Abstract. The lack investment resources of Ukrainian economy are the key limiting factor of Ukrainian economy growth and development. The article identifies the level of economic and financial potential of household savings for Ukrainian economy. The correlation analysis shows that the household saving prosperity greatly depend on the level of GDP and makes the conclusion to focus on both parameters improvement in order to reach economic growth. For better understanding of the financial mechanism of transformation household finance into investment resources of the economy the article include scheme of the institutional structure and key financial flows in this aspect between the segments of the financial system. Article proposes a list of actions in order to improve financial mechanism of household savings transformation into investment resources of Ukrainian economy.

Key words: investments, banking, GDP, financial mechanism, household savings activation.

Introduction

The current state of the Ukrainian economy shows a significant number of problems in almost all sectors. The most important issue in this case is full reset of Ukrainian economy that has to be done 20 years ago has been done not more than 20-30% (mostly has done some institutional reforms like private property, market liberalization etc.). The problem that interrupted the efficient reforming of most sectors of the economy has not been changed during last decades – reforms require huge amount of financial resources that, unfortunately, are not available.

Given the fact that access to external sources of financing is mostly a political issue, the domestic resources and their efficient investment is the only way to stimulate further development. As household finance influence greatly the Ukrainian gross domestic product, as the total contribution of household consumption to it in 2014 reached 70%. A sharp decline in household savings has been discovered (almost a half in the last five years has been lost), amid growing consumption for more than 55% and taxation for almost 70% from 2010 to 2014. One of the main domestic sources of investment finance resources are households whose investment activity is very low and has a huge investment potential, so study the role of household finance in the investment process is particularly important.

Enhancing investment activity in the economy of Ukraine is one of the main tasks of not only the state but also the private sector in general. According to current state of Ukrainian economy one of the main problems is inefficient financial mechanism of household saving transformation into investment resources.

Such outstanding economists as J.M. Keynes, M. Modigliani, P. Samuelson, M. Friedman has studied the role of household savings in the economy. Among Ukrainian scientists should be mentioned: M. Alekseenko, V. Bazylevych, A. Vatamanyuk, N.Duchynska, T. Kizyma, A. Kovtun, Panchyshyn S. and others.

Method

The methodology of the article is based in the theoretical and practical basis. In the article were used the following methods:

1) Visualization with help of block diagrams - developing schemes of stages of household savings transformation into investment resources of the economy, explanation of interconnection between elements in household savings transformation etc;

2) Correlation analysis in identifying the relationship between level of household saving prosperity and GDP performance;

3) Abstract and logical analysis –in justifying proposals to improve financial potential of household savings.
Results

The key economic institution of the effective functioning of households finance is "private property" that stimulates the emergence of free enterprise, which is the basis for the functioning of competitive markets and a stimulus for economic development. Therefore as the entrepreneurial activity is a factor of production that could be owned only by a household, so the role of economic role of households should be identified as follows:

- Ensure the necessary level of consumer demand;
- Providing supply of factors of production;
- The basis for the formation of human capital;
- Investment savings in the economy (Nahaychuk 2014).

Therefore, household finance is the main tool of cost allocation and redistribution of GDP through the implementation of the public final consumption, taxation and savings (investments). In general households are the key GDP generating unit for the economy.

In order to identify the relationship between income and GDP primarily in our opinion should be considered nominal amounts of income and Ukraine's GDP in value terms (Table 1).

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (mln UAH)</th>
<th>Total household income (mln UAH)</th>
<th>Final household consumption (mln UAH)</th>
<th>Other GDP components (mln UAH)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,079,346</td>
<td>1,075,451</td>
<td>680,164</td>
<td>399,182</td>
</tr>
<tr>
<td>2011</td>
<td>1,299,991</td>
<td>1,216,877</td>
<td>858,905</td>
<td>441,086</td>
</tr>
<tr>
<td>2012</td>
<td>1,404,669</td>
<td>1,394,132</td>
<td>950,212</td>
<td>454,457</td>
</tr>
<tr>
<td>2013</td>
<td>1,465,198</td>
<td>1,478,073</td>
<td>1,047,096</td>
<td>418,102</td>
</tr>
<tr>
<td>2014</td>
<td>1,566,728</td>
<td>1,531,070</td>
<td>1,107,819</td>
<td>458,909</td>
</tr>
</tbody>
</table>

The data presented in Table 1 indicate that the share of final household consumption in GDP Ukraine over the past 5 years, growing steadily from 63% in 2010 to almost 71% in 2014. The key factors that are prerequisites for such dynamics should include:

- The growth of nominal income as an adjustment unappreciated labor in Ukraine;
- A constant increase in social expenditures of the state (covering the Pension Fund deficit);
- Intense competition among enterprises and reduce the investment attractiveness of the economy;
- A significant shadow business growth of corruption in the country (especially 2010-2013.).

Given the key role of household finance for the economy, more detail should draw attention to the issue of household income distribution patterns in three key areas: consumption taxes and mandatory contributions, savings.

The recording level of household saving part in total household income according to the data available was indicated in 2010, when household saved more than 14.7% of their income. In the case to identify the level of interconnection of household saving, households’ income and GDP see the correlation matrix in the table 2.

<table>
<thead>
<tr>
<th>Nominal household saving (mln UAH)</th>
<th>Nominal GDP (mln UAH)</th>
<th>Nominal households' income (mln UAH)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.839</td>
<td>0.997</td>
</tr>
</tbody>
</table>

As you can see in the table 2 the level of correlation between GDP and Nominal households' income is higher than 99% as household income is a component of GDP and fully indicates its dynamics and proportions. Nominal household saving correlate by ~84% with GDP and by ~87% with Nominal households’ income and reflect two main points:

1) Nominal household saving highly depend on income dynamics;
2) There some behavior matter for households to save part of income.

Analyzing the available data it should be noted several key facts that generally have a significant influence on the development of the national economy:

- The current consumption of the population increases during the analyzed period, with an average growth rate at almost 11% annually;
- Taxes and other mandatory payments analyzed period increased with an average growth rate at almost 14% annually;
- Savings are the most volatile and actually decreased from an average growth rate of 10% annually.

So for the last 5 years in the structure of household finances showed a significant reduction in savings, which is a negative factor on the potential volume of investment resources for the economy. The main factors reducing savings should be the following:

- Slower revenue growth, rather than spending, most of which are products of
- An increase in the effective tax rate from 6.5% to 7.5% of the total income;
- The growth of consumption expenditures is primarily due to hidden inflation, which according to various estimates in the period 2010 to 2013 was 10-15% per year, the official averages at around 4.5%
- Increasing the tax burden on the population;
- The lack of effective tools for investing free funds of population, except for deposits;
- Increase of risks in business.

Financial mechanism of household savings transformation into investment resources of the economy includes key elements of the economy to transform household saving into the financial and investment resources of the economy. Therefore we might mention that by the level of savings involvement into the investment process household saving could be divided into:

- Passive savings (savings in the form of money of equity, that does not directly stimulate the economical growth – cash, luxuries, estate and so on);
- Conditionally-active savings (savings, that are made in a form of banking and insurance instruments, mutual investments etc, and are transformed into investments professional financial institutions);
- Active savings (savings that are made in a form of direct investment in securities of a company or in the equity of a company).

Considering the impact on household finances investment resources and the economy in general economic development of Ukrainian economy is worth noting that stimulate investment while the economy is in two directions: directly - by using the savings as a resource for investments accumulation (conditionally active and active savings) and indirectly - through consumption by encouraging businesses to invest in development to meet the needs of consumers.

The main precondition for activization of investment process on the financial market is the presence of financial instruments that would meet interests of individuals. Therefore, it should be stressed that the development of an effective mechanism of transformation of savings into the economy of Ukraine requires detailed study.

The main objective of the research is to determine the mechanisms of effective conditionally-active savings transformation into investment resources and development mechanisms to activate passive savings.

In general, the scheme of household saving transformation into investment resources with the help of financial mechanisms is shown on the Figure 1.

![Diagram of household saving transformation](image-url)

Fig. 1. Scheme of household saving transformation.
According to the picture 1 financial institution play a leading role in transformation household saving into investments mostly due to an opportunity to operate on the credit market and to fund the financial needs of enterprises for further investment.

It should be noted that despite all the actual availability of investment to enhance savings, efficiency structures such as non-bank financial institutions and the financial credit market are low efficient. The reason for this is:
- Low demand for investment instruments;
- Poor financial literacy;
- Weak legal protection of rights of borrowers;
- Poor infrastructure of the financial market and so on.

With this in mind, especially important is to improve the financial mechanism of the transformation of funds into the investment resources of the economy, the lack of which in this case one of the main prerequisites for the economic and financial crisis.

In order to improve the efficiency of the financial mechanism of transformation of savings into investment of the economy need to implemented reforms in following directions:
- Strengthening legal protection for investors and creditors;
- Development of the financial market infrastructure in general and the stock market in particular;
- Complete pension reform expanded role of private pensions;
- Simplifying the tax system of direct investment in the real sector of the population;
- Strengthening the competitiveness capacity of non-banking financial institutions by reviewing the guarantee system deposits in commercial banks;
- Expanding the range of financial instruments on the stock market.

Discussion
Summarizing the above, it should be noted that the development of policies aimed at intensifying investment savings should pay particular attention to the nature of the savings, the motives of their formation and behavioral characteristics of individuals on investing. All actions in this case should be focused on: stimulation of household long-term deposits to solve the problem of banking resources duration, development of financial markets for simplifying the activity of household direct investments and Popularization of mutual investment for formation of high level of investment resourced to fund the capital expenditures of the economy.

References