ON THE FORMATION OF THE FINANCIAL SUPPORT MECHANISM OF SOCIAL SERVICES

**Goal.** Substantiation of the theoretical basis on the directions of improving the formation of the financial support mechanism of social services in terms of general trends in the development of the financial mechanism of social services based on international experience.

**Method.** The analysis of the formation of the mechanism of financial support of social services is based on the methods of theoretical generalization, grouping and comparison.

**Results.** Emphasis is placed on the problem of developing methods of forming effective social instruments in the modern economy of Ukraine, which is manifested in promising areas of improving the formation of the financial support mechanism of social services. A comparison of the definition of the term "financial security mechanism" is performed. It is argued that the system of the mechanism of financial provision of social services of Ukraine has excessive social obligations of the state, which are not supported by real financial resources. Reasonably, the category of "financial security" can be considered as a component of the financial mechanism, which is aimed at the formation of financial resources and their use through and in the activities of various entities. The process of financial provision of social services is proposed, which can be divided into two stages: the formation of financial sources and the use of financial resources. Emphasis is placed on the fact that the budgetary mechanism, as a component of the financial mechanism, regulates the process of financial provision of social services, in view of this, the financial methods of social security are defined. The connection between the specifics of social services and the peculiarities of the financial provision mechanism is analyzed. The main directions of improvement of the mechanism of financial provision of social services are offered, which should be considered on the basis of international experience from the point of view of formation as much as possible not only from the financial incentives connected with subsidies through target intergovernmental transfers, social services.

**Scientific novelty.** The expediency of optimizing the mechanism of financial support of social services through the optimization of a set of tools for regulating financial relations in this area is substantiated.

**Practical significance.** The results of the study form a scientific and practical basis for conducting various analytical and forecasting studies in terms of substantiating the optimal directions for further innovative development of the mechanism of financial support of social services based on international experience.

**Key words:** financial provision, social protection, social service, financial provision mechanism, budget mechanism.

**Introduction.** Social services are part of the life of modern society. They comply with all humanitarian principles, calls for overcoming the risk of personal isolation, creates conditions for the return to active activities of those who are forced to look after relatives and acquaintances who are in difficult life situations, or people in need of care, helping to integrate financial resources of all actors. who are elements of economics, the use of innovative methods of review and financing. In the interests of the countries of the world, social services (or social services) recognize the public good and are financed from the budgets of public law institutions and social insurance funds, even for services provided by private providers [1].

The basis of a set of targeted specific measures of economic, legal and organizational nature to support the most vulnerable is social guarantees, which are socio-economic standards that provide minimum living standards in accordance with the resource capabilities of the state economy.

In these conditions, the problem of developing methods of forming effective social tools in the modern economy of Ukraine becomes more important. This problem should be solved not only on the basis of available public financial resources, but also on the search and use of additional non-traditional sources of funding. Therefore, the problem of forming a mechanism for financial support of social services to the population comes to the fore.

**Analysis of recent research and publications.** The complexity and versatility of the formation of the mechanism of financial support of the social sphere of the country create a boundless field for research, and the available theoretical and methodological provisions and practical recommendations only increase scientific interest.

Problems of social service development and its financing were studied by B. Mandei, R. Polachek, D. McDade, J. Fernandez, T. Matosevich, H. Penn, M. Corinth. The most significant contribution to the development of the
theory of economic (practical) mechanism and financial mechanism as its component was made by I.I. Abalkin, D.A. Allahverdyan, L.B. Barannik, V.V. Kovalov, V.K. Senchagov, M.B. Tulenkov and others. But the degree of certainty of the problem of the financial security mechanism and the problem of reforming social services and its financial mechanism have undeservedly gone unnoticed. There is still no consensus among scholars and practitioners about the content of the concept of "social protection" in relation to the concept of "financial security of social protection". For example, domestic scholars P. Rabinovych and O. Pankevych believe that the term "financial security of social protection" is more successful than "social protection", because, first, in the process of ensuring human rights and freedoms "protection" is only one of the components, and secondly, the word "protection" is associated with a temporary action, which should end as soon as the threat passes, while the word "security" reflects a long process that is permanent and independent of temporary life complications [2].

Purpose of the article (task statement). Paying tribute to all scientific developments on the issues raised, it should be noted that due to the complexity and dynamism of the studied phenomena, the theoretical and practical aspects disclosed earlier are limited by the specifics of the authors. Based on the above, the purpose of the article is to substantiate the theoretical basis for improving the formation of the mechanism of financial support of social services in terms of general trends in the development of the financial mechanism of social services based on international experience. The theoretical and methodological basis of the study are the fundamental and modern provisions of social differentiation of social relations in modern societies, the work of foreign and domestic experts. Achieving this goal is ensured by using the method of theoretical generalization, grouping and comparison.

Presenting main material. The peculiarities of the development of the social protection system in Ukraine are connected with the preconditions that are characteristic of many post-socialist countries. First of all, it is the paternalism of social policy that existed in the former Soviet Union and was manifested in the coverage of social protection of almost the entire population. In addition, the paternalistic system of social protection guaranteed a minimum standard of living for all members of society, ie it was universal for all categories of the population. Instead, the system did little to take into account the actual income of those receiving social assistance, and paid little attention to the need to check the level of need, which paid to those who did not really need it and, on the other hand, lacked attention to the really poor. An alternative to this system is an address system that is more focused on social security for truly vulnerable groups.

Thus, it is necessary to determine the conceptual apparatus of the essence of the "financial security mechanism". The term "financial security mechanism" is widely used in the scientific literature. Despite the variety of interpretations of the concept of the mechanism of financial security, most researchers agree that they consider the mechanism as a set of elements and methods that activate the object [3]. However, some authors identify the concepts of "financial security mechanism", "financial mechanism", "financial system" and "financial management", which is considered as a set of subsystems [4], or as a financial management system of economic entities [5;6]. The basis of this approach was the position of Koshkin and Gaidar, who defined the economic mechanism as a system consisting of subsystems for solving management problems [7].

Financial relations arise between different economic entities (households, organizations, public entities) [7], including the provision of services, which includes social services. In such financial relations related to social services are involved: persons who receive services, their relatives, service providers, as well as public law institutions that regulate the financing of social services and who participate in their financial provision. At the same time, the majority also pays attention to such features of Ukraine's inherited social protection system as its class orientation; strict centralization of social protection programs, which were fully financed from the central budget; subsidization of pricing for consumer goods and services (including housing and communal services); dependence of types of social assistance on labor activity; the state nature of the provision of social services. The role of leading state-owned enterprises (especially the defense industry) in the field of social protection, which provided better social conditions for their employees (for example, kindergartens and nurseries were two-thirds funded by enterprises, free housing, rest homes, medical care, etc.), and also provided various types of cash and in-kind assistance [8].

The system of the mechanism of financial support of social services which has developed in Ukraine, features of a post-Soviet condition are
inherent. It is unable to provide a decent life for the poorest. Because it has excessive social obligations of the state, which were not supported by real financial resources. The question of forming a new concept of social policy and social protection, which would meet the new market conditions and ensure not only the social protection of the disabled, but also the welfare of the population as a whole, has become quite acute.

Prospects for socio-economic development of independent Ukraine are inextricably linked with the process of reforming the system of financing social protection, based on the legal framework of internationally recognized international legislation aimed at ensuring and protecting human rights and freedoms. In Ukraine, the legislation includes the following international standards relating to socially vulnerable groups:

- Universal Declaration of Human Rights;
- European Social Charter;
- European Social Security Code;
- International Covenant on Civil and Political Rights;
- International Covenant on Economic, Social and Cultural Rights;
- Conventions of the International Labor Organization – Convention on Employment Policy”;
- Convention on the Rights of the Child;
- Convention on Equal Remuneration for Men and Women Workers for Work of Equal Value;
- other international acts.

A necessary condition for the successful implementation of social protection of its functions is the timely and complete financial support of all social benefits and programs. At the present stage of development of research on this topic there is a great difference of views on the essence of financial security of social protection, its place in the financial system, determining the sources and procedures for the formation and use of financial resources, etc [9; 10].

Financial support of any activity has its own characteristics. Thus, in a general sense, the category of “financial security” can be considered as part of the financial mechanism, which aims to form financial resources and their use through and in the activities of various entities.

Analyzing the definition of the essence of financial security in the process of state performance of its social functions, we can conclude that the financial security of social services has its own characteristics in the formation of financial sources and their use for social purposes. The process of financial support of social services is shown in Fig.1.

The main source of financial support for social services is GDP in the process of distribution and redistribution, funds are accumulated due to taxes and insurance contributions to state and local budgets, state funds of compulsory state social insurance, non-governmental organizations providing social insurance (insurance companies, private pension funds). At the same time, a significant part of social expenditures is carried out at the expense of household incomes and social expenditures of employers, which are carried out without paying insurance contributions to any specific social insurance funds (see Figure 1).

The process of financial provision of social services can be divided into two stages: the formation of financial sources and the use of financial resources. The main sources of financial resources for social benefits are state and local budgets and decentralized state funds, non-state funds are involved in financing social services at an insufficient level due to imperfect legislation and uncommon development among the population and businesses. For example, non-state pension funds in Ukraine are only at the initial stage of development, financial resources of non-state pension funds have not yet been properly used in the domestic economy, there is an insufficient level of state support in promoting private pension funds. The population is mostly unaware of the concept of pension reform in Ukraine and the importance of the non-state pension system in it, which slows down its further development [13].

The participation of charitable foundations in the general sphere of social protection is not constant and has a very low percentage in the total amount of social benefits.

One feature of the financial provision of social services in Ukraine is that a significant number of social protection programs are financed from local budgets. Most social programs that have to be financed from local budgets cannot be implemented. As a result of the reform of financial support of local budgets, funds for these programs are chronically insufficient. Due to the imperfect financing mechanism on the ground, there is no scientifically sound criterion for the distribution of budgetary powers, which leads to a lack of financial resources for their implementation at the minimum level guaranteed by the legislation of Ukraine. This state of affairs directly affects not only the level of social protection of the
The process of financial provision of social services

Compiled by the authors [11; 12]

Priorities for reforming the first level of the social protection system in Ukraine should include:

1. Establishing a common system of social monitoring, evaluation, and planning of social public expenditures;
2. Monetizing all types of social benefits;
3. Decentralizing the system of social services, which should create conditions for raising the level of professional provision of social services for population, but also the socio-economic development of a region. Therefore, further decentralization of financial security of social protection requires reforming inter-budgetary relations in order to form an adequate model of its financing and management [11].

Form: Social insurance, social security, social assistance

GDP - the process of distributing and redistribution of resources

Fig. 1. The process of financial provision of social services

- payments as compensation for lost health or property;
- cost related to the provision of support in the arrangement of shelter for temporary relocation of refugees.
social standards and their financial security in Ukraine to the European [14]. All these measures are provided by the program of implementation of the Action Plan for the implementation of the Association Agreement between Ukraine and the European Union developed by the Ministry of Social Policy of Ukraine, which contains a set of measures to strengthen social protection and financial security of social benefits.

One of the components of the mechanism of financial provision of social services is the concept of budgetary mechanism, which is actively used by the state to ensure social protection. With the help of the budgetary mechanism, the budget policy is implemented in the state, so its scope lies in the regulation of socio-economic processes at the state, regional (local) level and in the field of intergovernmental relations.

Considering social protection as a complex multilevel system, the structure of which is represented by social insurance, social security and social standards and guarantees of the state to the population, which interact comprehensively, complement each other and contribute to the effective functioning of financial support of social services. Each of these three structural components of the social protection system has its own special financial implementation mechanism. In general, social protection includes such components as social assistance, social insurance, social services, state social guarantees. Social assistance can be considered from three sides as, state, charitable, humanitarian. The latter is especially important in the current situation of the areas affected by the armed aggression. Social insurance includes insurance against accidents at work and occupational diseases that have caused disability; insurance in connection with temporary disability and burial expenses; unemployment insurance. Social services, in turn, include material assistance and social services. State social guarantees are divided into guaranteeing the minimum subsistence level, the minimum wage and guaranteeing the minimum old-age pension. This whole system requires certain forms and methods of financial support, which would provide a system of social protection, with the help of budget expenditures.

Thus, the budgetary mechanism, as a component of the financial mechanism, regulates the process of financial provision of social protection. Budget support of social protection is carried out by budget financing of the expenditure part of the state and local budgets through the implementation of social protection programs. Budget expenditures on social protection are earmarked funds for certain segments of the population to provide the necessary standards and guarantees for full, partial or temporary disability, unemployment due to circumstances beyond the control of victims, as well as in economic situations such as: crisis, rising inflation, declining production. Between 70 and 90 percent of social needs are met by people within local communities. Therefore, social problems are predominant for local self-government. In the conditions of decentralization, the principle of financing the social protection of the population also changes: the previously dominant "production" gives way to the territorial one. With the adoption of the Budget Code of Ukraine, the importance of budgets has increased at both the national and regional levels. According to this document [15], the most important sources of funding for social protection are the State budget, local budgets, social funds and expenditures financed from other sources. The distribution of expenditures on social protection and social security of the population between the state and local budgets is regulated by Articles 87, 89-91 of the Budget Code of Ukraine.

L.B. Barannik argues that the financial mechanism through the implementation of the budgetary mechanism is - "a set of forms and methods, tools and levers for the formation and use of funds of financial resources to protect the population from social risks" [16]. The specificity of the financial mechanism of the social protection system stems from the fact that the social protection system is a system of monetary relations and mediates the flow of cash flows, which are then converted into public and private financial resources and used for social protection due to special financial methods.

The financial methods of social security include:
- methods of financing social services, the material base of their provision, including: estimated, normative (with different objects of rationing - a separate service or program), contract, subsidies, voucher financing, software, insurance, service fees;
- methods of financial stimulation of introduction of progressive forms and
technologies of social service on the basis of subsidies for performance of the state task, tax privileges to service providers, participants of financing; targeted intergovernmental transfers;
- methods of reducing the financial risks of long-term social service providers (inclusion in the standard for the provision of services costs associated with the maintenance of the material base of the supplier, the creation of a local financial reserve, the use of the estimated method of financing).

Thus, it can be argued that the mechanism of financial provision of social services is a set of tools for regulating financial relations in this area, which include methods of financing social services, the material basis for their provision; financial incentives for the introduction of new forms and technologies of social services, new forms of financing; methods of reducing the financial risks of long-term service providers.

The tools of the financial mechanism of social services include:
- financial revenue regulators;
- financial distribution regulators;
- financial regulators of insurance provision;
- non-refundable budget support.

Separate instruments of the mechanism of financial provision of social services are determined by the specifics of the provided social service, features and their relationship are shown in Table 1.

Table 1 – The relationship between the specifics of social services and the peculiarities of the mechanism of financial security

<table>
<thead>
<tr>
<th>Specifics of social services</th>
<th>Specifics of the financial support mechanism</th>
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<tr>
<td>The risky nature of events, necessitates social services</td>
<td>the possibility of using social insurance for social services</td>
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<tr>
<td>The principle of complexity and personification of services,</td>
<td>combination of principles of market pricing and rationing in the calculation of tariffs for social services</td>
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<tr>
<td>public and private interests at reception of service, various</td>
<td>depending on the nature of the recipient of services using different methods of financing from public</td>
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<tr>
<td>character of services on the maintenance and the form, a kind</td>
<td>sources.</td>
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<td>of the recipient</td>
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<tr>
<td>Voluntary nature of service provision, predominance of long</td>
<td>determinism of instruments of the financial mechanism of social services by a variety of services, their</td>
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<tr>
<td>term services combined with low mobility of service recipients,</td>
<td>recipients, forms of service, types of suppliers</td>
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<td>tradition of using private sources to finance services</td>
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Compiled by the authors for [17]

Creating a stable financial base of the social sphere in general and the social orientation of the economy in particular is a crucial condition for achieving the goals and objectives of economic transformation.

During the reform of the mechanism of financial provision of the population since 2014, measures have been taken to reform primarily public financial relations and relations. Therefore, changes in the field of public financial relations necessitate transformations through the formation of new financial mechanisms for managing financial resources in this area.

Discussion of results. The main directions of improving the mechanism of financial provision of social services should be considered in terms of formation not only in terms of financial incentives related to subsidies or co-financing through targeted intergovernmental transfers, but also to provide incentives aimed directly at social service providers.

Building and developing an effective socially oriented economy creates the basis and expands opportunities to achieve social results through job creation, regulation of employment and unemployment, restoration of production capacity and introduction of innovative technologies that ensure the safety and well-being of the population.

The main areas of improvement of the mechanism of financial support of social services include the development of branches of the social sphere which are aimed at:
- labor market support and social support of
citizens:
- pension reform;
- improving the health of the population;
- improving the quality of education;
- providing citizens with affordable housing.

When developing the improvement of the financial provision mechanism, along with the sources of funding and methods of distribution (financial regulation), such a component as quality control of social services must be taken into account. (evaluation results).

The effectiveness of the financial mechanism of social services is seen as the achievement of results in this area through the use of tools related to financing, stimulating innovation and achieving financial stability of service providers. Performance indicators related to the life expectancy of service recipients, as well as improving the results of independent evaluation can be a factor in determining the indicators of the state task, as well as the number of subsidies for financial support of the state task or subsidies for other purposes. The subsidy tool can be supplemented with funding for non-governmental social service organizations, but its incentive value should be ensured not by including in the tariff of services in the rationing of the relevant rate of return, and the incentive component in the use of innovative forms and technologies. With this in mind, the following indicators can be separated to assess the effectiveness of the mechanism of financial social services:
- expanding the availability of social services that meet the standards of their provision, taking into account the personal needs and preferences of recipients; leveling the difference in access to quality services depending on the level of income of recipients or their relatives; increasing the use of innovative forms and technologies of social services; strengthening the material base and ensuring the financial stability of long-term service providers (direct results);
- increasing public satisfaction with the services provided and life expectancy of the population receiving services; expansion of the number of people employed in the economy as a result of the services provided (strategic results).

**Conclusions.** Thus, the mechanism of financial support of social services should take into account the experience of financing mechanisms of European countries and the principles of building a mechanism for social protection of the population in terms of distinguishing its financial subsystem as a logically formed set of sources, forms and tools and areas of social protection financing. General trends in the development of the financial mechanism of social services based on the experience of different countries for modern Ukraine should be formed and take into account the following aspects, such as:
- the predominance of methods of financing social services from public sources, while stimulating the participation of various organizational forms and forms of ownership of service providers;
- the introduction of social insurance, which provides for the principle of funding (accumulation) to finance long-term social elderly;
- use of methods of financial stimulation of innovations in the field of social services and its financing, incl. through the mechanism of targeted intergovernmental transfers;
- establishing requirements for the quality of social services as a necessary condition for the allocation of budget funds on the basis of various methods.

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ЩОДО ФОРМУВАННЯ МЕХАНІЗМУ ФІНАНСОВОГО ЗАБЕЗПЕЧЕННЯ СОЦІАЛЬНИХ ПОСЛУГ

Мета. Обґрунтування теоретичної бази щодо напрямків удосконалення формування механізму фінансового забезпечення соціальних послуг у розрізі загальних тенденцій розвитку фінансового механізму соціального обслуговування на основі міжнародного досвіду.

Методика. Аналіз формування механізму фінансового забезпечення соціальних послуг базується на методах теоретичного узагальнення, групування та порівняння.

Результати. Акцентовано увагу на проблему розробки методів формування ефективних соціальних інструментів у сучасній економіці України, що проявляється в перспективних напрямках удосконалення формування механізму фінансового забезпечення соціальних послуг. Проведено порівняння визначення терміну «механізм фінансового забезпечення». Аргументовано, що система механізму фінансового забезпечення соціальних послуг України має надмірні соціальні зобов'язання держави, які не підкріплені реальними фінансовими ресурсами. Обґрунтовано, категорію «фінансове забезпечення» можна розглядати як складову фінансового механізму, який націлено на формування фінансових ресурсів та їх використання за допомогою і в процесі діяльності різних суб’єктів господарювання. Запропоновано процес фінансового забезпечення соціальних послуг, який можна поділити на два етапи: формування фінансових джерел та використання фінансових ресурсів. Обґрунтовано увагу на те, що бюджетний механізм, як складова фінансового механізму впорядковує процес фінансового забезпечення соціальних послуг, з огляду на це визначено фінансові методи соціального забезпечення. Проаналізовано зв’язок специфіки соціальних послуг та особливостей механізму фінансового забезпечення. Запропоновані основні напрямки удосконалення механізму фінансового забезпечення соціальних послуг, що повинні розглядатися на основі міжнародного досвіду.

Наукова новизна. Обґрунтовано доцільність оптимізації механізму фінансового забезпечення соціальних послуг через оптимізацію сукупності інструментів регулювання фінансових відносин в цій сфері.

Практична значимість. Результати дослідження формують науково-практичне підґрунтя для проведення варіативних аналітико-прогнозних досліджень в частині обґрунтування оптимальних напрямів подальшого інноваційного розвитку механізму фінансового забезпечення соціальних послуг на основі міжнародного досвіду.

Ключові слова: фінансове забезпечення, соціальний захист, соціальна послуга, механізм фінансового забезпечення, бюджетний механізм.
Мирошниченко Ганна Борисівна – кандидат економічних наук, доцент, ДВНЗ Донецький національний технічний університет, кафедра управління і фінансово-економічної безпеки, м.Покровськ.
ORCID ID: 0000-0003-1530-3672
E-mail: hanna.myroshnychenko@donntu.edu.ua

Осаула Марина Павлівна – студентка ДВНЗ Донецький національний технічний університет, м. Покровськ
E-mail: esaulmarina@gmail.com

Мирошниченко Ігнат Васильович – студент ДВНЗ Донецький національний технічний університет, м. Покровськ
E-mail: ihnat.myroshnychenko.nniknt@donntu.edu.ua