



## **Ukraine on the Way Toward Sustainable Development**

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**Abstract:** The article is devoted to the research of state consumer spending behavior as a source of the sustainable economic development in Ukraine. The research proves that there is a reversible relation between the HDI and the level of shadow economy. In the consumer spending structure the expenditure on the environment protection, intellectual and physical development are on the lowest level whereas the expenditure on public order processing, safety and judiciary are unreasonably high. In Ukraine during 2002-2017 there is an obvious trend of the HDI increase under a fall of shadow economy level, and in 2007-2012 vice versa – under a level increase of shadow economy the HDI decreases. Economic growth, corruption overcoming, optimization of the household consumer spending structure and economic management system in order to guarantee a comfortable life for Ukrainians is an urgent and essential strategy of the sustainable development of Ukraine. The main directions of increasing the human development index are identified with the aim of determination the strategies on the way toward European integration.

**Keywords:** sustainable development; Ukrainian economy; consumer spending; human development index; shadow economy.

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### **1. Introduction.**

The recent decisive factor of production was the land, later it was the capital considered as a set of tools, nowadays it is a man himself who is increasingly becoming a crucial factor, with his capacity for learning, which is revealed through scientific knowledge and his ability to solidarity, his ability to anticipate and meet the needs of other people [1]. In other words, the decisive value of society is man

himself and his development. Thus, much attention is paid to the damage which is done to human resources, potential employment and human health by the pollution and environmental deterioration. Human development is considered to be a key social global issue that concerns all life aspects. The prospects for the development of each individual, society and civilization depend on the depth and consistency of its decision. The basis of the solution of the above mentioned problem is the concept of sustainable human development.

Human development index (HDI) is the indicator of the human development. This index reflects the level of national achievements in the most important socioeconomic sectors and shows the level of satisfaction by personal material and cultural needs in consumer amenities which are mainly characterized by quantity indexes which abstract from their quality meaning (purchasing capacity, income, volume of goods and services consumption, the level of education, health care, culture etc.).

The dynamics of the human development index ranks in some countries are offered in the table 1. It is characteristic that the human development index ranks constantly increase within recent years in the USA, the European countries, Belarus and the Russian Federation, and the Ukrainian rank decreased by 12 points – from 66 in 2005 to 78 in 2012.

**Table 1.** Dynamics of the human development index ranks [3, 4, 5].

Country	HDI ranks			
	2005	2010	2011	2012
United States	4	4	4	3
Japan	12	11	10	10
Poland	44	41	39	39
Belarus	62	61	51	50
Russian Federation	68	65	50	50
Ukraine	66	69	78	78

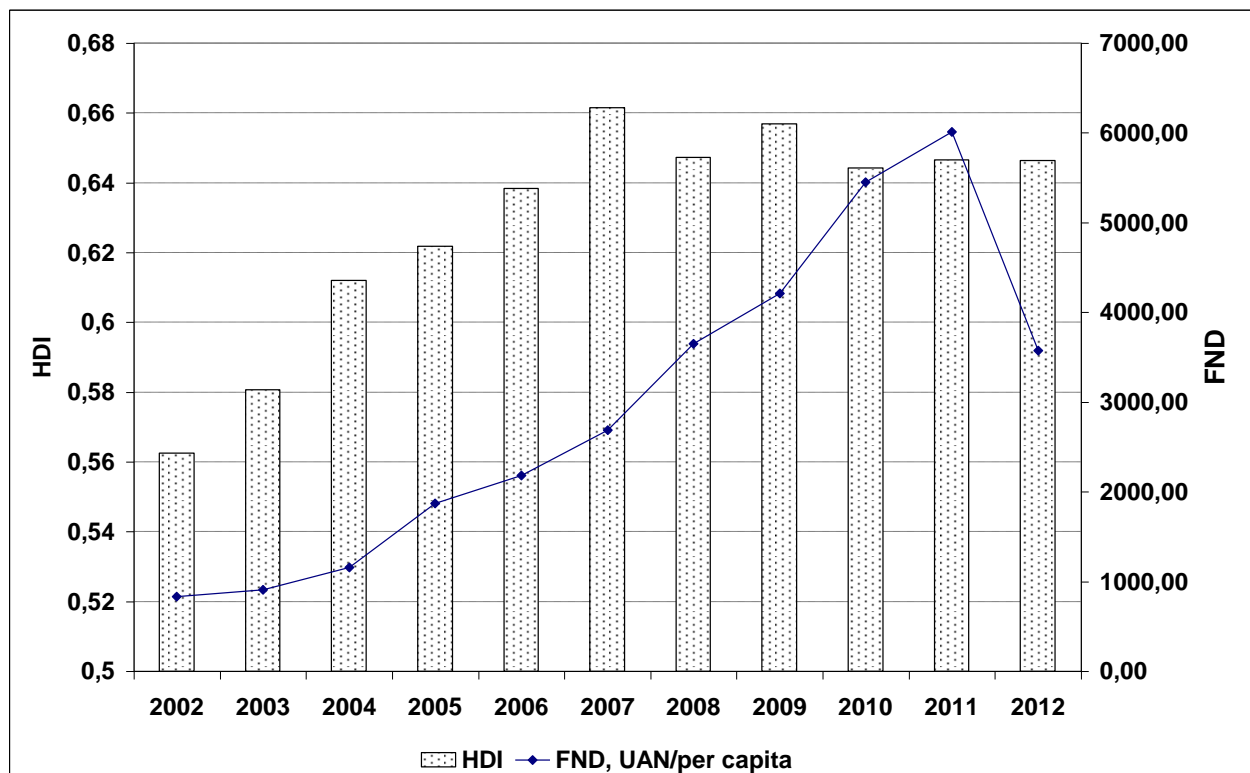
Obviously the problem of human life quality improvement is a key question in the Ukrainian state policy. The directions of its solution can be established by the comparison of dynamic human development index (HDI) analysis and balance of the household consumer spending to market economy. This will allow realizing the strategy of the Ukrainian economic development toward the European integration and it will accelerate the socialization of the Ukrainian community.

## 2. Results and Discussion.

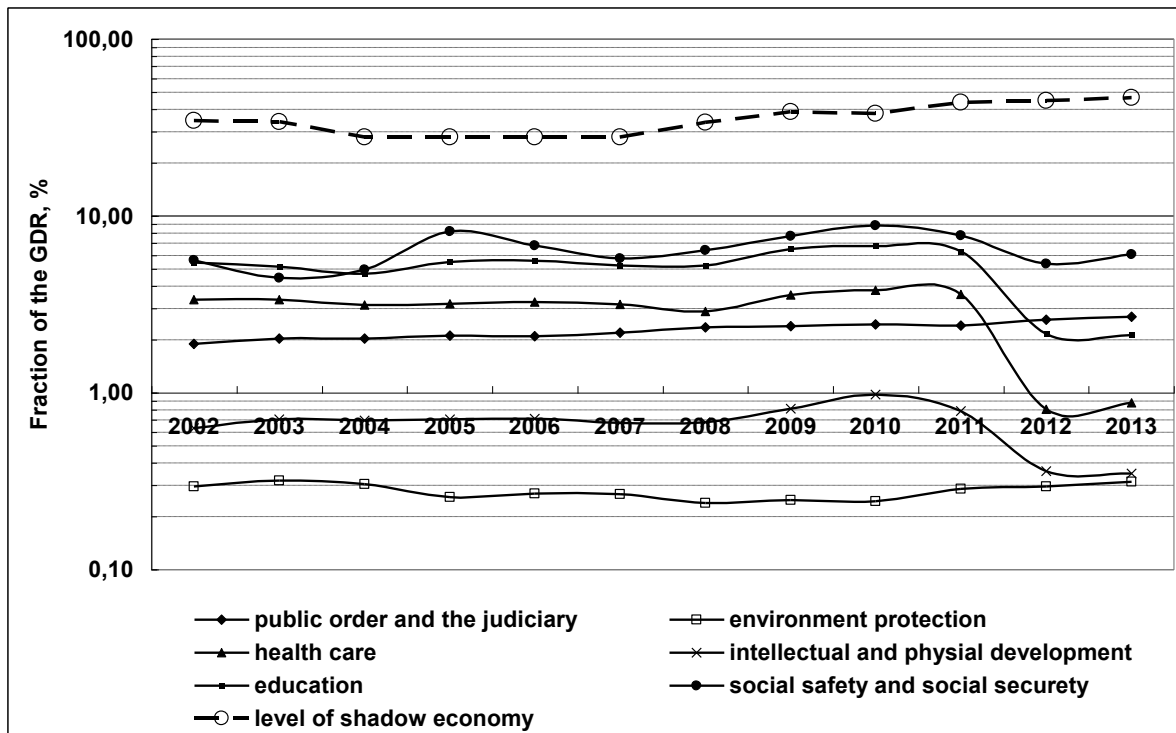
Three important economic sectors integrate all the models of social policy – life quality, effectiveness of the economy management and equity which prevents a social pressure. In the research, human development index computation [6] is usually based on methodology published in the Libanova E. investigation [2], as well as on the methodology of United Nations Statistics Division [7]. The following factors were taken into account for the human development index computation: probability of life, purchasing capacity and personal income, environmental factor which is characterized by domestic and drinking water use, population health, creative intelligence which is characterized by research paper financing, education and safety of life.

The main sources of human development are the components of the state consumer spending expenses for: social safety and social security, health care, education, intellectual and physical development, environment protection as well as salaries, in other words all together it is a factor of human development (FHD). It is logical that the increase of the factor of human development defines the increase of human development index which can be accepted as a criterion of the level of sustainable development. The dynamics of the Ukrainian economy state doesn't prove such sequence dependence. For example, in 2007-2010 with a increase of the FHD the index of human development decreases, since 2010 and further on the index of human development slightly changes because of a considerate decrease of the FHD (shown in Figure 1).

**Figure 1.** Dynamics of the index of human development and the FHD [6, 8, 9, 10].



**Figure 2.** Dynamics of the FHD [8, 9, 10, 11].



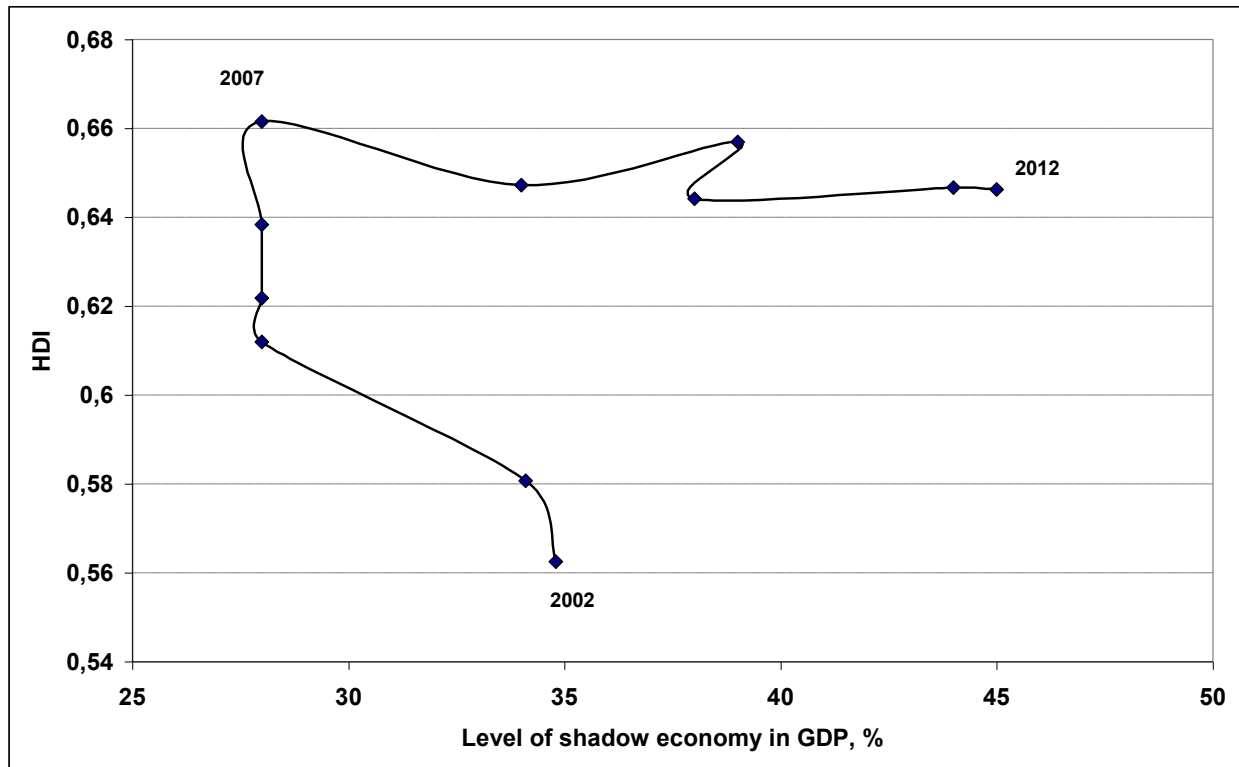
In order to determine the reasons of such a state, all the components of the FHD were analyzed (shown in Figure 2).

The FHD increase in 2007-2010 is accompanied by the level increase of the shadow economy which is explained by the HDI decrease caused by inappropriate state consumer spending in the personal interests. The level of shadow economy is a lot higher than the FHD level, that's why even significant changes of the FHD level after 2010 can't seriously affect the HDI level.

In the consumer spending structure the expenditure on the environment protection, intellectual and physical development are on the lowest level whereas the expenditure on public order processing, safety and judiciary are unreasonably high. It is possible to increase indirectly the HDI by the elimination of this contradiction even without changes of total costs.

The research proves that there is a reversible relation between the HDI and the level of shadow economy (shown in Figure 3). In Ukraine during 2002-2007 there is an obvious trend of the HDI increase under a fall of shadow economy level, and in 2007-2012 vice versa – under a level increase of shadow economy the HDI decreases.

**Figure 3.** Dependence of the index of human development of the shadow economy level [3, 11].



In 2012 in the countries with high HDI ranks (for example the USA, Poland) and in Ukraine the fraction of the household consumer spending in the GDP was almost the same (in Ukraine even slightly higher), and with such HDI ranks Ukraine considerably fell behind (shown in Table 2). This economic state can be explained by considerable quantitative differences between household consumer spending, in Poland household consumer spending is 2,8 times higher and it is next larger in the USA than in Ukraine. While the level of shadow economy in Ukraine is twice higher than in Poland and five times higher than in the USA.

**Table 2.** Comparison of the economic state in the USA, Poland and Ukraine

Country	HDI ranks	Household consumer spending [12], bln.US dollars	Fraction of the household consumer spending in the GDP[12], %	Fraction of the shadow economy in the GDP, %
The USA	4	35118	68,6	8,6 [13]
Poland	39	7773	60,6	25,0 [14]
Ukraine	78	2746	71,0	45,0 [15]

#### 4. Conclusions

At the beginning of the 21st century general human values became priority in the strategic planning of the state development and the ideas of the sustainable development which stipulates the qualitative

rather than quantitative growth and the balance in social, economic and ecological aspects determines their base. System-based approach in the study of the problem concerning the balanced economic development under the conditions of the transformations is the most adequate and comprehensible. Economic growth, corruption overcoming, optimization of the household consumer spending structure and economic management system in order to guarantee a comfortable life for Ukrainians is an urgent and essential strategy of the sustainable development of Ukraine. Primarily it is about economic growth, corruption overcoming, ecological concern, health protection supporting, intellectual and physical development.

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