation process in the country. [2].

In a situation where the innovation vector of economic development in Ukraine has no alternative, determining the task of activating the innovation process and predictable behavior of the subjects of the economy in the international financial market is the institutionalization of international financing of innovation activity. It provides for the streamlining of international managerial and economic relations in the sphere of financing of innovations, systematization of information about the structure, functions, principles of activity, interconnections of international financial institutions with established rules, norms, statuses and roles in the world arena, assessment of the modern internal system of institutes of financing of innovations in Ukraine, as well as the establishment of problems of legislative support for attracting external financial resources to innovative development and perfection the management of international financial flows to intensify the innovation process in Ukraine.

***Key words:*** *innovative activity, international financing, Ukrainian economy, institutionalization, international relations.*

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**ECONOMIC RISKS OF HIGHER EDUCATION’  
DEVELOPMENT UNDER GLOBALIZATION**

*Abstract*

The growing uncertainty of the modern environment is actualizing the need for risk research in this area of activity as education. Losses in education may be more global because of its strategic importance for the progress of society: low quality training of skilled personnel, weakness in the formation of personal and value characteristics of human resources, insufficient provision of innovative development of the country, losing positions in international competition, etc.

Globalization as the leading trend of modern development radically changes the external environment of the educational institutions, for which inherent high uncertainty, general interconnectedness, sharp competition. Any higher education institution should take into account in its development such manifestations of globalization as removing barriers to the movement of potential consumers in the international market of educational services and the intensification of competition in various spheres of this market.

Economic risks in the system of higher education include such financial, property, fiscal threats that can lead to significant losses. Possible financial risks are related to reduced volumes and changes in public funding mechanisms, especially if they are accompanied by limited autonomy. Improving the management of economic threats to the development and functioning of higher education institutions should take place in the direction of: diversification of funding sources for the higher education system, expansion

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of financial autonomy of universities, development of the endowment, increased interest of the business financing of universities, etc. An important direction for strengthening the sustainability of the system of higher education to economic risks is the improvement of the management system and funding based on the results of the activities of higher educational institutions. It is urgently necessary to increase financing of science and to improve the forms of organization of scientific activity.

***Keywords:*** *economic risks, diversification of financial sources, endowment, funding based on the results of the activities, autonomy of universities.*

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## **ECONOMIC ESSENTIAL OF STOCK INFRASTRUCTURE AND FEATURES OF ITS DEVELOPMENT**

### *Abstract*

In this article, the author reveals the economic essence and structure of the infrastructure of the stock market. Also, the author carried out a historical and genesis analysis of the evolution of the stock infrastructure twice the trend of its development relative to the market changed: in the period from 12 to 19 centuries. the development of the stock infrastructure was catching up with respect to the market. It was revealed that the needs were formed first, and then the opportunities appeared for the emergence of new types of activities, institutions and structures that serve this market on the basis of directed specialization and division of labor. At the end of the article, the features of the development of the stock market infrastructure in Uzbekistan are listed.

***Keywords:*** *fund, stock market, stock market infrastructure, securities, stock exchange.*

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**THE CONCEPT OF ACADEMIC ENTREPRENEURSHIP IN  
THE SYSTEM OF DOMESTIC HIGHER EDUCATION**

*Abstract*

Reforming the system of higher education in Ukraine suggest one of the ways of the revitalization of the economic function of universities in order to improve their level of material support. This task most efficiently and optimally solved through the development of academic entrepreneurship at the level of a particular university and the establishment of inter-institutional relations that facilitate the activation of the processes of transfer of knowledge and technology. Such measures will, in our opinion, allow solving not only the problem of obtaining additional sources of financing (self-financing) by universities due to the economic result of the activity of subjects of academic entrepreneurship, but will also allow increasing the level of inclusiveness of higher education institutions in innovative production processes.

It is assumed that the main product of the academic business should be innovation, created and developed by universities. To maximize the commercialization of the results of such studies and innovative products, it is considered appropriate for universities to create business incubators on their own material and technical basis with the involvement of faculty and students (which represent the human and intellectual capital of the university). University business incubators perform the following functions: create subjects of innovative entrepreneurship (spin-off, start-up); form the conditions for entrepreneurial activity of students and teachers; participate in the processes of organizational support of subjects of innovative entrepreneurship; promote the commercialization of innovative products. Therefore, business incubators actually play the role of innovation support itself from the process of its creation until its commercialization process to produce the final result - the profit from the realization of the market.

But, in our opinion, independently, in conditions of disunity, university business incubators are able to achieve pinpoint results of the effectiveness

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of innovation activities of universities. At the same time, it seems to us necessary to unite their efforts within the framework of university technology parks created on the basis of several institutions of higher education, which makes it possible to cooperate in material and technical resources, human and intellectual capital, as well as knowledge itself, which is the basis for generating innovations. These technology parks, especially with the participation of local authorities and at the expense of stimulating functions of the state can become a powerful innovation centers. This is the most important function of academic entrepreneurship.

***Keywords:** academic entrepreneurship, business incubators, technology parks, universities, innovations*

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**THE ROLE OF UNIVERSITIES IN FORMING  
THE INNOVATION ECOSYSTEM**

*Abstract*

The paper deals with the issue of innovation ecosystem. The aim of this paper is to highlight the role of universities in forming the innovation eco-

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systems at the current stage. For the purposes of this paper, the analysis of approaches to the definition of the concept of “innovation ecosystem” is presented. The characteristics of innovation ecosystem are described. The factors, which facilitate the innovation ecosystems are grouped by the following dimensions: resources, governance, strategy and leadership, organizational culture, human resources management, people, partners, technology and clustering. The main features of both types of ecosystem (industry-driven ecosystem and university-driven ecosystem) at different levels are analyzed. The peculiarities of the main interactions between industry-driven ecosystem and university-driven ecosystem are noted.

***Keywords:** University, Cluster, Ecosystem, Innovation Ecosystem, Industry-driven Ecosystem, University-driven Ecosystem*

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**SCIENTIFIC SUBSTANTIATION OF THE STRATEGIC  
TARGETS FOR THE STANDARD OF THE LIVING**

*Abstract*

The research assessed and identified the standard of living of the population of Georgia and Ukraine according to the author’s modern methodology of integral assessment which also revealed the main threats. This allows us to determine how far the standard of living in Georgia and Ukraine is from the sustainable development indicators.

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The article advocates three strategic development scenarios aiming to raise the standard of living of the population of Georgia and Ukraine by 2025: realistic, optimistic and sustainable development scenarios. They scientifically substantiate strategic benchmarks with the use of adaptive regulation methods of the control theory through the definition of target benchmarks and decomposition of integral indexes. The values of the standard of living indicators and relevant macro-indicators that provide the desired development are the ultimate result of strategic planning.

The identified strategic benchmarks for sustainable development at the level of indicators are, in their essence, a strategy for raising the standard of living of the population of Georgia and Ukraine. They are necessary for comparing with the actual values during monitoring, for determining the proximity to the preferred sustainable development indicators and the effectiveness of macroeconomic policy activities. It is evidenced that the use of realistic and optimistic strategic development scenarios preserves the disproportionality to varying degrees, and only full implementation of the agenda for sustainable development with regard to the standard of living component completely eliminates this disproportionality. Thus, the sustainable development scenario allows reaching the average optimal values of the indicators (sustainable development criteria): an increase in the share of wages in output and, consequently, a significant increase in wages and a decrease in the shadow economy that solves the problem of the standard of living and the budget deficit of Georgia and Ukraine.

**Keywords:** *standard of living; integral assessment; Georgia and Ukraine; sustainable development; human development opportunities*

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## **EUROPEAN PRACTICES OF FINANCING INNOVATION**

### *Abstract*

Scopes, directions, institutions and other aspects of financing innovative activities are determined mainly by the features of national and regional innovation systems. With consideration of that, analysis of the experience of financing innovations in the European Union deserves attention for Ukraine in the context of their European integration development vector. We should admit the key role of the program tools for financing innovation in the European Union. This is the framework program “Horizon 2020” for research and innovations of the EU, which was launched in 2014. It includes three main components:

- Framework Programme for Research and Technical Development;
- Competitiveness and Innovation Framework Programme;
- European Institute of Innovation and Technologies.

Of no lower interest is the experience of localization of innovation activities in the EU countries and the consideration of this factor in the financing of innovation. This approach is based on the evolution of innovative models, when at the beginning of the 21st century, the diversification of innovative development occurred on the basis of the emergence of agglomeration structures: clusters, technology parks, business incubators and technopolis. In this regard, the European Union is implementing a regional grouping of innovative development.

As a result of consistent calculations of these indicators, all 190 EU regions are divided into four groups according to the level of their innovation potential:

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- Innovative leaders, or regions, whose integral innovation index is more than 20% higher than the EU average indicator;
  - Strong innovators – regions, whose integral innovation index exceeds the average for the EU by 10-20%;
  - Moderate innovators - regions, whose integral innovation index is lower than the EU average by less than 50%;
  - Weak innovators - regions, whose integral innovation index is lower than the EU average by more than 50%.

The idea of calculating and considering in practice innovative financing of regional indicators of innovation efficiency is to increase the horizontal (interregional) competition for obtaining financial resources for research and pilot-plan works. As a result of this competition, funding is usually obtained by the regions of the first two groups. Their composition has been stable over the past decades and includes 36 regions of the EU member states: the Netherlands, Belgium, Denmark, Northern Germany, Southern Great Britain, Austria, Italy, Southern France, Sweden, Finland, Luxembourg, Norway, Slovenia, and others.

***Key worlds:** innovation, European Institute of Innovation, the Program “Horizon 2020”, localization of innovation activities, innovative leaders, Strong innovators, Moderate innovators, weak innovators.*

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## **PERSPECTIVES OF EFFICIENT FACILITATION OF LABOUR RESOURCES IN PRODUCTION**

### *Abstract*

Among many labour regulations the defining part is devoted to hourly labour efficiency, expressed in output of total product in calculation per 1

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human/hour. It is an enlarged, generalizing indicator that serves as final one within the system. In order to define demand for labour at a agricultural production it is necessary to predict hourly labour output.

Yearly labour efficiency (output of total product per 1 worker) depends completely on hourly indicator in terms of socially-required level of employment. Correlation analysis requires overview of basic factors that impact labour efficiency. We have studied their totality. Correlations have been established between labour efficiency, effectiveness of using workforce and facilitation of land, fund provision of labour, provision of funds and employment, employment of workers, their composition, wage level and work regime, development of non-productive sector.

Depending on nature and relations between factors and final result, we have outlined direct and opposite relations. Formation of seasonal labour market has

a great significance for enterprises. There is no more free transition of workforce from cities, as there was before, attraction of staff now exists on contract basis with a corresponding wage. As attraction of labour for seasonal works becomes

costly, enterprises must have definite data on their demand for seasonal workforce. Enterprises also need monthly balance calculations for this group of employees. Market of labour also includes motion of staff from the sector, and it is expressed in liberation of constant and seasonal workforce, personnel flow, exclusion of employees from working teams. Employable part of population that comes from agriculture transits to other branches of economy. At the same time, vacant positions that emerge in regard to personnel flow in enterprises, must be replaced by flow from other sectors and enterprises. Within village market of labour we must outline market of constant and seasonal workforce.

In reality this sector of market is significantly bigger as it includes seasonal workforce as well. The liberated seasonal workforce will come through labour market in volume that is defined by number of employable workers.

The additional demand for seasonal workforce that is not covered by local labour resources, will also go through labour market. Enterprises should address claims to official bodies of labour provision with indication of time period and specific aspects of work. At the same time these institutions will form supply

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of seasonal workforce. Information on regions and enterprises is accumulated in district labour management and employment bodies. Thus, market of seasonal labour is formed of demand for it on behalf of enterprises and supply of workforce.

The method, applicable for economic prediction of labour usage efficiency, is multi-factoral modeling at the foundation of correlation analysis. The advantage of this method is that it provides possibility to influence value of certain factor in order to receive the desired result. The advantage of dynamic models is that they allow us to study influence of factors upon result over certain periods of time. Thus, perspectives of efficient facilitation of labour resources in production are related to:

- stabilization of demand for labour from producers of goods;
- decrease in yearly involvement of workers down to normative level in order to reduce losses of work time and increase workers' leisure time;
- improvement in employees' qualification and their professional level;
- decrease in staff flow;
- increase in material interest of employees.

Effect of all mentioned factors eventually leads to increase in efficiency of labour and growth in its productivity. In short term period growth in efficiency of using labour resources is predicted due to increase in product output and decrease in early involvement of workers.

**Keywords:** *Efficiency, labour efficiency, labour resources, multi-factoral modeling, labour management.*

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### KEY ASPECTS OF INNOVATIVE-TECHNOLOGICAL MODEL OF GLOBAL DEVELOPMENT

#### *Abstract*

The prerequisites of a new model of the development of the world economy and the specific features of the realization of national interests under these conditions are determined in the work. Only innovation-oriented economies are highly competitive and, the role of factors of intellectual development is changing accordingly. Classically factors of intellectualization of the economy are education and science, however, education ceases to be the only driving force for the development of society. Expanding the scope of intellectual leadership as an ability to ensure competitiveness in the knowledge economy in this aspect is seen as the management of the changing business environment.

Cluster analysis of countries for the level of financing of research works was carried out. The vast majority of developed countries spend more than 2% of GDP on financing, and some of them more than 4% (for example, South Korea). All countries that are in groups with a funding level of more than 2% occupy the TOP positions in the list of the most innovative economies in the world.

The analysis of the results of innovation activity allows us to state that the intellectual leadership of the countries included in the TOP-10 of the most innovative countries is backed up and secured by a very active position and state policy. So, for certain indicators, only some of the elected are not included in the TOP-10, however this can be determined by their focus on other types of innovation activity. However, some countries that are not among the ten most innovative economies are leading by certain indicators.

**Key words:** *innovation, innovation model of development, research activity, knowledge economy*

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**THE ISSUES OF DEVELOPMENT OF THE  
TOURISM INDUSTRY IN GEORGIA**

*Abstract*

Recently, there has been a sharp increase of the number of foreign tourists and revenues from the international tourism in Georgia. At the same time, it is noted, that the country's tourism potential is not being used effectively enough. The main reason for this is the inadequate development of the infrastructure of the tourism industry. Are identified the main problems, that hold back the development of international tourism in the country.

To increase the competitiveness of the tourism industry in Georgia and to achieve its significant improvement, have been worked out the relevant strategic tasks.

The successful solution of the strategic tasks noted in the article, taking into account the relevant activities and the formation of partnership relations between the state, representatives of the tourism industry, non-governmental organizations and the local population, will contribute a sharp increase of the recognition of Georgia in the global tourism market and increase the competitiveness of its tourism industry to a qualitatively new level, which determines the prospects for the further research.

**Keywords:** *tourist resource, tourism industry, competitiveness, international tourism, tourist market.*

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### COMMERCIALIZATION of HEIs' RESEARCH RESULTS: PROSPECTS AND PROBLEMS

#### *Abstract*

The current stage of the leading countries development is characterized by the transition to an information society and by the formation of information economy. In such conditions the special role in the national economy development is played by the sectors capable of generating new knowledge and ideas with the possibility of their commercialization in industry. First of all – the higher education sector (universities, institutes, academies, research centers). Urgent problem of modernization of the Ukrainian higher education system is the lack of funding. It causes the necessity of development of the effective mechanisms for diversifying the funding sources of the higher education institutions (HEIs). Nowadays is increasing the demand of the innovative enterprises for scientific, technical and innovative products; thus is growing the interest to the theoretical and applied aspects the intensification of the commercialization of HEIs' research results. The activation of commercialization processes at HEIs would allow: to implement effective motivation mechanisms universities' scientists; reduce the number of outflow of scientists abroad (“brain drain”); to update the material and technical base of scientific laboratories and research centers; to form the proper staffing of the commercialization offices at universities (marketers, lawyers, accountants, economists, patent attorneys, etc.); to intensify the applications to international patent offices; to expand cooperation of subjects within the Qudruple Helix (“higher education sector - business enterprise sector – government sector – private non-profit sector”).

**Keywords:** *higher education; funding sources; higher education institution; commercialization; transfer; information economy.*

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**HISTORICAL-LOCAL RESEARCH  
OF THE REGION (ADJARA)**

*Abstract*

Use of materials in the history of Georgia In the content of the teaching The perception of the country's homeland starts with the study of their own village, district, city, and therefore the study of the history of the country should be based on their thorough exploitation. This is the purpose of the presented work, which is due to the significance of the importance of teaching Georgian history to the students youth patriotic, moral-aesthetic and national spirit.

The history of the Adjara according to the individual periods is considered in the paper, in which is shown a chart with a list of the monuments of material culture of different epochs of Georgia, And the second is shown by local (Adjarian) historical-local materials of the relevant period

Any region of Georgia gives the teacher the opportunity to enrich the teaching material with its historical past and present day, that is the material which will help to boost student cognitive activity and awaken patriotic feelings. This is the best way to get acquainted with the material culture monuments, revive the memory of the historical heroes and study and analyze the material obtained from archaeological excavations

Taking all of the above, we tried to present the material of the region in the chronological order, which will enrich and enhance the history lectures.

To illustrate the history of cultural monument I will take the history of Gonio Apsarosi

One of the most important monuments of ancient Georgia is Gonio-Apsarosi, which is repeatedly referred to by the Roman and Byzantine authors (Plinyus, Arré, Dorothea Troupe, Epiphane Cypriot, Procopius Caesar).

The tourist traveler Evelias Ceyl gives us interesting information about Gonio, which notes that Gonio Trabzon was in Batumi dynasty of Valais.

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The Italian missionary de Castel worked in the I half of in XVII century and left the photos (illustrations) of Gonio Fortress.

Apsarosi's new name comes from the end of the XII century, the first it was used by writer Khazi Kalpa

The Gonio Fortress was the residence of the king of Kakheti Teimuraz I (1606-1610) who was refugee by Shah Abbas. When we talk about Gonio-Absaros, it should be noted that in 1974, when the road to Gonio's fortress was located, the golden treasure was discovered, most of which are kept in the Adjara State Museum.

I think that the material will be interesting for the students to think about that Georgia is having a great historical past.

*Keywords: Antique, Apply, Gonio, Lore, Treasure*

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**KNOWLEDGE MANAGEMENT AND CONCEPT  
OF ORGANIZATIONAL DEVELOPMENT**

*Abstract*

The widest invasion of innovative economics in the lives of companies has increased the scope of competition and slowly decreases the life cycle of the companies that can't develop the news or misinterpret them. Practice demonstrated the gradual nature of the new economy, the first phase of which was given the technology capital (material asset), providing companies with processes and management automated systems, and the second phase is enhanced by increasing demand for non-material assets.

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Under the knowledge-based economics, companies are becoming increasingly important for intangible resources, which are knowledge and intellectual capital. Nowadays, the role of human capital and their professional competence is increasing to ensure the development and sustainability of companies. From the activities of the companies, it becomes clear that the share of “invisible capital” In value of Companies products and services is increasing.

But how to use this phenomenon in companies to ensure continuity and sustainability of the chain of knowledge distribution(acquisition, use, transmission) is not yet understood.

The purpose of the present article is to study the knowledge management problems and present the conceptual model of development of organizations based on analysis of the factors that affect them.

***Keywords:** Knowledge Management, Innovation, Changes, organizational Development*

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**ALIGNMENT PROBLEMS BETWEEN  
MARKETING AND REALIZATION STRATEGIES IN THE  
MODERN CONDITIONS**

*Abstract*

Under conditions of the modern economy, most of the modern companies are trying to customize their realization strategy according to market demand, marketing should in turn promote realization of the key strate-

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gy - formation and stimulation of the demand. Considering the fact that marketing is a complex process of formation of the value added of the company, it is noteworthy that marketing activity is a complex task that involves maintaining dynamic equilibrium between the company's internal resources and external requirements. Ideological conflict along with other problems prevents marketing functioning – the conflict is among marketing (customer and market orientation), production (which primarily puts forward priorities of production) and realization (which one is major, marketing or realization tasks).

The purpose of this work is to research and analyze alignment problems and perspectives of the company and at the same time issue recommendations for the relevant figures. This issue is important to the market so far as it will facilitate active companies to take into account the existing problems and to stimulate realization process with the correctly defined perspectives.

In order to achieve the goal, the paper covers literary analysis from sources such as Scopus, WOS (Web Of Science), Google Scholar, etc. The process of finding alignment problem importance and its solution is based on different researchers' work, since the success of any enterprise is derived from the collaboration of marketing and marketing functions and free exchange of ideas, since it is impossible to serve the client well when you serve blindly.

Alignment between marketing and realization is potentially the greatest opportunity for businesses to improve their activities. When sales and marketing teams combine their efforts toward the same goal-to maximize profit, they increase ROI (Return on Investment), productivity of the realization and become more efficient in general. The main task of the business establishment is to maximize profit based on the sale of goods or services, for which constant perfection of processes is necessary. From marketing point of view, this task concerns improvement of marketing distribution channels - the advancement of comfortable conditions and transactions for the final customer.

Based on the discussion above, we can conclude that there are a lots of details involved in the alignment process, such as common goals, matrices, business processes, investments in business technologies. However, the first and the most important - communication. Establishment of effective

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cooperation between marketing and distribution is one of the most pressing problem and is considered as the promising perspective in their development process.

*Keywords: alignment, realization problem, marketing perspective, sale stimulation, marketing cross functional collaboration*

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**FORMING STRATEGIC INVESTMENT ATTRACTIVENESS  
OF REGIONAL-SECTORAL SUBSYSTEMS MACRO-BASED  
CLUSTER APPROACH**

*Abstract*

Existing approaches for the strategic development of transport complexes within the individual regions can not effectively enough to realize not only developed the program and the concept of development, but also inhibit the formation of the overall investment climate in these areas due to the peculiarities of the functioning of the sector - performance of the transportation process within several territories and various modes of transport. The cluster approach for the formation of a strategic investment attractiveness in the macro-based help to solve most of the problems and give an impetus for new development.

*Keywords: Existing, strategic, modes, investment*

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**THE ROLE OF COMPENSATION AND STIMULATION IN  
ECONOMICAL WORK OF A FIRM**

*Abstract*

In the article is given that, in the development of the modern economy, staff is the basis of each organization. The members of organization create production, inner climate, and organizational culture and so on. Work organization and staff management is quite difficult process. The important place, in the work of the firm takes the compensation of employed workers and stimulation. Stimulation must be directed to increase the volume of production, to broaden an assortment, to rise the technical degree and the quality of a production by foreseeing scientific-technical progress. For one's part, qualities and effective working increases the profitability of the production, which gives possibility to stimulate additionally the material interests of employed workers. Managers must consider, that human factor is one main determinate of the organization's success on market in conditions of the competition.

***Keywords:*** *development, economy, progress, organization*

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**THE INFLUENCE OF THE ESTONIAN  
MODEL OF INCOME TAX ON SMALL BUSINESS  
ACTIVITY ON THE MODERN STAGE: THE STAGE OF  
GEORGIAN TRANSFORMATION TO EU**

*Abstract*

The article deals with the impact of adoption of the Estonian system of Profit tax on business development in Georgia, the challenges of integration formation and tax press on economic activity, as well as the estimation of the effect of the Estonian model on production capacity.

The article discusses the tax system and the importance of taxes, tax burden and their role in the formation of the tax policy; the prospective of the Estonian model of income tax and the way of perfection of income tax in Georgia.

**Keywords:** *Tax policy, tax burden, tax revenue, small business, EU, Georgi*

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**THE IMPACT OF STAKEHOLDERS ON THE  
SUSTAINABLE TOURISM DEVELOPMENT**

*Abstract*

The last decades have shown that the “traditional approach to business” has caused a further decline of the already unsustainable situation. For more useful results, researchers support to use joint approach in the organizational management, planning and development processes (ex. Healey 1998; Wahab & Pigram 1998; Bramwell & Sharman 1999). According to the general opinion, joint work can bring significant benefits, and there is a clear consensus that involvement of various stakeholders is vitally important to solve the a multidimensional issue in a holistic way. If we analyze these opinions, turns out that various groups or stakeholders should take part in planning and development and process of making decisions on various issues.

We can say that nowadays sustainability is a necessary prerequisite for any difficult managerial decisions. Who will make these decisions and how will they be carried out significantly influences the possible direction of development.

It is well argued that the stakeholder management is a useful framework that can lead to adoption of sustainable tourism (McKercher 1993). If we analyze the principles of sustainable tourism, the strong emphasis is made on the need of stakeholders participation, more specifically, it is focused on multidisciplinary dimension of the interaction and coordination between the groups with different interests.

**Keywords:** *Tourism, Sustainable Development, Stakeholders, Tourism Policy*

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**DEPOSIT INSURANCE GOALS AND  
PREDICTABLE RESULTS**

*Abstract*

The existence of a deposit insurance system for countries of the world is an important part of the banking sector. The deposit insurance system is of great importance for strengthening the reliability and stability of the banking system. The study of the timeliness, adequacy, macroeconomic and financial sector of deposits is especially important for developing countries such as Georgia.

Different models of deposit insurance have one goal-to take into account bank interests and rights of their clients. The means of achieving the goal are quite different from each other, In some countries, insurance of deposits are compulsory, in some cases voluntarily. Deposit insurance is also made by state organizations, in some non-governmental sectors, as well as tariffs. The main objective of discussions in deposit insurance is the incentives that should be included in the contribution system. These incentives refer to all interested individuals with small and large depositors. Every stakeholder in the deposit protection system must see its benefits, it is also important that in the first years of operation of the Deposit Insurance System, the bank's membership process in this system. Obviously, the introduction of a similar system will burden the bank's payment and every bank will not be able to solve the problem quickly.

As the goal of introducing the Deposit insurance system in Georgia is to obtain depositors' trust and avoid bankruptcy banking, our goal is to determine how the system fulfills its purpose within three months of its enactment.

**Keywords:** *deposit insurance, commercial banks, financial sustainability.*

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**ATTITUDE OF HOTELS TO RELATIONSHIP MARKETING IN  
THE CASE OF BATUMI HOSPITALITY MARKET**

*Abstract*

Relationship marketing is a form of marketing that attracts customers, retains them and enhances their satisfaction. Historically, tourism and hospitality marketers have put more emphasis on attracting new customers, but in the last few decades, the idea of nurturing the individual relationship with current and past customers has received greater attention. Most marketers now accept that it is less expensive to attract repeat customers than to create new ones and this is basic concept behind relationship marketing. The key outcome of all relationship marketing efforts is to make individual customers feel unique and to make them believe that the organization has singled them out for special attention.

Improvement in technology and innovation in loyalty programs have made it much easier to deliver on the promise of greater probability form reduce customer attraction. In order to build relationships with customers there are a number of steps that companies need to follow. In world practise hospitality companies use retention strategies to encourage relationship marketing.

The purpose of the article is to analyse the attitude of hotels to relationship marketing in the case of Batumi hospitality market. Different types of hotels represent in Batumi hospitality market. International hotel chains, such as the Sheraton, the Hilton, and the Radisson could make Batumi city popular and attractive destination among international tourists. These international brands generally use loyalty programs to retain and satisfy their customers. The research work involved Georgian hotel brands to find out and analyse their relationship marketing strategies and loyalty program tools.

**Key words:** *Relationship marketing, loyalty programs, hotels, consumer retention strategy, Batumi hospitality market*

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### PRIMARY HEALTHCARE AS THE MAIN COMPONENT OF HEALTH PROMOTION AND CONSUMER NEEDS PATIENTS' NEEDS IN PRIMARY HEALTHCARE

#### *Abstract*

Primary healthcare with its function is the main component of promoting and improving the health of the population. Primary healthcare system today offers accessible service to the population of the country, with different privileges for people with different needs. However, the outpatient direction still needs significant improvement in order to achieve the ultimate goal - universality, with the help of a continuous and person-oriented approach. During organized primary healthcare, citizens are less likely to address second or third level hospital sectors. Accordingly, the total cost of healthcare is reduced. Obviously, it is much cheaper and easier to avoid disease or eradicate it at an early stage. Therefore, the outpatient sector is important in the development of the healthcare system. Study and analysis of patient satisfaction from the point of polyclinic direction give a basis, that this field will offer a service suitable for patient's demands.

**Keywords:** *Primary healthcare, Patients' satisfaction, Healthcare system, Healthcare costs, Satisfaction influence rank, Quantitative research*

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### **IMPROVING ISSUES OF THE COMPANY'S MISSION FORMATION**

#### *Abstract*

Establishing the mission of the company is a very actual problem in modern conditions. The company's mission is always individual, and the very mission distinguishes one company from others and grants it some peculiar characteristics, gives an action plan and shows the ways of development.

The purpose and the tasks of the work are to demonstrate how necessary it is for each company to define and work out the mission correctly in modern conditions. Also it should be noted that the mission for the company is not permanent and it changes from the environmental conditions and challenges.

While doing the research I used the method analysis and observation. The study has shown that those companies which formulate their mission in the right way and understand its meaning are more future-oriented and are prospective to develop.

The ways of solving the problem can be as follows: A well-proved, well-formed mission is one of the most valuable managerial elements for the company:

1. It creates the views of high-level managers related to the company's long-term plans and prospects;
2. It reduces the risk factors for close vision management and wrong decisions;
3. It expresses the objectives of the organization and encourages the staff to do their job well;
4. It assists medium-sized managers to set out goals, objectives and aspirations of the departments, to suit the policy of each department in conjunction with company policies and with the direction of development;

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5. It facilitates the preparation process for the company's future;  
The companies which have well-established mission and have formulated it in the right way, are oriented on development and will certainly succeed.

*Key words:* company; strategy; mission; manager; Staff.

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## **DIGITAL MARKETING AND ITS ROLE IN BUSINESS DEVELOPMENT**

### *Abstract*

Digital marketing has had a huge impact on people's lives and has dramatically changed their performance in time and distance. His driving force is commerce. Success of commercial activity in an environment, such as an investment, can only be determined by the interests of business users. To this end, it is important to know who they are, what are the needs, desires, models of behavior and other options. Digital marketing can be considered as a digital infrastructure management.

Digital marketing has had a huge impact on people's lives and has dramatically changed their performance in time and distance. His driving force is commerce. Success of commercial activity in an environment, such as an investment, can only be determined by the interests of business users. To this end, it is important to know who they are, what are the needs, desires, models of behavior and other options. Digital marketing can be considered as a digital infrastructure management.

Thus, the role of digital marketing today is very high for business success, so companies should take into consideration the following problematic issues in the digital space:

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1. If the company does not transfer its business to the Internet, its competitors will do this;
  2. What functions and complexity should not be the site, it should have an effective design;
  3. Site optimization and implementation of correct content marketing;
  4. Customers may like the social media side of this company, but this will not give the company the result if the company's market makers fail to provide effective communication.

So, if we take into consideration the existing trends, we can make such a conclusion that only companies in the electronic business have a chance to develop and succeed, which will occupy an important place in the Internet, and those who can not do that will be disappearing from the ground. The role of digital marketing in Georgia is lower than in high-income countries, and is therefore easier to detain those entanglements that will have more success in the near future.

**Keywords:** *Digital Marketing, Digital Infrastructure, Content marketing, Search engines, Network economy, Site Optimization*

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**GEORGIA'S OPEN ECONOMIC MANAGEMENT  
PROBLEMS UNDER GLOBALIZATION**

*Abstract*

Under the globalization of the global economy, Georgia develops an open economy that is difficult to manage with its partner countries' economies with foreign trade, financial, scientific, technical, political and social channels. Successful management of the open economy of our country is associated with many economic problems that our country can not solve independently, without active cooperation with the rest of the states.

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Under globalization, the Georgian authorities must adopt such a macroeconomic policy that will contribute to high level of national economic interests. In order to achieve this goal, many leverage of open economy management (trade policy, revenue distribution policy, monetary policy, budget policy, etc.) among which the government can choose the most favorable economic instruments. The use of each leverage changes the level of efficiency of open economy management.

During the development of an open economy management mechanism, the focus should be on securing macroeconomic stabilization, which is related to the analysis of economic balance problems - regulating the production, employment and prices of the entire domestic product. The correct mechanism of state regulation of the state economy is required for proper prognosis of real income and prices.

**Keywords:** *Open Economy Management, Trade Policy, Revenue Distribution Policy, Credit Policy, Budget Policy*

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**CONCEPTION OF CORPOERATIVE SOCIAL RESPONSIBILITY: PROBLEMS AND EVALUATION**

*Abstract*

The present article reviews dynamic in development of the conception of corpoerative social responsibility, problems of its evaluation and change. After analyzing the evolution of corporative social responsibility and modern model of “social state new methodological approaches are suggested for evaluation of economic and social development through continuous wellbeing of man and society. The article also reviews main approaches to change of corporative social responsibility at the microlevel through the quality of life and continuous wellbeing of man in an organization and the indicators

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of evaluation of contentment by work and complex evaluation of quality of working life.

***Keywords:** corporative social responsibility, change, economic and social development, measurement, methodology, wellbeing of society, corporative social policy, quality of life.*

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**SOME ASPECTS ABOUT REASONABLE AND EFFECTIVE  
USE OF NATURAL AND LABOR RESOURCES**

*Abstract*

The paper deals with the main directions, means and ways to improve the economic potential of the country. The focus is mainly on the scientific study of human and natural resources and some of their effective use. It shows the importance of SMEs in the employment of human resources, reduction of emigration processes, improving demographic conditions and increasing economic potential of the country.

It is also noted that the efficiency use of human resources in the country is still low, which, of course, has a sharp impact on the economic situation.

The focus is on the negative impact of banking-credit policy in the development of SMEs and the improvement of the living standards of the population.

It is also analyzed that the government attempts to make the regulations for improvement of the conditions of the mountainous regions, but there are some errors.

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The paper states the conditions and motivations why businessmen tend to trade more than the long-term investment in entrepreneurial business, which can bring great goodness for both themselves and the country. There are some possible ways of investing in agricultural and fossil wealth-in processing industries.

**Keywords:** *Human Resources, Innovation, Management, Investment, Credit.*

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**ANALYSIS OF THE POSSIBILITIES OF SUPPLY OF LABOR  
RESOURCES ON THE BACKGROUND OF DEMOGRAPHIC  
CHARACTERISTICS**

*Abstract*

Labor resources define the potential of the country's labor market and workforce. The role of the formation, distribution and use of labor resources is increasing in recent years. It is of particular importance to correctly assess the labor potential of the individual region, the development of regeneration and regional peculiarities in the context of such characteristics as the demographics.

Recently, the comprehensive crisis has reduced catastrophic resources for the demographic growth of the Autonomous Republic of Adjara. The rate of mortality has deteriorated sharply, threatening the natural growth of labor resources. This was accompanied by the development of intensive emigration processes which significantly worsened the quantitative and qualitative indicators of labor resources. In addition to the incentive, intensive labor emigration developed, unemployment, employment became ineffective, the level of living, the poverty, the deterioration of the workforce, the critical situation faced by the prospects of social-economic development.

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In such circumstances it was necessary to search and analyze the postulates that would link each other with the reproduction of labor resources and the demographic characteristics, such as: Differentiation of Mortality-Mortality-Diseases-life expectancy, as the main components of population dynamics. The focus of the study is on their interactions, which makes the issue even more relevant.

**Keywords:** *reproduction of labor resources, democratization characteristics, mortality and disease.*

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## **VITICULTURE DEVELOPMENT STRATEGIES IN IMERETI REGION**

### *Abstract*

Reforms in Georgia, the country's transition to a new stage of development requires a wide use new methods of marketing research. By means of these methods, it is possible in certain areas, to gain the maximum positive effect.

The companies which are in any market are interested in success. The companies try to use all the potential to become the largest players of the market, getting as much as possible profit.

Grapes represent one of the most consumed goods both in Georgia, and in the Imereti region. Nevertheless, according to consumption per capita, the market of the Georgian grapes is a little lower than level of consumption of grapes in the European countries.

Development of the Market is possible if the companies working at it offer clients an opportunity fully to satisfy their interests.

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Therefore it is important that the producer knew whether the buyer is satisfied with the products acquired by his enterprise. For this purpose I consider that it is expedient to enterprises to analyze periodically opinion of consumers on grapes which they have brought, and then to develop concrete strategies, concrete comments and offers.

*Keywords: grapes, Imereti region, tradition, advertising*

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**INTERNAL AUDIT IMPORTANCE IN CONTROL SYSTEM**

*Abstract*

It is of great importance for any country to organize the internal control process in public governance. That's why the European Commission's Directorate General Budget Directorate has been interested in working hard to create a new concept for those countries in the Middle East who are seeking to join the EU. This concept was created on behalf of the "State Internal Financial Control System - PIFC" and has played a major role in improving internal audit organization issues in Georgia and implementing European standards and significantly contributes to increasing public trust towards the internal audit.

It is necessary to constantly evaluate the internal audit organization system, deficiencies and positive sides in public governance. Determining the role of the audit in public administration and researching the problems related to the control mechanism.

It is necessary to promote the establishment of corporate governance in public governance, which in turn leads to the rapid introduction and development of innovations. At the highest level, internal control should be

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carried out, which combines an integral process of supervision in the institution, which allows risk assessment and management in public services.

*Keywords: internal audit, control system, public governance,*

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**PRACTICAL ASPECTS OF THE INTERNAL  
ORGANIZATIONAL COMMUNICATION**

*Abstract*

The essential condition of the normal development of a human, as a member of person and society, is a relationship communication, as a complicated system of interconnections. On the above mentioned, we can underlie John D. Rockefeller's opinion, that: "I'm ready to pay more to buy the ability of this relationship, than in any other kinds of goods".

On the modern stage, it's the most important the role of communication in the management process of organization, because, organization where communication is effectively organized, is developed much faster and it's more efficient, flexible and it's able to adapt to the environment changes easier. All these stipulate the competitiveness of the organization.

In the article, The main object of the practical aspects of organizational communication in the company is to study and analyze of bilateral effective communication between manager and individual person, between the group of employees and the whole company. In the organization, manager will carry out to provide the management functions through the staff, because of which, manager plans, organizes, manages and motivates the employees by using an instrument-information of relationship between employees.

In order to achieve the goal, the objectives, to be carried out, is to study: means of communication in the company and to use them properly in the

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communication process; Management of the changes in the organization considering the communication factors. Communication barriers and the ways of overcoming them, which are caused with misunderstanding or with other reasons between the participants of relations.

*Keywords: Business communication, bilateral communication, communications barriers.*

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## **MECHANISMS OF TAX CONTROL FOR THE DEVELOPMENT OF SMALL AND MEDIUM BUSINESS**

### *Abstract*

The perfect functioning of the tax control system is one of the important directions for ensuring stability in the country and improving the financial and economic situation. Tax control ensures the fulfillment of the managerial function of the state, its main goal is the creation of a comprehensive system of taxation and the achievement of a level of performance when violations of tax legislation are virtually eliminated. Tax control procedures are regulated by the Tax Code of Georgia, carried out only by the tax authority, all other controlling and law enforcement bodies are prohibited from monitoring the activities of the taxpayer. In addition, the government announced a large-scale reform, legislative amendments, which are more than 120,000 than an individual, then we are talking about a tax rate cut 5 times - from 5% to 1%, and includes 50,000 for the company's rotation.

In addition, tax liabilities (the value added tax) under long-term contracts will be canceled and auto dealers will be returned back to excise

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re-export. Overpaid value added will be refunded from 5 to 7 days. This change is accompanied by other administrative types of benefits that allow the attitude of entrepreneurs to tax institutes, the Revenue Service.

***Key words:** tax control; Current control; Tax audit; Small and medium businesses.*

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**GOVERNMENT EXPENDITURE POLICY AND THE  
ROLE IN DEVELOPMENT OF ENTREPRENEURSHIP**

*Abstract*

Government expenditure plays main role in every country's development. So it is important aspect as Georgia's economy as foreign countries economies. It is one of the main component of GDP. The main purpose of purchasing services and goods from the local markets by government institutions is the ability to supply society by public services and to reach main goals. Purchasing system has a great effect on effecting expeditors of government resources. It also shows society's attitude as to government as toward suppliers.

For effecting functioning of government expenditure system are important: juridical framework, development of institutional infrastructure, politician will of government and society, transparency of purchasing processes, arability of information for public monitoring and professionalism of involved parties. It is necessary to properly plan the government purchasing, organize purchasing procedures and make legally justified contracts. In addition, it is necessary to fully enforce the obligations under the contract by the parties.

The role of government expenditure is especially important in developing the country's entrepreneurship. The transparency and concrete en-

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vironmental process of the purchasing process will be directly effect to the revenue of private companies according government expenditures.

**Key words:** *Government expenditure policy, institutional infrastructure, Entrepreneurship.*

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**MONETARY POLICY'S CRYPTOCURRENCY CHALLENGE**

*Abstract*

*Scientific and technological progress* has become one of the most important factors in the development of human society. The increase number of Internet users and the development of information technologies facilitates permanent renewal of goods and services. So, cryptographic currency the result is the that was created at the modern stage of the long history of money development.

Information Technologies have great influence on the economy. Despite the fact that the European Union sets out the rules for the *business* practices and supervision of *e-money institutions* since 2000, the formation of virtual currency and its growing popularity created new challenges to central banks.

The purpose of the article is to analyze the effect of virtual money on central banks' monetary policy. Consequently, the paper discusses official documents created for the regulation of these processes, as well as the creation of cryptographic currency, its classification, functioning scheme and the characteristics of payments. The focus is on the decentralized structure of cryptographic currencies and the challenges that are being supervised by the official agencies due to lack of control mechanisms.

The paper is based on both qualitative and quantitative methods of research. Content analysis of legal documents has been used, statistical data

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and practical examples. Research methodology of the paper includes analysis of materials related to the study topic, processing primary and secondary information.

***Keywords:** Monetary policy, central / national bank, cryptographic/digital currency, electronic money, legal regulation, blockchain, bitcoin.*

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## **DIGITAL TECHNOLOGICAL ADVANCES AND THEIR INFLUENCE ON THE MONEY-SETTLEMENT SYSTEM**

### *Abstract*

In the modern Economy, which is characterised by to many challenge and uncertainty, with investors, it is difficult to decide in which currency makes the investment and do the saving. More critical is digital money – Bitcoin, with the main attraction, is the speed of transactions and warranty of anonymity.

In work mainly talk about the theoretical-methodological basis for the settlement system. In a particular way, we have described a modern method of payment and their importance, legal regulations and legislative basis for organising cashless settlements, as well as the role of cashless settlement in the economy.

Particular attention is paid to the innovations introduced in this system, namely, the virtual cryptographic payment tool - Bitcoin. We have studied its advantages, advantages and disadvantages compared to other payment instruments. We have also studied the approaches and attitudes of various developed and developing countries concerning this innovation and have

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recently reviewed and researched the current situation in Georgia - what is the future of Bitcoins in the Georgian settlement area.

**Keywords:** *Settlement System, Cryptocurrency, Bank, Bitcoin*

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**CRUISE TOURISM DESTINATION DEVELOPMENT  
IN GEORGIA**

*Abstract*

Cruise tourism is one of the most popular and fastest growing segments of the international tourism market. It is a labor-intensive and capitalized sector combining different types of tourism such as recreational, leisure, sports, cultural and other. Cruise includes not only the water transport with the variety of entertainment on cruise liner, but also the coastal excursions, port of calls sightseeing tours.

The Black Sea Region has the best potential for cruise tourism development. The Black Sea region cruise tourists can visit six countries with unique culture and precious historic monuments. Nevertheless, global cruise companies consider the Black Sea region not as an independent region but as a part/continuation of the Mediterranean cruise.

According to the data of 2014, the market was affected by Russia's actions, causing instability in eastern Ukraine. This means that the demand has fallen on the Black Sea cruises, at least in the short term. The events of

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June 2016 were added to the attempted military coup in Turkey and cruises on the Black Sea had been stopped by the cruise lines for a few years.

The Black Sea region, at this stage, suffers from the uncertainties caused by many conflicts.

Therefore, the Black Sea region cruise tourism destinations are dramatically influenced by economic and political instability.

***Key Words:** Cruise tourism, instability, port of call, international tourism market, sightseeing tours.*

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## **THEORETICAL BACKGROUND OF INNOVATION POLICY AND ITS IMPORTANCE FOR ECONOMIC DEVELOPMENT**

### *Abstract*

Over the past several decades, the importance of innovation policy in economic development and growth is under discussion in a number of countries around the world. Thus, the main purpose of this article is to start discussion on this topic in our country. To achieve the objective has been identified some tasks, such as: analyze economic theoretical schools in terms of innovations; study an indicator Research and Development; separate the main characteristics of the innovation policy; R & D forecast. In order to accomplish the objectives of the article there have been studied some parts of the literature on innovations and innovation policies.

The article presents an overview of economic theoretical schools and their dependences on the importance of innovations in the economic development of the country. Analysis begins with the views of classical economical school, and continues with the views of neo-liberalism and institutional economical schools. The focus is on research and development. R&D statistical data in 2006-2012 for Georgia is restored and its future development

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forecast is made by using appropriate statistical instruments. The focus is on the basic characteristics of economic policy.

In parallel to the development of economic theoretical schools, the ideas about innovations were developed. It deals with several cases and not just a certain one. It includes the introduction of a new product / process; Also introduce a new method of production; Opening a new market; New sources for raw materials; Entry of new organizations in the specific industry. In the process of writing innovation policy it is necessary to pay attention to all three types of existing policies, such as: Mission-oriented policy, Invention-oriented policy, and System-oriented policy. These policies require to set of a relevant instruments that are necessary to be divided into demand and supply.

In order to implement innovation policy it is important to create relevant structure in the country that includes the representatives not only from the government sector but also from business and academic parts. Despite the fact that in 2006-2012 we did not have R&D data for Georgia, there were used the imputation method to fill the missing data and determine the appropriate trend and make a forecast that allow us to make positive conclusions. The necessity is to study Georgia's potential in the framework of innovation within the entrepreneurial sectors, which need improvement and have an ability to operate in market very successfully.

***Keywords:** Innovation, Innovation policy, Economic development, Research and development, Trend, Forecast*

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## **SOME ISSUES OF VEHICLE TRANSPORT INSPECTION MANAGEMENT**

### *Abstract*

There are discussed notions of vehicle inspection station , their environmental factors, expected threats and ways to prevent it; State support

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and experience of foreign companies, some key issues of inspection management. The article also examined the technical inspection of the vehicle on the examples of LTD Diagnostic-Adjara, which is vehicle inspection station; Atmospheric air condition in Georgia; Air pollution statistics; The situation in Georgia of vehicle inspection issues.

***Key words:** technical Inspection, Atmospheric air pollution and harmful substances, diagnostics, technical inspection in German, technical inspection in the USA, technical inspection in Japan.*

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**COMPETITIVE PROBLEMS AND THE DEGREE  
OF BUSINESS FREEDOM IN GEORGIA**

*Abstract*

The business plays a key role in the economic development of the Georgia under the market economy condition. It can be declared that business is the engine of the market economy, since it provides a sustainable economic growth, focusing on the mitigation of the poverty and inequality.

The role of business in the economic development of the country can be defined as following: Creation and distribution of wealth; Creation of jobs; Balanced regional development; Growth of gross domestic product and per capita income; Improvement of welfare; Export Promotion; Community development.

Business environment in turn has a significant impact on the country's business development, including the problems of competitiveness and the degree of business freedom. Therefore, researches on problems associated with business competitiveness and degree of freedom is very actual and legitimate topics.

In order to assess the business environment in Georgia it was used the criteria developed by the International Institution and the reports published by them. In particular:

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The World Competitiveness Index. The World Competitiveness Index has been defined by the World Economic Forum since 2005. According to the report, country productivity level is determined by its competitiveness, which is the combination of separate institutions, factors and policies. The more competitive the economy is, the higher incomes and welfare there are, and the most importantly - the coefficient of recovering investments

According to the Global Competitiveness Index (GCI) published by the “World Economic Forum 2017 -2018” Georgia dropped down by 8 positions and ranked on the 67, out of 137 countries (with 4,3 points).

The most challenging situation is observed in the field of innovation and development (the 112th place, 3.2 points), and the most alarming situation is innovation sector - the 118th place, with 2.8 points. The component of the market volume is also low - the 100th place, with 3.1 points, and the highest education and training component - the 87th place, with 4.0 points. Technological readiness – the 70th place, healthcare and primary education 89th place, infrastructure 68th place.

The business subjects participating in the World Economic Forum revealed the most problematic factors, such as: Inadequately educated workforce, accessibility to finance, inflation, low levels of working ethics in the national labor force, lack of innovation ability and other3.

Economic Freedom Index (Heritage Foundation). Economic Freedom Index has been established since 1995 by the United States’ largest research organization - The International Foundation “The Heritage Foundation “. Economic freedom index evaluate the economic freedom of 180 countries annually by quantitative and qualitative components.

According to the 20174 report which included researches from June 2015 to June 2016, Georgia had lowest point in section of the protection of private property (551 points, 77th place), and financial freedom criteria (60 points, the 39th Place). While the highest score assigned in the International fiscal Freedom Criterion (93.5 points, 5th place).

In the section “Protection of Property Rights” Georgia has unfavorable position5 (55.1 points, the 77th place. In 2016 this figure was 40 points), which is primarily due to the low quality of judiciary’s liberty and the low progress of reforms implemented in this system.

The situation is critical in the “government spending” component (74.4 points, 68th place), which is due to the fact that government spending was

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29.2% of GDP, while the budget deficit was 1.4% of GDP, while State debt was 41.2% of GDP.

Doing Business Rating. Part of the World Bank Group annually publishes the “Doing Business” ratings. It represents quantitative indicators on the right to business regulation and ownership protection. The report investigates those regulations, which either enhance or delay business activities. The report published in 2017 includes 10 economies indicators out of 190.

Georgia holds the 16th position amongst 190 countries according to the mentioned rating [6]. However, this indicator has notably worsened in comparison to 2013 (9th place).

The “Doing Business” report[7] published by The Ministry of Economy and Sustainable Development of Georgia, states that the results have been achieved through the improvement of institutional reforms and regulatory environment implemented in the country. Important references have been named:

- Reduction of the number of licenses and permits;
- “Single Window Concept” and “Silence Gives Consent” were created for licensing applications;
- With Simplified Tax Code, only 6 taxes are remained out of 21 taxes;
- Required time and cost have been decreased for registering property.

Despite the fact that Georgia has a fairly good position (the 16th place), this figure has dropped in compare to previous years (in 2010 - the 13th place, in 2012 - the 12th place, in 2013 - the 9th place and in 2014 - the 14th Place). As the data shows there are also worsening tendencies almost in every component.

The other issue is whether the country and population interest is protected in making decisions on the improvement of separate components of the rating (permits on construction, ownership registration, receiving credits and etc.) Another research aspect concerns short-term and long-term effects.

In conclusion, we can say that The Research, which is based on a variety publication issued by the different international institutions, shows the following:

- In the field of business development in Georgia, there are such hindering factors as: inadequately educated workforce, accessibility to finance, inflation, low levels of working ethics in the national labor force, lack of innovation ability and other.

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- During the last few years, the Government of Georgia has implemented number of reforms, which have made some contribution on improvement of some indicators of the country's competitiveness. However, overall, the reforms are not adequately reflected on the international level. Therefore, in the light of the rational processes, it is crucial to implemented systemic reforms.

**Keywords:** *Market economy, business, competitiveness, world ratings, economic freedom*

<sup>1</sup> <https://www.weforum.org/reports>

<sup>2</sup> <http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/>

<sup>3</sup> <https://www.weforum.org/reports>

<sup>4</sup> <http://www.heritage.org/index/country/georgia>

<sup>5</sup> <https://www.heritage.org/index/country/georgia>

<sup>6</sup> <http://www.doingbusiness.org/rankings>

<sup>7</sup> [http://www.economy.ge/uploads/ek\\_ciprebshi/reitingebi/reitingebi\\_geo/Doing\\_Business\\_2017\\_-\\_GEO\\_8.12.pdf](http://www.economy.ge/uploads/ek_ciprebshi/reitingebi/reitingebi_geo/Doing_Business_2017_-_GEO_8.12.pdf)

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**ENTREPRENEURSHIP IN GEORGIA IN THE PROCESS OF  
REGIONAL ECONOMIC INTEGRATION**

*Abstract*

The main economic and political aspiration of Georgia is the integration into the civilized world in the light of globalization and deepening the integration processes of the world economy. In spite of the difficulties and pressure from foreign forces, Georgia has made quite confident steps towards the integration into the world economy. *Georgia has Free Trade Agree-*

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*ments with the European Union, “the European Free Trade Association”, CIS countries Turkey and China.*

In fact, any country’s primary goal in the integration process strives to increase the volume of the foreign trade and to create favourable conditions in order to attract the direct foreign investments, since the development and growth of country’s economy, is largely dependent on those factors. Thus, the involvement in the integration process should have significant impact on the business development and improvement of the macroeconomic indicators, along with other important positive effects.

Consequently, establishing the comprehensive free trade agreement between Georgia and the European Union<sup>1</sup>, as well as visa regime liberalization with the European Union<sup>2</sup>, should have a positive impact on the entrepreneurship in Georgia.

Therefore, it is important to find out the consequences of the integration processes on business development in line with current status of economic development of our country.

In order to assess consequences of the integration processes on the business, the main economic indicators have been analyzed. According to the National Statistical office of Georgia<sup>3</sup>, the data<sup>4</sup> on ***the main economic indicators of entrepreneurship*** indicates that the growth rate of registered enterprises have low stable tendency (5-6% per year). It should be noted that in 2015 the growth rate was decreased compared to 2014 (2015 - 6,6%, 2014 - 5,5%). In fact, the growth rate of employees is significantly low. In particular, in 2014 the grow rate of employees compared to the previous year was 7.5%, in 2013 only 5.8% and in 2012 - 6.4%. Considering this basic economic index, it can be concluded that the impact of strengthening integration processes has not been reflected in any form on the business development.

In light with euro integration processes as well as “Deep and Comprehensive Agreement between Georgia and the European Union”, it is crucial to justify how these processes and the above-mentioned agreement will reflect on the development of agriculture and its neighboring sectors. According to The National Statistical Office of Georgia<sup>5</sup>, which demonstrates ***the number of enterprises registered in Georgia in terms of business types***, shows that the general trends of economic activity for specific types of busi-

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ness are characterized by equal trends of grow. In particular, in the last five years, individual sectors have been characterized by equal and stable tendencies of grow. While the Free Trade Agreement with the European Union mainly covers the products produced in agriculture or its neighboring sectors to make free access to the EU's richest market. The data also indicates that the number of registered enterprises in the field of agriculture, hunting and forestry has experienced minor changes in the last five years (annual growth of an average 0,9%). The same situation is with "fishing, fisheries" (annual increase of 0.1%). Unfavorable situation is in education sector (annual growth is 0.5%). The highest growth rate is in "trade, repair of household goods and personal consumption", where the growth rate is 21,9%, although it is difficult to argue how trends in the growth of the sector are generally connected to the deepening of integration processes or free trade Agreement with the EU.

Based on The National Statistical Office of Georgia<sup>6</sup>, *the statistics of registered enterprises by the region*<sup>7</sup>, shows that majority of the registered enterprises come from the capital of Georgia, Tbilisi (approximately 43-44%) and in some regions it is alarming (Guria (2,5%), Mtskheta-Mtianeti (1.8%), Racha-Lechkhumi and Kvemo Svaneti (0.8%), Samtskhe-Javakheti (2.8%)), which indicates that the largest volume of business activity (therefore, the population!) is concentrated in the capital city, Tbilisi. In addition, all regions are characterized by stable growth rates, that were reflected on the sectoral structure of the country's economy, which indicates that no changes have been detected in terms of balancing economic development in the processes deepening of integration.

According to The National Statistical office of Georgia<sup>8</sup>, it becomes clear that the majority of registered enterprises come from "individual entrepreneurs" (69.4%) and "Limited Liability Company" (28.8%). In addition, these two forms are characterized by different tendencies. Namely, the number of enterprises registered under the "Limited Liability Company" had the positive growth rate (in 2011, its share was 22.2% of registered enterprises, and in 2015 it increased to 28.8%), while the number of enterprises registered in the form of "individual entrepreneurs" decreased (in 2011 the share was 76.0%, and by 2015 it was 69.4%).

Regarding the statistics of enterprises registered by the forms of ownership - there is no clear change in the number, except the state owned enter-

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prises. The number of such enterprises was 1826 units in 2011, decreasing to 1393 units by 2015.

Research on the *main trends of entrepreneurship development* in Georgia shows that the country has not been able to effectively exploit the possibilities of involvement in the integration processes. Lastly, it can be concluded:

Despite the fact that the country is trying to deepen integration processes, this process cannot be positively reflected on the main trends of entrepreneurship development. That is why we need to find ways to increase the efficiency of integrative processes.

In the practical realization of the possibilities of deepening integration processes, the business sector should significantly contribute together with state structures. The State shall, together with other relevant measures, promote business awareness of new opportunities during integration processes, and the business must adapt to new environment and effectively use these capabilities.

**Keywords:** *integration processes, world economy, entrepreneurship, economic development, business development.*

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**THE CHALLENGES AND PERSPECTIVES  
OF GROWTH BUDGETARY REVENUES IN GEORGIAN  
SELF-GOVERNING CITIES**

*Abstract*

In the article, based on the latest literary sources and factual data, there is an important issue of financial science and economic life, such as prospective growth of budget revenues in Georgian self-governing cities.

Based on the consideration of existing structure of budgetary revenues of self-governing cities, it is established that self-governing cities are dependent on financial affairs on the central government. It is stressed that self-governing cities should regularly work on the introduction of new types of revenue, which will significantly increase their budget revenues, which in turn will give local authorities the opportunity to implement important projects.

It is highlighted that one of the most important tasks of the state government is to implement effective transparency policy in the country, which should ensure fair resource financing, competitiveness and competitiveness between separate regions.

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It is reasonable to note that one of the most important problems in budget planning is the optimal distribution of financial resources, separate sectors and spheres that are mobilized in the budget, aimed at maximizing rational and efficient use of limited financial resources. It is advisable to determine certain priorities by self-governing entities in this direction and then divide and redistribute budget revenues according to these priorities, as proper planning determines the full potential of the current potential and achieving real results.

***Keywords:** budget revenues, transfers, grants, taxes, fees, Tax fees, tourist fees, transfer policy.*

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## **THE IMPACT OF MACROECONOMIC INDICATORS OF PUBLIC FINANCE ON ECONOMIC GROWTH IN GEORGIA**

### *Abstract*

In the article there is macro-economic indicators of the country according of the year discussed and analyzed. Special attention is paid to the problems related to the performance of the 2015 budget parameters, revenue as well as expenditure parts. It is focused on the subjective and objective factors (inflation, currency devaluation , economic growth, etc.), that became reason of revision of 2015 budget. Based on these findings, financial-economic indicators in the period of 2016 is analyzed and particular recommendations regarding performance of 2018 budget is proposed taking into consideration shortcomings of the previous year.

Ultimately, it is considered that the economic recovery, performance of the state budget, to a greater extent will depend on the state management policy.

***Keywords:** Budget, Economic Growth, Macroeconomic Indicators, Devaluation, Inflation.*

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**TRENDS AND PROSPECTS OF TRANSITION TO HOLISTIC  
MARKETING IN GEORGIA**

*Abstract*

In recent years, actively developing new trends in marketing is revealed, among which are important from concentrated marketing to holistic, same as transition to one department. Unified (holistic) marketing is an approach that allows companies to recognize and balance the different competences and difficulties of marketing activities. The concept of holistic marketing is based on the development and planning of marketing programs, processes and activities. It recognizes that everything is important in the marketing system and it is often necessary to have an integrated approach. Unified marketing combines four components: communication marketing, integrated marketing, internal marketing and socially responsible marketing.

It should be noted that Georgian companies are still not aware of the role and importance of general marketing, in particular, holistic marketing, although some of them are actively involved in this process. Currently, some companies in Georgia are actively using holistic approach methods. By holistic approaches, company management strives for permanent development, oriented towards maximizing customer satisfaction and best solutions by introducing latest technologies and innovations. It is noteworthy that the service is already very successful in the country market.

**Keywords:** *Holistic marketing; One Unit of Marketing, Holistic Approach, Components, Marketing Concept; Communication, integrated, internal and socially responsible marketing, company management, technologies and innovations.*

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**PRESSING ISSUES ON ACCOUNTS RECEIVABLE  
AND PAYABLE ANALYSIS**

*Abstract*

One of the primary ways to improve sales and to develop business is to increase credit sales, in other words, to extend the terms of payment. This, in effect, increases the risk on nonpayment, which represents accounting loss that could materialize in bankruptcy. Therefore, it is necessary to develop effective system of accounts receivable management, which mainly depends on its current analysis and prognosis.

Account receivable analysis should focus on the following aspects: evaluate the nature of receivable, predict the probable amount of receivable, implement sound credit policy, determine aging of receivable and develop matching mechanism between accounts receivable and accounts payable.

On one hand, lenient credit policy creates more work for the firm because it has to analyze its customers, conduct aging and, subsequently, increase firms' expenses. However, strict credit policy has its drawbacks as well. The primary disadvantage of strict credit policy is the loss of customers, which will also reduce revenue.

The following conclusion was formed: the increase of turnover period of accounts receivable and inventory and the reduction of turnover period of accounts payable causes the reduction of cash and cash equivalents. Furthermore, the reduction of the turnover period of accounts payable and inventory and the increase of turnover period of accounts payable causes the increase of cash and cash equivalents.

***Keywords:** Accounting, Accounts Receivable, Accounts Payable, Credit Policy, Liquidity Management*

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### THE STUDY ABOUT GASTRONOMIC TOURISM AND GASTRONOMIC TOURISTS ISSUES

#### *Abstract*

**Introduction and Goal:** The process of globalization has changed the world, a lot of things change with tourism, especially in gastronomic tourism. The food is changing and the trapeze culture, rituals and attitudes that are one of the characteristics of the nation's identity, are facing extinction. The majority of nations are constantly trying to use the natural, historical and cultural resources to maintain their identity. In this context, it is possible to successfully develop the gastronomic tourism capabilities. It is linked to the recent "gastronomic boom". Based on the topic's relevance, we have tried to briefly describe gastronomic tourism and who is the concept of gastronomic tourist, its importance in the country's economy and culture.

**Theoretical and methodological basics of the research:** The theoretical and methodological basis of the thesis is the contemporary Georgian and foreign scientific works on gastronomic tourism issues, expert evaluations, materials of international conferences dedicated to gastronomic tourism issues, historical and other sources.

**Results and Implications:** Based on the research we have determined the concept of gastronomic tourism, studying its various forms. The concept of gastronomic tourism has emerged in modern times and requires a careful study. The reflexive moment which is one of the most important points in this area, is very evolving, so the scientific part should show more activity towards the topic of tourism, economics and culture.

**Conclusion:** Understanding the gravitational tourism as an important tourism business and the study of current events in the global world will help to develop gastronomic culture, maintain the identity of the nation,

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promote gastronomic tourism and enhance the economy of the country, something Georgia has the resources to accomplish

***Keywords:** Gastronomic Tourism, Gastronomic Tourist, Gastronomic Culture, Trapeza - The process of eating meals.*

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## **TOURIST DEVELOPMENT PROBLEMS IN GEORGIA**

### *Abstract*

Today Tourism is one of the most dynamically developing areas in Georgia. If the country has the opportunity to develop the tourism industry, then it increases the large, medium and small sized businesses interests to try to work out in the tourist market. Another factor to consider is the fact that tourism makes closer people with different nationality, creed, religion and culture (with the positive impact). Therefore, it cannot be only considered as the field of economics, but also as the socio-cultural civilized format. All the developed and developing countries of the world, which have more or less opportunities and chance to develop, are interested in tourism progress.

Tourism has become a field of social infrastructure in the world that significantly determines the level of socio-economic development of some countries. The importance of tourism is especially important for the revival and development of today's Georgian economy, which is distinguished by its unique potential and diversity.

Caucasus has its important place among 34 "Hot Spots" of biological diversity identified on earth. Georgia is considered among 200 global eco-regions identified by the World Wildlife Fund (WWF). Several animal and

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plant species spread in Georgia are included in the Red List of Georgia and Red List of the International Union for Conservation of Nature (IUCN) (N. Paresashvili. 2014).

According to the data of 2017, the majority of domestic visitors visited Tbilisi (26%), Imereti (18.5%) and Adjara (12,6%) on the second place. With regard to expenses incurred by domestic visitors, average monthly expenses incurred by internal visitors amount to around 158 million lari (costs are different according to seasonality and peak reaches the third quarter when the average monthly rate is close to 260 million lari). The largest share of expenditure comes on nutrition, shopping and transportation.

Tourist infrastructure implies improper donation and quantity (especially in regions) of facilities. It is necessary to promote the development of both guest and family guest houses. We think that it is necessary to pay attention to the regions where visitors' flows exist and the demand prevails. For example: Khevi, Khevsureti, Tusheti, some districts of Kakheti and others. The problem is exacerbating the absence of three-star low-cost international hotel networks in these and other areas. It is unfortunate that in recent years the number of hotels has significantly increased in Georgia, but most of them, especially in regions, do not meet international standards .

Just as in any field, as well as in tourism is even difficult to implement-format an effective management system. Given the fact that tourism is an integrated socio-economic system and it is quite difficult for managers to make effective decisions, even in the selection of its staff. The staff has direct contact with customers. Therefore, the staff chosen for tourists creates a picture of the ideals and mentality of the country.

Therefore, eco-tourism, as well as other types of tourism are still actual in Georgia. Tourism needs more support to use its full potential. One main promoting factor can be developing tourism destination management, including understanding importance of stakeholders and their cooperation.

**Keywords:** *Tourism, infrastructure, International standards. Socio-cultural factors, effective management systems*

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## **CLASSIFICATION OF TOURISTS EXPENSES ACCORDING TO RECOMMENDATIONS OF EUROSTAT**

### *Abstract*

The most important direction for tourism statistics is tourism and expenses that include tourism value assessment, which is necessary to assess its influence on the national economy, including the balance sheet, as well as the description of tourism industry sectors. It is therefore necessary to define the classification of the expenses, which is a necessary indicator of statistical study of tour expenses.

#### **What kind of cost is considered a tourist**

Tourist expenses include the expenses of goods and services purchased during a tourist trip, regardless of whether they are purchased or for others. This includes both the expenses incurred by tourists, as well as the expenses paid or paid by others. Travel costs exclude acquisitions that benefit benefits to the visitor. All individual goods and services that the National Accounts System considers to be a part of tourism expenditure may be the use of goods or services. In addition to the expenses incurred by the visitors and the goods, tourist expenses include: The expenses incurred by the employer on the traveling goods and services of the employee; Visitor's Cash Flow financed by third parties, expenses incurred by the visitor for individual services, secured and subsidized by government and NGOs in education, health, art and other fields; Small expenses incurred by employees employed by travelers and their families; Additional expenses incurred

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by the visitors, mainly covered by the manufacturers of the sport or cultural events.

It is necessary to examine the type of expenses that the tourist can travel while traveling, but not the tourism expenses. For example, taxes and liabilities are covered by any type of expenses, including expenses incurred when traveling or traveling, to purchase financial and non-financial assets, purchase of goods for sale, all kinds of money in cash, such as charitable organizations or other individuals Because they do not comply with the purchase of goods and services.

*Keywords: tourist, expense, classification, service, accounting*

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**FORMATION OF LABOR MARKET IN GEORGIA  
IN ACCORDANCE WITH DEMOGRAPHIC AGING**

*Abstract*

**Introduction.** The labor market is one of the driving forces of the market economy. Labor market guarantees the replication of labor power in accordance with law and supply and demand principle. Demographical processes affect the quantity and structure of the labor power. In Georgia, demographic aging has a negative effect on the quantity of the labor power. Demographic aging of the population is an up to date problem nowadays. Demographic aging is increasing a share of elder and old people in the total amount of population. It is considered to be a natural event. There could be allocated to main factors of the demographic aging: the decrease in mortality (the growth of expected lifespan) and birth rate. If the birth rate is low, the amount of people of retirement age and an average lifespan is increasing. According to the data of Georgia in 2017 birth rate in every 1000 person equals to 14.3, which characterizes the tendency of decrease. Average life

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span in Georgia in increasing and equals to 73.5 years for 2017. Another factor affecting the aging of the population is the migration of employable people outside the country.

**The aim of research.** The aim of research is to find the impact of the demographic aging on the labor market; discover the purposes and results of demographic aging.

**The Methodology of research.** Qualitative, quantitative and abstractive-logical reasoning and statistical methodology will be used for this research.

**Conclusion.** Georgia is in an active phase of demographic aging. The law degrees of a birth rate, increasing of migration outside the country, increasing of the lifespan affect the demographic aging. Statistical analyzes make clear that with the increase of the overall number of Georgian population, the number of elder people increases and the number of employable people decreases. Demographic problems negatively affect the quantity of the working market and formation of the Labor market in general.

***Keywords.** Labor Market; labor power; demographic aging; statistics of the labor market; demographic statistics.*

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## **THE TREND OF CHANGE OF REAL ESTATE MARKET PRICE IN GEORGIA**

### *Abstract*

The Thesis deals with institutional and economic reforms implemented in Georgia since the 1990s, which have had a significant impact on the formation of real estate market prices in different periods of time. Economic-economic reforms are mainly reflected in the overall level of well-being of society, but there are also minor shortcomings, which is why regular

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research in this direction will enable the country to identify the appropriate economic policy and strategy.

**Keyword:** Inflation, Gross Domestic Product (GDP), Real Estate Market, Price change tendency, Real Estate Index

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### ROLE OF RELIGIOUS AND SCIENTIFIC EDUCATION IN THE EDUCATIONAL SPACE

#### *Abstract*

Formation of the value system of the rising generation is the most important concern of the society. It is currently the most actual and, you could say, painful problem of mankind in our country. What function may be exercised in this direction and how possible is it in teaching process?

It is generally recognized that the only intellectual education has brought no good to the world. Existing of a complete individual, a full-blown family or society is impossible without emotional education and formation of a value system. The value system is a decisive matter.

Debates about values and their definition are continuously conducted in public. It would be good if the great part of society come to any agreement in respect of acknowledgement of the kind of value system as a support of our identity and moral guideline for the future generations.

What do morality and moral value mean? To wide extent, the concept of “breeding” includes education and teaching. But when we use this concept in narrow extent, we mean such kinds of breeding, as mental, moral, esthetic, religious aspects of education.

A human being shall know, what is good and what is evil to make correct decision. Wise and clever man will not commit evil. We can consider conduct good and just, as conduct may be really just and kind or its acknowl-

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edging as good and just is favorable and convenient. How a human being gets knowledge of good?

Since their childhood people were always suggested the idea that religion conflicts to science, although they really supplement each other. The axioms making basis for science, mean belief. Belief cannot exist without knowledge, as a human being shall know what he believes in. Science cannot be sociable with belief without religious education.

The aim of research is whether teaching of religion in schools, colleges or universities is admissible or not? What does religious teaching includes? How the different religions shall be taught?

Nowadays there are the attempts to make an amoral conduct normal, so we oblige to breed in people spiritual sense of phenomena to enable them properly reply to challenges of the time: first, we shall protect human being's soul, psyche and internal nature (the Catholic - Patriarch of all Georgia Ilia II, 1998-2007; 156).

The researches clearly prove that there is the only way: we shall manage to develop in young generation the immunity towards all negative and immoral and create a stable moral basis. Nowadays the relations between family, school and religion is extremely required, as first of all just family and state shall shun moral danger. We are obliged to care of future of nation, if we intent to built a developed democratic state on moral basis.

*Keywords: religion, education, science, moral values*

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**LOGISTICAL ASPECTS OF THE  
CREATION OF UNIFIED INFORMATION SPACE FOR  
SMALL AND MEDIUM COMPANIES**

*Abstract*

The effort of the companies working in the Georgian market in different economic and sectoral direction to achieve high-quality monopolization is still remaining as a main challenge of the Georgian economy. As a result, we receive non-competitive goods and services in relation to the similar foreign goods and services. International practice and experience prove the only way to increase competitiveness is to produce good and create service by using innovative and new technologies, that can take place in the international markets. In this direction effective use of the information resources in terms of formation and management of processes is a priority in the countries with developed innovative economic.

The presented scientific paper deals with:

- Logistical aspects of the creation of unified information space for small and medium enterprises, which means to increase the availability of information flows to the companies work in small and medium business;
- Existing problems with information supports for small and medium companies;
- Stages of implementation of logistical information systems in enterprises and companies;
- The processes of creating a unified information field for enterprises and companies are analyzed.

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***Key words:** Information space, information logistics, small and medium enterprises and companies, information technologies*

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**OPTIMAL PLACEMENT TASKS OF  
TRANSPORT-LOGISTICS CENTERS IN GEORGIA BASED  
ON CLUSTERING ALGORITHMS**

*Abstract*

The selection of optimal options of placement of transport-logistics centers around the country (In this case Georgia is considered as a unified Transport-Logistics Center, so-called HUB), as well as in its different regions is an important task for all types of transportation. To solve real tasks in this direction leads to create the mathematical algorithm with a certain complexity.

The transport-logistical centers' mathematical apparatus for optimizing replacement based on cluster model is analyzed in the presented scientific article:

- Based on specific geospatial parameters (placement of roads, railroads, ports, stations and other transport infrastructure), the task of the logistics center optimization is determined;
- Minimization of the distribution of total volume of transportation is selected as a criterion for replacement of centers; For this purpose, the cluster model of object division is used;
- A large number of enterprises with their container centers are represented as a cluster;
- The new model of clustering by the principle is offered: It is necessary the place of cluster centers to be located in ports and railway freight stations;

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- The possibility of using such models of cluster development algorithms is examined;
  - The quantitative selection methods of logistics centers (clusters) are discussed by generalized economic indicators - expenses on shipping.

**Key Words:** *transport, logistical center, cluster, mathematical model, algorithm.*

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**POST-NON-CLASSICAL SCIENCE AS THE CORNERSTONE  
OF FUTURE RESEARCHES**

*Abstract*

Proper usage of the post-non-classical science and generally modern classification of scientific formation and development acquires a special importance at the current stage of scientific research. Recently, taking into consideration the ideas, proposed by the scientific society, formation of post-non-classical science presents the modern stage of the science formation, preceded by the periods of the non-classical and classical sciences. Seven centuries old classical science is based on the mechanical picture – period of the world, when the perception methods and perception of the world is considered as a one mechanism. Its main principle is to bring down the difficult events to the mechanics and explain their physical causes. The XIX century and first part of XX century are deemed to be the period of non-classical science, the main particulars of which are presented by relativism in the process of the world description; Non-classical science completely excludes the reductive method of research and it uses metaphysical absolutiation of the relativity and the contents of cognition as a basic approach. Post-non-classical science is a modern stage of science formation

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which takes its origin in the 1970s. The origination of it was conditioned by trans disciplinary approach, which became the main method of expanding scientific outlook in the second half of the 20th century. The characteristic example of post-classical science is synergetic – interdisciplinary direction of science, explaining the creation and self-arrangement of structures and models in such open area, which does not adhere the thermodynamic laws, which keep balance of the universe. The main conditioning factor of formation of the post-non-classical sciences became the global problems caused by the rapid scientific-technical progress, it became clear that science not only explores the development of the universe, but also is one of the factors and results of its evolution. “Unity paradigm” is formed to be as a main principle of the modern post-non-classical sciences during the last 50 years, according to which the Universe, biosphere, noosphere, society, a human being, etc., represent an “other unity” that seeks to create a general scientific picture of the world based on the principle of universal evolutionism. Post-non-classical sciences approach is the main means of formation of the modern research and scientific opinion; accordingly, correct its correct application and understanding should become a cornerstone of the scientific research.

**Keywords:** *post-non-classical science, synergy, transdisciplinarity, “classical paradigm of knowledge”.*

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## **REGULATORY ISSUES OF AUDIT IN GEORGIA**

### *Abstract*

Contains discussions around accounting and financial reporting, regulatory issues of audit and methodological aspects. Implementation of audit service and quality assurance, legal basis for government supervision and responsibility in these fields are reviewed. We can assume that activating a new law and using it in practice will improve the process of composing and presenting financial and management accountancy which will on its part, help improve business environment.

**Key Words:** *financial accountance, international standards of : financial accountance, international standards of audit, accountance management.*

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### **NEW MODELS OF PUBLIC ADMINISTRATION FOR INDICATORS OF INNOVATION IMPLEMENTATION**

#### *Abstract*

The beginning of the XXI century almost for all western countries was marked by the search and introduction of the new models of public administration. The implementation of innovations was caused by the inefficient use of taxpayers' money, the decline in quality of services provided to the population with [the simultaneous](#) enlarged scope of public sector, instability of economic and social development, internationalization and globalization of processes of development, worsening of corruption, sharp decline in population confidence in the state and bureaucracy for its inability to be flexible and operational while making decisions, the increase of dataflows and technologies etc.

Consequently, the aims and directions of innovations were centered on the important issues in relation to: the boundaries between public and private sectors; policy and management; combating corruption; reduction in expenditures on the state apparatus; planning of state institutions, that would meet special needs and interests of citizens; the provision of balance between centralization and decentralization; the efficient collaboration with numerous formally autonomous and functionally independent organizations that make up a public sector; measuring effectiveness of the state bodies activity; duties and responsibility of civil servants with respect to accountability and ownership.

These defined problems of theory and practice of public management were brought to the forefront and generated serious discussions among specialists and politicians both at the end of the XX and at the beginning of the XXI centuries. Every country searched for its own ways of solution to the problems. At the same time the efficiency of introduction of innovations

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(reforms), taking place in western countries depended on many criteria, including cultural, legal, historical and political ones.

On the whole, by the nature and contents of innovations in the field of public management, we can conditionally distinguish the two groups. The first group is «Anglo-Saxon countries» (Great Britain, the United States, Australia, New Zeland, Ireland), which can be characterized by the prevailing culture of negotiations and agreements, rationalism and aspiration for the economic efficiency of public management, the developed local self-government, as well as by the large political influence of the public. The second group comprises «Continental countries», that in turn can be divided into three sub-groups.

We will try to define the general indexes of introduction of innovations in the public management of different countries. The first mutual characteristics is that almost all governments agreed on partial or radical reduction of the public sector apparatus. Though it was done in different time and with different intensity.

The second one is the attempt of introduction of market mechanisms, institutes and options in organization and activity of state institutions, in particular the principles of economy, competitiveness, efficiency and effectiveness.

The third index was the aspiration to change relations between a civil servant and acitizen, to promote the confidence of citizens to the state and its executive structures. The development of the system of services, the increase of their quality, the provision of their availability became one of main tasks of reforming the public management.

The fourth general tendency is the transition to decentralization and deconcentration of the state-administrative structures and functions. These innovations resulted in the increase of independence of local authorities and the increased number of subjects that execute previously traditional state functions. In this respect there is the change in relations between the different levels of management: national, regional and local to the benefit of the last two. Whereby considerable attention is paid to the development of local self-government.

The fifth one also included alteration of the mechanisms of making administrative decisions and realization of the state policy by the means of the increase of the mobility level of public structures and functions, the development of their adaptive ability to correspond to the constantly chang-

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ing environment, the emergence of the innovative culture and creating the orientation on the developing strategy and policy.

The sixth mutual direction was the improvement of mechanisms of accountability and control over the activity of public structures, organizations and civil servants with the increase of freedom in their activity. In the wide sense the considerable part of supervising powers was passed to the level of public, that stipulated the formation of new relations between central and local authorities and civil society. As the result the relationships with public transformed into one of the basic constituents of activity of public organizations and their officials.

The seventh was the attempt to improve the criteria of estimation of activity of civil servants and state organizations, directing them toward effectiveness, but not toward the activity or the amount of actions.

In general, the innovations in the activity of public administration, implemented in the developed countries of the world, allowed to make the public administration and public sector more sensible to economic conjuncture, more competitive and economic. Moreover, responsibility and accountability of state institutions before citizens, granting the participation of the latter in the process of making and realization of policy, remain the topical problem for many countries.

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## **THE HISTORY SHIPPING COMPANY OF GEORGIA AND ITS ROLE IN THE MARINE INDUSTRY DEVELOPMENT**

### *Abstract*

Historically, Georgia is a maritime state of the Mediterranean and Black Sea basins, due to its geographical features and the role of international relations. On January 20, 1967, the foundation of the Georgian shipping company was laid

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The headquarters of the shipping company were housed in Batumi where the hotel “Leo Grand” is built today. Clearly the main material-technical base of the shipping company was the fleet. Following the collapse of the Soviet Union, Georgia had an ocean fishing fleet, fishing farms in Poti and Sokhumi; And most importantly, Georgia’s shipping company, which included about 60 different tonnes of dry trucks, tankers and cruise ships - were worth hundreds of millions of dollars including floating means. In the case of the right management of the maritime service, Georgia’s budget will have only a few billion dollars in earnings from this direction. Today, this huge property is destroyed.

How can this be corrected? Georgia is the owner of an international transport corridor and can obtain the right of transferring 50% of the freight cargo in its territory, which will in turn lead to the necessity of establishing a trade fleet. There are specialized maritime funds, which are funded to build ships with preferential conditions. After 5-6 years the ship will redeem itself and remain in state ownership, and its operation period is 20-22 years. Thus, with the help of international financial institutions, Georgia’s own trade fleet will be created that will serve transportation of transit cargo.

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**THE ACTUAL PROBLEMS OF COMPULSORY  
INSURANCE OF AUTO OWNER’S CIVILIAN  
RESPONSIBILITY AND WAYS TO SOLVE THEM**

*Abstract*

The most important problem of insurance for civilian liability of auto owners to decide whether how this vital form of insurance is mandatory and

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how it will ensure the financial security of the public through reducing the risks arising from risks of liability. At the same time, the actual problem is a limitation of bonuses and insurance in order not to impose a compulsory form of insurance for the public. Compulsory insurance is essential to enhance the sphere of responsibility and reduce the frequency of risks in the future.

The essential problem is that there is no full registration of road accidents in Georgia. In most cases, the participants of the accident are based on personal negotiations with regard to the outcome of the traffic accidents without supervising or informing the authorized authorities. Accordingly, registered traffic accidents do not reflect 50% of the real rate. Moreover, the survey conducted showed that 80% of the population think only 25-50% of the traffic accidents are registered, or about 50-75% remain unrecognized.

Because of the car accident can be accompanied by a bodily injury, death and damage to property, it is necessary to compare the frequency of general accidents as well as the analysis of the most important factor, the death rate. There are relatively new data in Europe as well as in Europe. It should be noted that, along with data innovation, this information is more accurate than the traffic accidents. Recognizing the death of a person in European countries and among them is also carried out by the Civil Code by the Court. The Law on Civil Acts in Georgia, Chapter VIII regulates that within 5 days after the death of the medical certificate should be given to the Civil Acts Registration Authority (Law of Georgia on Civil Acts No.5562). Consequently, the accounting and the reasoning of the deceased provides accurate data.

The second task of the research was mainly aimed at researching the readiness of the public towards this aspect of insurance. Also, establish whether or not the liability insurance coverage will be increased. The survey involved 125 randomly selected Imereti regions, 46% of which are compulsory in the subject of compulsory insurance and 60% agree with the obligatory form of insurance of civilian liability insurance. As regards the opinion of the respondents why MTPL insurance is not mandatory, most of them think that insurance premiums will be a burden to the public. However, it is necessary that premiums should be adequate to the level of income and subsistence level of society.

**Keywords:** *insurance, compulsory insurance, auto transport, civil responsibility.*

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### CHALLENGES OF PROPERTY TAXES TO THE ECONOMY, HOMEOWNERS AND THE GOVERNMENT IN USA

#### *Abstract*

Property tax refers to the ad valorem charges imposed on various properties in a given economic jurisdiction by the governing authority. It is charged on the market value of the assets in a specific financial year as guided by the tax rate. This paper will elaborate on the forms or types of this tax and the adverse implications it has on the economy, homeowners, and the government. It will focus on the distinct characteristics of the property tax and point out the demerits of the associated with each one. Property tax is deemed as unpopular and inefficient across the globe due to its demerits and shortcomings. The document will elaborate on irregular appraisals, taxation of unrealized capital gains, inequitable administration, the lump-sum payment nature, implementation and administrative challenges, politicization, and tax burden and incidence of property tax in the context of its disadvantages to homeowners, government, and the economy.

Property taxes in most political and economic jurisdictions are subjected to frequent reappraisals that create massive anxiety among owners of assets such as houses, land, and other movable objects. The real concern is caused by the rapid and unprecedented increment in the taxation charges per year. In an economic perspective, the government suffers losses in terms of lost taxes from failure to conduct frequent and regular intervals. Systematic reappraisal of property tax enables the government or local authorities to have sound taxation policies guided by the amount of taxes collected. This is a standard procedural principle across the world that defines proper tax laws. In comparison to fixed-rate taxes, property taxes offer a misunderstanding and complication to both the citizens and the authorities. This is mainly because property tax is understood shallowly and the average citizens fail to comprehend how it is operated.

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The identification of the ultimate payer of the property tax reveals that different entities pay for it. Property tax incidence is subject to multiple variables and their interrelationship. The determination of the final payer of the tax is majorly ascertained by having the knowledge of the body mandated to levy the tax.

Property tax is a major contributor to the revenues of government across the world. However, it has numerous challenges to owners of assets or capital, government and the economy at large. The shortfalls emanates from wrongly crafted laws, narrow understanding of the implementation framework, undue pressure from the political sphere, and nature of the prevailing economic conditions. However, the improvement of all the noted points result in efficient administration of the tax with favorable implications to all parties.

***Keywords:** property tax, real estate, tax burden, tax policy and the economy*

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## **STARTUP AS A NEW BUSINESS MODEL FOR INVESTOR ATTRACTION**

### *Abstract*

In recent years all over the world, more and more often there are young fast growing business enterprises - startups. Steve Blank, a successful entrepreneur, a founder of startups and a lecturer, claims that the startup is a temporary company looking for a scalable, renewable, and profitable business model.

Regularly new companies with innovative ideas and products take their place in the business sector in the form of startups. These enterprises are actively spreading, and the number of those who want to create their own

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startups is constantly growing all over the world. In addition, there is a growing number of potential investors, as well as business incubators and accelerators involved in the support and development of these enterprises. In this regard, the actuality of the chosen topic for study increases in the economic society.

In the world as a whole and in each individual country there is a certain number of successful startups, however, a large proportion of entrepreneurs are failing. Among their problems can be identified incorrect identification of the startup, as well as unsuccessfully selected model of its management. In addition, entrepreneurs often incorrectly determine the life stages of the startup or the corresponding actions. The driving force for the startup is its team with a goal-oriented and proactive leader.

For life and development startup requires a certain leadership traits and skills, but more important is ability to perform the founders of different roles depending on the stage startup.

The characteristic features of the startup are temporality, innovation, rapid growth and uncertainty. Also typical startup has their own life cycle as any «new product» is divided into stages of creation, production startup, growth and management, expansion, increment and possible exit from the startup. However, most investors agree that the main factor in the development of the startup is a team of its founders These are people who develop startup from the stage of the idea to the operation of the company. Leaders must choose the methods of managing the company in connection with a certain phase of the business life cycle.

Due to the correct ability to create and learn how to manage a start-up, you can attract a real investor and improve the economic situation of an individual enterprise, regional and the country as a whole as well as meet the socio-economic needs of the population.

**Keywords:** *startup, business model, investor, management leader, development*

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**PENSION REFORM IN GEORGIA**

*Abstract*

In the footsteps of human development, pension systems were developed, with the primary purpose of which was the replacement of the average income that came to the population during the working period, which would not worsen the living conditions. Therefore, the pension replacement coefficient has been measured to assess the pension system of each country. Since the day of Independence, the state base pension has been changed in different periods, but the change was not related to the so-called minimum wage, as far as the change in government changes. The economic crisis of the 90s has violated demographic stability in Georgia, as a result of this we have got a decline in the workforce and increase the ageing index, which is likely to grow in the future. Consequently, the economic interest of the population is of great importance. Many scientific articles, expert assessments, statistical studies are implemented on the pension system, although there are questions that can only be answered on assumption level. The primary purpose of the topic is to study the new pension model, review all of its payments and assess the system's future participants.

**Keywords:** *Pension; Replacement coefficient; Minimum wage Accumulative pension model.*

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### EFFECT OF EDUCATION ON INCOME INEQUALITY

#### *Abstract*

The world's population 1/8 live under the poverty line. This means that 767 million people can't afford fulfill their basic needs. The World Bank group's one of the main goal for 2030 is to promote shared wellbeing of the bottom 40% of populations in every country. Since 1990, about 1.1 billion overcame extreme poverty. This distribution of wealth between the world countries shows how bad picture we have. The result of this is high level of inequality, which increases gaps between social classes, mainly it touch low and middle class. If level of income inequality increase permanently, its means rich people become richer and poor people poorer, that's cause and increase level of poverty.

Education is one of the most important determinant for reducing income inequality and it is essential for social development of society. It is main component of construction of human capital. Investments in Education are expensive and we have result in long-term period. But this is the way by which we can reduce gap between social classes.

Therefore investment in education is seen as vital part for country's economic development and for distribution of income equally. In this paper we analyze level of income inequality in Georgia and its effect on Income inequality.

*Keywords: Education, Quality of Education, Income inequality, Georgia.*

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**ANNOTATION ESTONIAN MODEL AND TAX RISKS**

*Abstract*

Tax risk in the space of tax dealings represents the established category of economics. The theoretical part for appearing of the tax risks develops from non execution of requirements of the main principals of taxation that is more connected to the amendments of the legislation.

Coming from the mentioned one it is interesting to evaluate the establishment of Estonian model in Georgia. **Does the given model increase or decrease the tax risks?** That is why answering this question represents the actual task for the business subject. In my opinion there are some important aspects that have strong immunity for non developing of the tax risks:

The main amendment in tax code is that profit tax is canceled and enters the redistribution of the profit tax. According to the new model the deduction subject is under distribution.

Also under the deduction is given expenses and payments that are not connected to the economical business , giving goods for free or services or/ and transferring the monetary mean also the representative expenses that exceeds the amount determined by the codex. Expenses registration of each unit and declaration stays not understandable for the most of the enterprisers.

Also here must be given the type of companies on which the Estonian model spreads. The Estonian model enters Georgia not so that the previous one is canceled. There are some subjects that use the old version.

Monthly declaration represents very hard labor for small companies.

In advance for example is executed deduction of the credits and collaborations with offshore companies. In advance the credits and offshore overprices , legislation stimulates the capital assets that means main and circulatory means accumulation because it gave opportunity by full amortization for the sale year fully deduct the purchased fixed assets price (movable

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and immovable property). That is why the new model which also supports accumulation of the capital is probable to make differences in the decisions of the tax payers all of which will arise after reforms are applied. The evaluation necessity by market price among the parties having deals and offshore business overprices the tax obligation execution by the payer and tax administration expenses.

Last year payer who paid the profit tax in general regime or deducted the profit and showed 15% in budget including the last year if distributes the profit in 2017 , 2018 or other years must deduct already deducted one in dividend part.

Business had 6 month preparation period for transferring into new system and so be prepared for new issues. But it is very interesting if small and average business got prepared for all of this.

Reform stimulates the economical progress and the given results show the results but all of this must be accomplished in step way so to eradicate the errors.

**Keywords:** *tax, profit, risks, amortization, assets, tax system, declaration, circulatory means*

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**RISK CULTURE IN THE MODERN STAGE OF ECONOMIC  
DEVELOPMENT**

*Abstract*

Risk culture is an integral part of risk management. Risk management, as another management process is clearly regulated. Organizational structures, role, procedures, tools, models should be a harmonious mechanism, but it is not sufficient to adapt to a sustainable system of risk management and its constantly changing internal and external factors. Because in many cases the practice of life and the situation precedes even the most comprehensive and detailed regulations. That is why one of the ways to fill the gaps and vulnerabilities in the regulations is knowledge, values, principles and beliefs in the management of risks. The combination of these components (knowledge, values, principles and beliefs) in their entirety has received the name of the culture of international culture. At this stage, banks are at different levels of risk development.

In today's real practice, the organizational structure of the Georgian commercial banks is designed so that the risk management is being centralized and regional and financial structures do not need the communicative development of the values and principles of cultural culture, which we consider absolutely inadmissible. In the case of such a system of management, the personnel employed at the level of the region and the individual branch office do not require the competencies that the higher education is available. Therefore, we can not say that the culture of risks developed at an appropriate level.

**Keywords:** *Risk-Culture, Risk-Management, Economics, Bank*

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**GEORGIA IN THE RANKING OF WORLD LOGISTICS  
PERFORMANCE INDEX AND ITS ANALYSIS**

*Abstract*

The logistics efficiency dynamics in Georgia in recent years are analyzed in the presented article, and the reasons for the worsening of the effectiveness of the logistics system, in general, are discussed.

Considering the favorable geographical location, Georgia has the potential to become the main logistics hub of the Caucasus and Central Asia. Logistics and logistical systems for the development of Georgia's economy are crucial in both international and domestic trade. Consequently, creating an efficient transport and logistics system is one of the keys and essential factors in increasing the country's competitiveness.

Logistics sector is now recognized as one of the bases of the economic development. Given the geopolitical location of Georgia, it has a real chance to receive and sent the flow of more cargoes, which leads to increase in income and improved conditions for production and trade development. Development of logistical infrastructure has paramount importance for the development of Georgia's most promising sectors such as agriculture, manufacturing, trade, and tourism.

**Keywords:** *Logistic; Logistics Systems; Supply Chain; Logistic Performance Index; Transport.*

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**SPECIFICITY OF MANAGING SUPPLY CHAIN  
TECHNIQUES IN A GLOBAL BUSINESS**

*Abstract*

With the development of the country's economy, the importance of logistics and thus supply chain is increasing. Logistics has gone beyond the national boundaries of the states and in the last decade it has been actively developed international and transnational (global) logistics systems. These systems are encouraged to facilitate cross-border flow of information, goods, capital and people. The specialists recognize that long-term competitiveness of large corporations is based on their ability to unify dispersed businesses in the integrated system with the common goals and objectives and set up integrated supply chain strategy. Whereas an effective logistics system is important for domestic supply chain integration, it is absolutely essential for successful global sourcing, manufacturing and marketing.

The paper:

- examines the influence of the globalization processes on supply chain structure and strategies;
- differentiates the supply chain structures in the transnational corporations and businesses operating at the national level;
- compares and contrasts the different characteristics of global logistics and supply chains from the perspective of manufacturing focus, marketing strategy, delivery strategy, management strategy and human resource strategy;
- illustrates the difference by a generalized scheme and discusses the factors to be considered while developing supply chain strategy.

***Key words:*** *supply chain, logistics, supply strategies, globalization.*

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## **REGIONAL ASPECTS OF INVESTMENT POLICY**

### *Abstract*

Combination of targeted activities are meant under the State Investment Policy in order to create favorable conditions for all business subjects, to revitalize investment activities, to support economic growth, to increase production efficiency and solve social problems.

Regional investment policy represents a system of activities, which are implemented at the regional level or on other territorial entities and contributes to the mobilization of investment resources, establishing their effective and rational promotion directions based on the interests of the population and investors.

Nowadays according to structural disproportions in the economy, regional investment policy should be implemented combined with economic and administrative methods, while the direct regulation role of economic balance and achievement of financial or entrepreneurial sectors development may be reduced, and in case of necessity, it may remain maintained or strengthened.

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One of the main foundations for the economic development of any country or even for region are investments. For the active zone as an Autonomous Republic of Ajara, it is especially important to attract investments, and investments of government sector should be aimed at creating and developing infrastructure and capacities.

Of course, attracting investments and directing them in the real economy will undoubtedly increase the Gross value of the region; it can also help with proportional distribution of the active part of the population. It is also important how effective investment policy can be achieved, the correct selection of priorities and the orientation on the economic, social and fiscal sustainability growth outcome of the region. Therefore, it should be noted that not only the coastal area of Ajara Autonomous Republic is covered by the attention of the state or private investments in the strategic and optimal investment policy, but also the mountain investment potential is being developed, which can be a prerequisite of the socio-economic growth of the region and the welfare of the population in the future.

Therefore, it is necessary to accurately measure the criteria for assessing the investment situation in the economy of the Autonomous Republic of Ajara in order to form and implement an effective investment policy. Developing an adequate methodological apparatus and consistently using it (It is necessary to support agriculture in conditions of growing tourism, as a result to reduce the import level in this sector). The development of tourism, the construction sector and energy sector should be followed by the revival of traditional industries.

**Keywords:** *Regional investment policy, Investment resources, Private and state investments, Gross (Total) value added.*

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**THE HEALTH BEHAVIOR IN THE CONTEXT  
OF INNOVATIVE DEVELOPMENT**

*Abstract*

The imperativeness of Ukraine's innovative development exacerbates the contradiction between the need of increasing the competitiveness of individuals on the labor market based on the development of human capital, basis of which is the health resource, and low standards of health behavior, focused on saving money for maintaining health. The subject of the research is an analysis of the relationship between norms of health behavior and the level of innovative development of the country. The existence of a close relationship is confirmed and the character of dependence of the life expectancy on the level of innovative development in Ukraine and European countries is determined with the help of regression and correlation analysis, which confirms the significance of the effectiveness of human capital in the choice of behavioral health strategies. It is substantiated that the widespread unhealthy lifestyle of the population in Ukraine is due to the low level of innovative development, the lack of demand for human capital. The conclusion is made about the need to build an innovative economy, which will lead to an increase in the value of human capital and affect the behavioral health strategies.

*Key words: innovative development, health, health behavior, human capital, life expectancy.*

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