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MODERN APPROACHES TO THE EVALUATION OF THE ECONOMIC SYSTEM DEVELOPMENT

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Abstract — **This paper describes main modern approaches to the evaluation of the development of the economic system of regions. Three most commonly used in Ukraine approaches are considered, as well as their advantages and disadvantages. Examples of the given approaches are studied.**

Key Terms — **comprehensive indicator, development, economic system, evaluation.**

In modern conditions, the formation of practically acceptable and effective methods and tools for the study of socio-economic development of the territories, which allow to give an unambiguous assessment of their status, is of high value from both research and management positions.

The concept of the economic system development is multidimensional and multicriteria. Existing methods and approaches can be summarized in three groups: 1) methods in which a qualitative and quantitative assessment is carried out on a set of certain parameters; a generalized comprehensive indicator is constructed; 2) methods in which expert evaluations are used; 3) models of cause and effect relationships [3].

The first group of methods is to calculate a comprehensive indicator of the socio-economic development of the region. The essence of such methodological approaches lies in the formation of a system of baseline indicators characterizing the socio-economic development of the economic system of the state, which, then, are reduced to a single integrated indicator. The reason for criticizing such methods is usually subjectivity in the selection of indicators, the need to weigh each of the indicators in order to calculate a single index based on them. Such methodological approaches to the study of the development of the economic system of the state are quite common in Ukraine.

For example, the legislation of Ukraine proposes a methodology for assessing the socio-economic development of regions [2], which is used to monitor and evaluate the effectiveness of the implementation of state regional policy in order to monitor its implementation, identify problems of development of regions and reasons for their emergence, and improve the effectiveness of administrative decisions. This approach is based on the calculations of the rating of regions in a particular direction and in all directions by comparing the deviation of the values of indicators for each specific region from their best values for the regions for the respective period. According to the results of the obtained estimates, the corresponding ranking of regions is carried out. In general, 27 indicators are used to calculate the rating score for the quarterly assessment, which are grouped in 6 directions: 1) economic efficiency; 2) investment development and foreign economic cooperation; 3) financial self-sufficiency; 4) labor market efficiency; 5) infrastructure development; and 6) renewable energy and energy efficiency [2]. In order to provide the annual assessment, the list of indicators is expanded to 64 indicators characterizing 11 directions: 1) economic and social cohesion; 2) economic efficiency; 3) investment and innovation development and foreign economic cooperation; 4) financial self-sufficiency; 5) development of small and medium-sized enterprises; 6) labor market efficiency; 7) infrastructure development; 8) renewable energy and energy efficiency; 9) education services availability and quality; 10) health services availability and quality; and 11) sustainable environmental management and environmental quality [2].

Another example of a comprehensive assessment is the approach used by the Research Center for Industrial Development Problems of the NAS of Ukraine to monitor the socio-economic development of Ukrainian regions. A methodological approach to the calculation of

the rating scores [1] is used to analyze the current situation in the regions to make management decisions and take measures to improve the situation and address existing issues. The rating is based on 50 key indicators in the following directions: 1) economic development (industry, agriculture, and construction); 2) foreign economic activity (export of goods, export of services; 3) investment activity (capital investment, foreign investment); 4) finance (local budget revenues, corporate finance); 5) the consumer market; 6) utilities; 7) effective demand of the population (wages, payments utilities); 8) the labor market; and 9) the population [2]. According to the results of the calculations, the integral rating score is defined as the arithmetic mean of the sum of the rating scores of a particular region in all directions of activity .

The second group of methods is to determine the level of socio-economic development of the region using expert evaluation. Such methodological approaches aim at eliminating the shortcomings of the first group, namely an attempt to address the situation in dynamics. Typically, such approaches form the system of qualitative indicators, which are expertly appraised, sometimes accompanied by a selected list of quantitative (objective) indicators. The results are reduced to a point score. The disadvantages of such approaches are typical – the imposition of high expert qualification requirements and the complexity of the evaluation procedures.

An example of such approach is the method of ranking regions by level of development through expert evaluation [3]. First, starting positions of each region are determined on the basis of statistical indicators in three directions: social sphere, economic development, and social and economic infrastructure. Then, experts monitor important events in regions and assess their potential impact on regional development. The final rating determines the movement of regions in the ranking.

The third group of methods is the construction of cause and effect models. When constructing cause and effect models, a system of equations is formed, which should characterize the impact of individual indicators on the level of development of regions. The disadvantage of such approaches is the limited list of indicators of analysis, so it is impossible to talk about the complexity of assessing the

socio-economic development of regions. In addition, the evaluation procedures are quite complex, as is the interpretation of its results.

An example of such methods is the construction of a model, which assumes that the level of development of a region is determined by a limited list of factors, among which human capital plays the largest role [3]. Within this approach, a system of regression equations is built. The results determine the impact of each factor on the development of regions and model possible changes.

Despite the wide range of existing methods, a conventional theoretical and methodological approach to the analysis and assessment of the socio-economic development of regions has not been developed. The most common methods of determining the level of regional development is the calculation of the integral index, which is due to the relative simplicity of this method and the availability of source information.

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