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## THEORETICAL AND PRACTICAL ASPECTS OF SERVICES DEVELOPMENT IN UKRAINE

**Abstract.** Becoming and development of market relations in Ukraine stipulate the necessity of improvement of control system by the service's enterprises, orientation of the management system business on the market conditions of economy, ability to quickly and flexibly react to changes in the market environment. It is worth noting that service sphere mostly develops in the process of society evolution. In particular, there is a visible increase in the employment in this sphere, an increase in the technically equipped labor, and introduction of more perfect technologies. It is impossible to achieve development of the services marketing without providing informative, financial, transport, insurance and other types of services. As services are an inalienable constituent of trading in commodities, the sale of a commodity requires a more developed network that includes both services provided during sales, and after-sales services. The distinguishing features of services, predefined by their nature, determine the specificity of the services market. A service is a separate link of the state economy with the aim of various services types recreation.

At the same time, the services market is examined as a sphere of services provision which is the function of the unproductive enterprises including trade, transport, financing, insurance, culture, sport, medicine, various mediation and other spheres. The following features of the services market are distinguished on the basis of theoretical propositions: specificity of organizing services production; specificity of the services provision process which is predefined by the personal contact of a producer and a consumer; high dynamic of market processes; territorial segmentation; local character; high capital circulation speed; high sensitiveness to the changes in the buyers' market; high degree of services differentiation; considerable branch and territorial differentiation; diversification; market services subjects mobility.

The authors analyze the most widespread definitions and classifications of «services». Here also presented the analysis of services imports and exports, as well as the volumes of services provided by the Ukrainian enterprises. Basic problem studied in the research is substantiation of national peculiarities and condition of services development in Ukraine, which is a methodological and practical basis for improvement of services market management of countries that move towards the European space.

**Keywords:** services; services market; sphere of services; export; import.

**JEL Classification:** M21

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**ТЕОРЕТИЧНІ ТА ПРАКТИЧНІ АСПЕКТИ РОЗВИТКУ СФЕРИ ПОСЛУГ В УКРАЇНІ**

**Анотація.** У статті розглянуто найбільш поширені підходи до визначення поняття «послуги» та їх класифікації. Виділено особливості українського ринку послуг з огляду на відмінність цього товару. Здійснено аналіз розвитку імпорту й експорту послуг в Україні. Визначено, що оскільки послуги є невід'ємним складником торгівлі товарами, то збут товарів вимагає більш розвиненої мережі, яка включає як послуги, що надаються під час реалізації, так і послуги післяпродажного обслуговування. Основна наукова досліджувана проблема – обґрунтування національних особливостей і стану розвитку сфери послуг в Україні, що є методологічним та практичним підґрунтям розробки шляхів і механізмів удосконалення системи управління ринком послуг країни, що адаптується до європейського простору.

**Ключові слова:** послуги, ринок послуг, сфера послуг, експорт, імпорт.

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**ТЕОРЕТИЧЕСКИЕ И ПРАКТИЧЕСКИЕ АСПЕКТЫ РАЗВИТИЯ СФЕРЫ УСЛУГ В УКРАИНЕ**

**Аннотация.** В статье рассмотрены наиболее распространенные подходы к определению понятия «услуги» и их классификации. Выделены особенности украинского рынка услуг с учетом специфики этого товара. Осуществлен анализ развития импорта и экспорта услуг в Украине. Определено, что поскольку услуги являются неотъемлемой составляющей торговли товарами, то сбыт товаров требует более развитой сети, которая включает в себя как услуги, предоставляемые при реализации, так и услуги послепродажного обслуживания. Основная научная исследуемая проблема – обоснование национальных особенностей и состояния развития сферы услуг в Украине, что является методологическим и практическим основанием разработки путей и механизмов совершенствования системы управления рынком услуг страны, которая адаптируется к европейскому пространству.

**Ключевые слова:** услуги, рынок услуг, сфера услуг, импорт, экспорт.

**Introduction.** In the time of the mankind evolution, scientific and technological advances, physical labor mechanization and automation, the rate of the service industries development accelerates and they become a key sector of the economy. Modern society cannot exist without a well-developed industry of services. The high level of dynamism and competition in the market among service industries requires effective management, which would provide them a competitive advantage.

Entrepreneurship in the field of services performs a particular function in the economy. The essence of this function is reduced to updating the economy, creating an innovative environment that leads to the destruction of traditional structures and opening the way to changes. It becomes a force which accelerates the movement of the economy towards efficiency, rationalization, thrift and constant renovation [1].

World experience proves that a fundamental element of becoming a post-industrial society is a sphere of services. Functioning of this sphere in each country is different. Each state takes specific steps to support the segment of the service sector that is relevant for the future. The country's specialization in certain types of services depends on the level of economic development. The study of the sphere of services in Ukraine at this stage is very important and urgent.

**Brief Literature Review.** In the scientific literature, theoretical and methodological bases of research of the sphere of services in the economy were laid in the works of such famous classical economists as F. Bastia, A. Smith, J.-B. Say, K. Marx, A. Marshall and others. Justification of the increasing role of the service sector in the development of modern economy is reflected in the works of such scholars as D. Bell, Z. Brzezinski, P. Drucker, C. Clark, A. Toffler and others. Selected issues of the market relations development in the services sector of a transitional economy are considered in the works of the following Russian and Ukrainian scholars B. Bazylevych, T. Blinov, Z. Varnalii, M. Voinarenko, A. Havryliuk, M. Dolishnii, G. Zhuravliov, V. Kozak, T. Koriahin, O. Koherha, V. Kutsenko, B. Danylyshyn, V. Proskuriakova, V. Novikov, A. Novoselov, V. Tikhomyrov and others.

The analysis of the published works, materials and discussions devoted to the study of this problem showed that there are still many unexplored theoretical issues and unresolved practical problems. To the authors' opinion under the conditions of the transformation processes in Ukraine's economy there remain unsolved the issues of service sector functioning as an economic development factor.

**Purpose.** The article is aimed at substantiating an increase of the services sector role in the development of modern economy in Ukraine, defining the difference between services and commodities, distinguishing the features of the services market, exploring the most widespread definitions and classifications of «services», and carrying out the analysis of services imports and exports, as well as the volumes of services provided by the Ukrainian enterprises.

**Results.** The issue of economic development policy in the service sector is very important. It should be noted that the sphere of services is not classified as a priority area in the programs of Ukraine's economic development, it is not even considered as a separate object of the structural policy.

Formation and development of the market economy in Ukraine requires improvement of the service industries management system, alignment of the management system to market economy, the ability to quickly and flexibly respond to changes in the marketing environment.

Foreign and domestic scholars paid attention to the service sector in the 50's and 60's of the last century. Research in marketing services began in the early '70s. In this field foreign economists are ahead of their Russian colleagues. Abroad, today there are currently about seventy research groups in universities worldwide, studying management and marketing services. The first domestic publications on this subject appeared in the early 90's [2].

It should be noted that service sector mostly develops with the society evolution. In particular, there is a visible increase in the employment in this sphere, an increase in the technically

equipped labor, and introduction of more perfect technologies. This situation is related to the complication of the production, market saturation with the items of everyday usage as well as individual demand, with the rapid growth of scientific and technological progress, which leads to significant changes in the life of every society. Without providing information, financial, transportation, insurance and other services that cannot be achieved. Since services are an integral part of trade, the sale of goods requires a well-developed network that includes services provided both during selling and after-sales support services [3].

The service is an intangible product and as opposed to material product it has the following features:

1. Difficulty of standardization and quality control. Standardization in the sphere of services is one of the ways to protect the interests of consumers in terms of their safety. Standards for services help compare different offers and make choices according to the needs. Standards for services are an incentive for competing firms in the industry to improve the quality and perfect the range of services, on condition the company is able to provide their baseline.

2. Absence of the product contents. Since the service is an action by nature and is not saved, it cannot be stored in any quantity. Thereby, the company does not need a warehouse for finished products. However, it may require additional capabilities (facilities, equipment and manpower) to meet customer needs during periods of increased demand for services.

3. The time factor. Many services are provided in real time. For example, the consumer must be present at the time of servicing by airlines, restaurants, hotels, hospitals, sports clubs, consulting centers. It is often difficult to accurately determine in advance how long it takes to perform the service. There are time limits on how long the consumer can or wants to wait for the services and how long this process will take. In any case, the company must give the consumer an idea of the period of time needed to receive services [4, p. 118].

4. The structure of distribution channels. Unlike tangible goods that require physical channels for their promotion from the manufacturer to the consumer, distribution of services is performed by technical means (bank money transfers, television broadcasting), or by combining the place of production of services and its consumption (restaurants, hotels, saunas, hairdressers). The process of bringing services to the consumer is done with the help of the operation of the so-called delivery systems. Types of delivery systems can vary widely. The marketers face the problem of choosing the one that would correspond to the class of consumers and the high level of service.

Distinctive features of services are caused by their nature and determine the specificity of services market. Since the service is not to be physically given, the consumer cannot actually compare the offers of different vendors, even when products seem identical. For example, comparison of services in boots repair shops is only possible after receiving services [5, p. 202].

Researchers state that sphere of services is a separate branch of state economy which aims to reproduction of various types of services. However, the services market is regarded as a sphere of services provision and is a result of nonproductive sphere functioning. This sphere includes trade, transport, finance, insurance, culture, sports, medicine, various dealerships and other areas [5].

On the basis of theoretical statements of the scientist O. B. Morhulets (2012) we have identified features of the services market [5]:

1. The specificity of services production organization. Providers of services are often small and medium enterprises of various profiles. Being mobile, they have significant opportunities for flexible response to changes in market conditions. Such enterprises generally work more effectively under the conditions of a local market.

2. The specificity of the service delivery process is caused by personal contact between a manufacturer and a consumer. Such contact, on the one hand, creates conditions for effective expansion of communication links, and on the other hand, it increases requirements for professional qualification skills, experience and common culture of the producer.

3. High dynamism of market processes. This feature of market of services is related to both the dynamic nature of demand for services and dynamics of market supply due to the flexibility of sectoral structure of services.

4. Territorial segmentation. Forms of services provision, demand and operating conditions of enterprises depend on the characteristics of the service area covered by a particular market. Therefore, the territorial criterion at this stage is crucial.

5. Local character. This property of services market is conditioned by the influence of territorial specificity. Under the influence of local conditions market becomes clear spatial delineation, which forms different from others, but similar to each other socioeconomic characteristics.

6. Large speed of capital turnover as the result of a shorter production cycle is one of the main business benefits in the service sector.

7. High sensitivity to changes in market conditions is predetermined by failure to store, warehouse and transport services and as a rule, both spatial and simultaneous coincidence of production and consumption. This property of services creates difficulties in production and business activities.

8. The high degree of differentiation of services is associated with diversification, individualization and personification of demand for services. The complex structure of demand leads to the emergence of new, innovative services.

9. A significant sectoral and territorial differentiation caused by differences in the levels of economic development and living standards.

10. Diversification, which is caused by the growth of the population's needs.

11. Mobility of services market subjects.

The concept «services» as a particular type of economic activity has existed in the scientific literature for a long time. In the defined aspect it involves a close relationship between certain activities, «product of which can be defined as a service». However, we see that there is a significant difference in the interpretation of the term by academic economists.

A service is sometimes understood as an activity that does not create a separate product, object or material wealth. To our opinion this definition is incorrect if we speak about the service of tailoring or shoe making from the material of the customer. A service is defined as the useful effect, things, deeds or actions in general [5]. However, notwithstanding the above mentioned facts, we disagree with this interpretation of the term as it is given in general and has no specificity.

R. Maleri (1973) considers that «services are intangible assets, which are made with aim to sale», and intangible assets (or intangible values) – values that are not physical, material objects, but they have value, monetary value; service – a process, a number of actions. These actions can serve as instruments for creation of values, but they are not values themselves [6].

Researcher C. Gronroos (2000) believes that service is a process that includes a series (or some) intangible actions that occur when needed during the interaction between customers and service personnel, physical resources, enterprise systems – service providers. This process is mainly aimed at solving the problems of the buyer of service [7]. Therefore, we fully agree with this definition, because we believe that a scientist gives quite an accurate description of the service.

Other scholars claim that service is a certain event or benefit that one party can offer to another and that in the vast majority are impalpable and do not result in the appropriation of something.

The increasing role and impact of services sphere on the economy led to the need for research as to the classification of services by type and identify the level of regulation of this sphere. It should be noted that the consensus on the classification of services does not exist. For example, a number of services according to the classification of United Nations (UN) include 160 types of services, divided into 12 major sections: 1. Business services – 46 types. 2. Communication services – 25 types. 3. Construction and engineering services – 5 types. 4. Distribution services – 5 types. 5. General education ser-

vices – 5 types. 6. Environmental protection services – 4 types. 7. Financial services (including insurance) – 17 types. 8. Health and social services – 4 types. 9. Tourism and travel services – 4 types. 10. Leisure, culture and sport services – 5 types. 11. Transportation services – 33 types. 12. Other services.

The most common classification of services is based on the following criteria:

1. Nature of services producer. According to this criterion one can define: services provided by people; services provided by machines.

2. Presence of the customer at the time of service provision: services that require the presence of the customer; services that do not require the presence of the client. The first group is large, so the production of services is usually combined with its consumption and the presence of the consumer in this process is usually required. Breaking the chain «consumer-producer» is possible in the case of the services under the previous application or in the case of a long production process (literature search, ordered in a library, appliance repair) [9, p. 105-106].

3. Motives of producer of services. By this criterion commercial and charitable services are distinguished. Production of commercial services is aimed at making profit, and its result has economic character. The process of providing charitable services is aimed at obtaining a specific social effect.

4. Belonging to a particular field of service. Sectoral classification of services constantly develops. However, there is a number of industries with quite stable position in the classification in both domestic and foreign practices: health services; education services; utility services; household services.

5. Belonging to a particular group of product assortment. The various service sectors have their own classification of product lines. It is based on the similarity of target orientation and nature of functioning services. This classification can be formal, that is used by the administrative authorities and statistics, but can have a more free form. The latter classification is more dynamic and changes depending on the tasks, time and place of service. For instance, there officially exists assigned classification of cultural and leisure services. It includes services in the field of technical creativity, art, sports and recreation area [9, p. 76].

According to our investigation the current process of national economy's entering the world economy results in significant development of import and export services. According to international statistics, more than 50% of foreign investments are attracted into the development of the market services sector, which confirms the relevance, interest and views on the development of this aspect of the economy. Dynamics of Ukraine's services export-import for 2011-2013 is shown in Figure [10].

By 2013, total export of services were up to \$14 509.2 million, import – \$7649.3 million. Compared to 2012 these figures increased by 6.7% and 13.6%.

The structure of Ukrainian services exports over time remains almost unchanged. In 2013, the largest volumes had transportation, occupying 56.1% of total export (by pipeline services, rail, air and sea), services for processing of material resources – 11.8%, business services – 10.3% and services in telecommunications, computer and information services – 10%.

During 2013, there was a quarterly increase in volumes of both export and import services. Compared to 2012, total export of services increased by \$910.1 million due to the growth of ser-

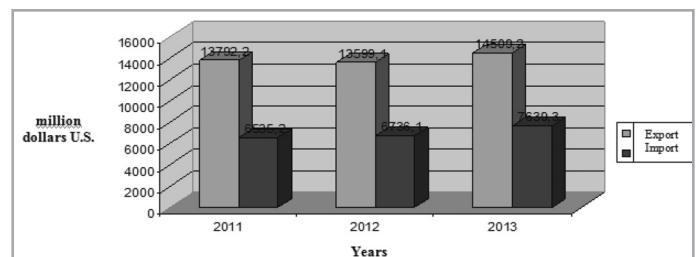


Fig. : Dynamics of Ukraine's services export-import for 2011-2013  
Source: [10]



vices of processing material resources to \$1108.9 million, in telecommunications, computer and information services – \$316.9 million. Services related to financing activities – \$102.6 million, business services – \$34.3 million, royalties and other services related to the use of intellectual property – \$32.9 million.

At the same time, the volume of exports of transportation services reduced to \$386 million (by reducing the export of services for air transport, maritime, railway transportation, and other additional transport services), services of repair and maintenance, which are not included to other categories of services – to \$245.9 million, insurance services – \$28.2 million, services to private persons, cultural and recreational services – \$26 million and services related to travels – \$17.6 million.

In Table the analysis of volumes of the realized services by the enterprises of Ukraine is carried out.

The conducted analysis of statistical data of volume of the realized services showed that in a period from 2005 to 2012 in

vice market characteristics performed by analyzing this industry in recent years will allow developing practical recommendations for improving the management of services in Ukraine in future studies.

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Tab. : Volumes of the rendered services by the types of economic activity in Ukraine for 2005-2012, million UAH

Indicator	Years					Rejection, %	
	2005	2008	2010	2011	2012	2012 to 2011	2012 to 2005
Trade; repair of cars. domestic wares and goods of the personal consumption	656	1862	1545	1614	1853	14. 8	182. 5
Activity of hotels and restaurants	1633	3749	3408	4248	5044	18. 7	209. 4
Activity of transport and connection	63979	128443	134012	149398	180301	20. 7	182. 4
Operations with the real estate. lease. engineering and grant of services to the businessmen	20055	61478	65661	78679	93399	18. 7	365. 1
Education	1940	2923	3137	3373	3476	3. 1	79. 2
Health protection and social programmes	2511	5259	5989	6774	8088	19. 4	222. 7
Grant of building and individual services. activity in the field of a culture and sport including. activity in the field of a culture and sport. rest and entertainments	5057	12087	10833	13037	15999	22. 7	216. 4
	3546	8949	7262	8588	11219	30. 6	216. 2
All	95832	215801	224583	257123	308160	19. 8	221. 2

Notes: Currency rate: 2005 – 5.05 UAH; 2008 – 4.84 UAH; 2010 – 7.89 UAH; 2011 – 7.97 UAH; 2012 – 7.99 UAH

Source: [10]

the field of services there was a noticeable tendency in relation to its increase. In 2005 this number presented a 95 832 million UAH, in 2012 is a 308 160 million UAH.

**Conclusion.** Summing up the above, it should be noted that the service sector in Ukraine is the dynamic sector of the economy where demand is growing, creating the potential for long-term production. Practice shows that the service sector is a separate link in the state's economy, which aims to play various types of services. However, the service market should be considered as the sphere of exchange of services which acts as a results of nonproduction business areas (covering trade, transport, finance, insurance, culture, sports, medicine, and various other areas mediation). Justification of the national ser-

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