

THE EVALUATION METHODOLOGY OF THE HOUSEHOLDS FINANCIAL
RESOURCES AS A COMPONENT OF THE STEADY DEVELOPMENT
ECONOMY FORMATION IN UKRAINE

Households operation in a market economy determines the opportunities for people in developing and investing financial resources in accordance with their own preferences and priorities. Attracting financial resources to the country's economic mechanism is essential to the development of the economic system. Households' interaction with other subjects of financial relations makes the importance and expedience of the financial resources assessment:

- At the level of individual households to determine the possibility, the necessity and expediency of a of financial resources portfolio with a help of one or more financial instruments;

- At the level of businesses to identify potential opportunities for attracting additional financial sources;

- At the level of state regulation to determine the level of welfare and to identify the most effective vectors of relevant government policy.

Evaluation of the households financial resources functioning is through methods of material living standards indicators analysis, assessment the financial condition and general welfare.

In particular, with the purpose of disclosure and analysis of life financial status (well-being) of the household the State Statistics Committee of the Ukraine applies the indicators of household living and there are two general indicators among other: 1) income and 2) household resources and expenditures¹. The index

¹ Методологические комментарии для пользователей по программе и системе выборочного исследования жизни домохозяйств [Электронный ресурс] /Официальный сайт Государственного комитета статистики Украины. – Режим доступа: http://www.ukrstat.gov.ua/metod_polog/metod_doc/koment/koment_dom_gosp.htm

of total resources is used to show probable and possible resources of households in a given period.

Among the proposed by SSCU components of total household resources household material resources are not reflected. They also form the financial situation and affect the overall well-being, and can be attributed to total household resources, particularly in terms of real estate, land, cars, etc.

As for the accounting of the expenditure, in most cases, attention is focused on the comparison of consumption expenditures and non-consumption expenditure in the total cost of the population. In the limits of aggregate household resources expenses related to the purchase of real estate are recorded separately from other, along with the fact that the emergence of this resource does not find its lighting in the structure of total household resources.

Partial estimate of the size of aggregate resources is also done by state bodies and agencies in determining the total income of the family or a single person. Thus, it is done in particular for: the calculation of the taxable income of the taxpayer, in determining the rights of the individual family to social assistance and others¹.

However, an approach to cost accounting is quite narrow, given the characteristics and priorities of the problems solved in determining the total income: in particular, for each taxpayer only those costs are considered and accordingly recorded that can affect change in the amount of taxable income.

In order to assess the households financial condition in determining creditworthiness (financial condition) of the individual borrower, methodological approach is applied, which combines qualitative and quantitative indicators. This technique, in most cases, is used by commercial banks². In assessing the financial

¹ Указ «Про утверждение Методики исчисления совокупного дохода семьи для всех видов социальной помощи» [Электронный ресурс] // Официальный сайт Верховной Рады Украины. – Режим доступа: <http://zakon2.rada.gov.ua/laws/show/z0112-02>

² Положение про формирование и использование резерва для возмещения возможных убытков по кредитным операциям банков [Электронный ресурс] // Официальный сайт Верховной Рады Украины. – Режим доступа: <http://zakon1.rada.gov.ua/laws/show/z0474-00/page2>

condition of the person not only the ratio of income and expenses and obligations is determined, but the existence of ownership of property rights, and the calculated number of factors are also taken account into.

Methods for assessing the financial condition of the borrower, which is used in the world banking system, include the method based on scoring assessments, namely scoring questionnaire. It is based on a model of Durand, focused on identifying factors that affect the creditworthiness of the borrower and the assignment of certain ratios of each factor¹.

Researchers-economists offered a series of coefficients to assess the households financial condition. T. Kizima has two defining count rate for assessing the financial condition of the household – the debt ratio (total debt and a comparison of existing assets) and liquidity ratio (comparison of liquid assets to current liabilities)².

V. Voroshilo offers to conduct a financial assessment in a household with a set of indicators divided into three groups³:

- Financial and property status;
- Availability and working capital;
- Financial stability.

T. Dimitrov proposes to evaluate the financial condition of private households on the basis of several factors⁴:

- Savings ratio
- Financial autonomy ratio
- Efficiency ratio of income etc.

¹ Коробов Д. С., Клейнер Г. Б. История современного кредитного скоринга [Электронный ресурс]/ Д. С. Коробов, Г. Б. Клейнер // Проблемы региональной экономики. Интренет-издательство. – 2012. - №17 – Режим доступа: http://regec.ru/archive/index.php?infoblock_id=96

² Кізима Т.О. Фінанси домогосподарств: сучасна парадигма та доміанти розвитку: монографія/ Т.О. Кізима; [вст. слово С.І. Юрія]. – К.: Знання, 2010. – 431 с.

³ Ворошило В. В. Фінанси домашніх господарств у фінансовій системі держави: дис. ... кандидата економ. наук: спец. 08.00.08/ В. В. Ворошило. – С., 2012. – 255 с.

⁴ Дмитров Т. Персонални финанси: Учебникът/ Т. Дмитров. – Свищов: АИ «Ценов». – 2010. – с.225

It is worth to note that in the proposed coefficients attention is focused on the overall households financial condition and evaluating the structure, on the composition of revenues and expenditures in the context of liquidity, on the ability to ensure financial stability and profitability. However, considering the specificity of the household as the subject of financial relations, it needs to consider the fact that the financial resources of the household in which it operates are different from the financial resources of other entities, that, in its turn, suggests the need for a different approach to their analysis, namely the need and priority subsistence needs.

T. Osipova offers to carry out an analysis of the household finances with a number of indicators and ratios to analyze the financial condition of the household¹:

- Income analysis
- Spending analysis
- Debt ratio
- Analysis of investment opportunities

It is worth to say that for the calculation of individual coefficients using a living wage as an indicative amount of the consumer household budget is suggested.

At the same time, the use of living wage index in assessing the households financial condition is not fulfilled enough at the national level. The necessity to use this indicator in the assessment of the households financial resources is due to its role and value: living wage is assumed as "basic social standard" that reflects in terms a minimal set of products (food and non-food) and services that individual person should receive for physiological, spiritual and social needs. Russian scientist A. Zyemtsov suggests using the living wage in the implementation of financial planning in households "as the lowest level of income

¹ Осипова Т. Ю. Финансовое планирование в домашних хозяйствах: автореф. дис. кандидата эконом. наук: спец. 08.00.10. «Финансы, денежное обращение и кредит»/ Т. Ю.Осипова; НИ Томский гос. ун-р. — Томск, 2012. — 25 с. — русс.

for unemployed household member"¹. According to the proposed legislative definition the living wage is “a valuation of a minimum set of food, consumer goods and services that are necessary to maintain health and ensure its viability, and mandatory payments and charges”². Given that the mandatory payments and charges are the direction of the household spending and do not form capita income, it is more appropriate to consider a living wage from the perspective of the minimum required expenditure for households.

By its essence the living wage is that limit of money that is needed for household members for physical and social existence of this market economy subject, because without the needs of certain food products, not to mention the service, the cost which is included in this index, households are out of existence, and even more than so – the full participation of households in financial relations.

In addition, the living wage is the tool of direct impact on the functioning of the households financial resources, since the use of this parameter for the minimum wage, old-age pensions, various social transfers and so on determines to some extent as the value of household income and paid taxes on income received and the possible directions of spending, as the formation of additional pension fund provided state guarantees a certain level of minimum pensions. It means that focusing on public policy on pensions, the population is able to clear predicting need for additional retirement savings, etc.

Therefore, it is quite appropriate orientation to living wage as an indicator of the minimum required expenditure that must be done to ensure priority physiological and social needs to assess the households financial condition and to investigate the households financial resources.

However, in the modern operating conditions of Ukrainian households, the living wage is not fulfilling their functions and does not act as a full indicator, which should reflect the priority needs and the cost equivalent of the capability to support them. Moreover, a number of experiments that were carried out by

¹ Земцов А. А. Долгосрочное финансовое планирование в домохозяйствах: количественный параметры возможности/ А. А. Земцов// Проблемы учета и финансов. – 2011. - № 3. – с. 11-13

² Закон РФ «О прожиточном минимуме» [Электронный ресурс] //– Режим доступа: http://www.inotec.ru/law/000527_2.shtml

Ukrainian trade unions and clearly demonstrated that even the physiological needs are unsatisfied by living wage according to standards and specifications used in the calculation of basic social standard.

Such differences are associated primarily with the problems of regulatory measures, namely:

- Illegitimacy consumer basket, which is the basis for establishing the living wage. Under the law, a set of food and non-food products used in establishing living wage should be reviewed at least once a five years. Instead, today in Ukraine, in living wage calculating a set of products and services model 2000 is used;

- Inconformity set of products and services used for the calculations, as to the physiological norm, as and to the current needs of the population. According to experts, domestic consumer basket requires significant adjustment based on current medical standards (food and living). In particular the rules of consumer goods, put in the Ukrainian consume basket, are not comparable even with those one used to hold German prisoners during World War II.

It should be noted that the calculation of the consumer basket does not take into account either any regional differences that occur in the prices of goods and services, or differences between urban and rural areas. In addition, there is no reflecting the appearance of population expenses associated with the need to pay for education, medical care, the use of cellular communication, access to the Internet and so on in the list of services. It is worth noting that under modern conditions of information society and economic system, public awareness and access to information are a very important components to enable a full participation of households in financial relations, and thus, such a service as access to the Internet as one of the main sources of communication over time will increasingly move into the required category that increases a need to incorporate such changes in the composition of the basket.

According to statistics, the living wage indices have a tendency to increase. However, clearly positive it cannot be considered considering the fact that the

increase of living wage causes the reviewing of the social component of budget expenditures, and thus it is a factor in its annual deficit increasing (Table 1) .

Table 1

The evolution of the overall living wage in Ukraine, 2001-2012¹.

year	Living wage (UAH)		Growth rate of the living wage to the previous year (%)	
	The overall rate	Able-bodied persons	The overall rate	Able-bodied persons
2001	311,30	331,05	x	x
2002	342,00	365,00	9,86	10,26
2003	342,00	365,00	0,00	0,00
2004	362,23	386,73	5,92	5,95
2005	423,00	453,00	16,78	17,14
2006	453,00	483,00	7,09	6,62
2007	492,00	525,00	8,61	8,70
2008	592,00	633,00	20,33	20,57
2009	626,00	669,00	5,74	5,69
2010	825,00	869,00	31,79	29,90
2011	894,00	941,00	8,36	8,29
2012	1017,00	1073,00	13,8	14

It should be said that, despite the tendency to living wage increase, cost equivalent of this index is not sufficient to meet the minimum needs of household members.

Yes, according to expert estimates, taking into account certain standards, living wage in 2007 would be 1249 UAH, according to the laws the figure at the end of the year reached a value of 532 UAH. As for indexes in 2010, the cost of living was 875 UAH against certain experts 2000 UAH (Table 2).

Table 2

Comparison table of living wage indexes

A living wage	year			
	2007	2008	2009	2010

¹ Официальный сайт Государственного комитета статистики Украины [Электронный ресурс] //– Режим доступа: <http://www.ukrstat.gov.ua/>

Legislated general subsistence on 01.01. of the relevant year, UAH.	492	592	626	825
Defined by experts living wage rate, UAH	1 249	1 660	–	2 000

So the urgency of measures to bring living wage index in accordance with legislated entity is very important. Firstly it concerns:

- the revision expediency of the consumer basket in accordance with modern standards and considering the changing needs of the population, caused by the requirements of time and economic transformations in the country;

- The strict observance need of legally enforceable deadlines and schedules for index creation, calculation and correction;

- The importance of a clear regulation legislatively imposed social standards with their real necessity and importance for state-guaranteed needs satisfaction and also the possibility of their actual receipt by the conditions of households operation in a market economy.

Setting living wage parameter that reflects the real needs of the population will enhance the ability to assess the financial resources of households in terms of their minimum adequacy, which is crucial to further attraction of households to the active economic cooperation and development of the subject as a full and independent part of financial relationships.

For feasibility to assess the financial resources of households it is necessary to analyze and summarize all possible sources of financial resources and identify areas of life that need funding, and thus reduce the potential for households to form financial resources.

Sources of households financial resources are the incomes of households from:

- Employment (salaries, entrepreneurial income)
- Property (types of dividend and rental payments).

One should pay attention to the transfer payments that are received by the residents. Being as an income for certain categories of households received

transfers is the result of redistribution of income at the state level. In addition, transfers, as some equivalent of income population that people get, directed to maintain a livelihood cannot be a source of households financial resources. Operation of the household and the possibility of financial resources in the economic system are connected with the need:

- Taxes and mandatory payments;
- Expenses on life security.

The volume of money going for paying taxes and duties in terms of financial resources of households should be considered in close relation to tax and social policy, which takes place in a particular state.

Expenditures size on livelihood largely depends on personal preferences of individuals, but for the purposes of evaluating the financial resources it is appropriate to compare this indicator with living wage index.

In summary, we can conclude that the assessment of the households financial resources in the Ukraine is a fragmentary and partially, and in most cases, it is limited with a determination of the household financial condition. However, such processes as the formation, establishment of distribution ratios between the expenditures direction, the determination of life-securing sufficiency, etc., are out of view of researchers and scientists. An important indicator to improve the methodology of estimating the households financial resources is the living wage as the equivalent of the minimum necessary financial resources to enable the functioning of the household as a full and proper subject of financial relations.