

## IMPLEMENTING BUSINESS SOCIAL RESPONSIBILITY IN UKRAINE: COMPANIES' CASES AND STATE ASSISTANCE

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**Abstract.** The idea of socialization of economic state and corporate policy has become commonplace worldwide. Within the framework of these processes, research and evaluation of the effectiveness of the steps implemented by Ukraine in this area are relevant. In Ukraine, the idea of social responsibility established only little more than 10 years ago and fulfils the function of company's promotion more than the responsibility of entrepreneurs for their business activities. Big amount of Ukrainian companies fulfil some activities in the sphere of social responsibility irregularly and in more cases with one aim to improve reputation. Thus, the *purpose* of the article is to determine the modern state of business social responsibility institution in Ukraine, its implementation in the business sphere, explore social element in a comprehensive government system of Ukraine. The *subject* of the study is the issue of assessing the preconditions, calculating the effectiveness, describing the features and practices of the implementation of business social responsibility in Ukraine under the condition of state assistance. *Methodology.* The paper is based on statistical information from public sources, reports of different international and Ukrainian companies, organizations, and institutions, which are used to stress and underline the main crucial points of research. In the article, the authors propose a regression model of the correlation between the net profit of Ukrainian companies and various forms of internal social activity of business entities. *Conclusions.* On the basis of regression model and analysis of financial, non-financial reports and official press releases of Ukrainian companies, it is investigated that internal social activity of the enterprise positively affects the net financial profit, and on the contrary, the general approach of companies to the external business social responsibility indicates the disparity between net profit and the expenses for social responsibility projects for local communities. With the increase of their profits, companies allocate more funds and in some cases even reduce their spending on external social activity. Ukrainian companies are still at the first stage of the development of CSR, which manifests itself only in the production of the product and meeting the needs of their consumers and employees. Therefore, the business, which wants to be successful, is interested in a good partnership with all its stakeholders, especially in such as state, which should help and motivate companies, through financial and non-financial incentives, to implement the institution of social responsibility in its activities. The aspect of the state socio-economic policy is realized through specific, typical programs of social protection and security, which are considered in the article.

**Key words:** business social responsibility, internal and external social responsibility, social economy, sustainable development, state system of social protection and welfare.

**JEL Classification:** M14, F20, A13, H53, H54

### 1. Introduction

Sustainable development of the economy and society in general, implementation of the concept of welfare, and construction of socially-oriented economic systems have long been the main vectors of the world community. The idea of socialization of economic state and

corporate policy has become commonplace. Within the framework of these processes, research and evaluation of the effectiveness of steps implemented by Ukraine in this area are urgent. Business social responsibility has long been the main requirement from society, the object of control and management by the state and a guarantee

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of profitable activity for the business entities themselves. There are a lot of benefits, which Ukraine, national business, and our society may get because of realization of concrete activities in this sphere. Among them are the positive indicators of economic development, formation of a good level of social welfare, where the proper level of consumer demand is possible, and also increase of companies' productivity thanks to a number of competitive advantages and creation of prospects (social, economic, technological, and resource) for its further development. The purpose of the article is to determine the modern state of business social responsibility institution in Ukraine, its implementation in the business sphere, explore social element in a comprehensive government system of Ukraine. One of the tasks of this article was to investigate if internal and external social activities of the enterprise positively affect the net financial profit. For this target, the authors propose a regression model of the correlation between the net profit of Ukrainian companies and various forms of internal social activity of business entities.

This article is based on different works of such economists as H. Bowen (1953), P. Drucker (1984), K. Davis (1960), J. McGuire (1963), M. Friedman (1970), A. Carroll (1991), E. Freeman (1984, 2010), R. Ackoff (1999), A. Mendelow (1991), who argued to be the Fathers of Business Social Responsibility Concept thanks to definitions, economic approaches, and evolutionary development of this idea. H. Bowen (Bowen, 1953) was first to set the definition of the social responsibilities of businessmen: "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action, which are desirable in terms of the objectives and values of our society." The ideas of business responsibilities also were coined in works by P. Drucker (Drucker, 1984) who stressed on the necessity to turn social problems into economic opportunities. K. Davis (Davis, 1960) also suggested that idea of social responsibility should be seen in a managerial context. Furthermore, he became famous thanks to his statement that "social responsibilities of businessmen need to be commensurate with their social power." A big contribution to the CSR as an economic category was made by A. Carroll (Carroll, 1991), who depicted it as a pyramid of four kinds of social responsibilities: economic, legal, ethical, and philanthropic. During the 1990s, the major theme of business social responsibility was a creation and development of stakeholder theory, which describes methods, by which management can give due regard to the interests of those groups, by such economists as E. Freeman (Freeman, 1984), R. Ackoff (Ackoff, 1999), and A. Mendelow (Mendelow, 1991).

Questions of the socialization of the state governance system, creation the social economy on this basis, were raised both by the old economists and philosophers like Proudhon, Aristotle, and are the main objects of

research by leading economists of our time, in particular F. Fukuyama (2002), which focuses on the formation of social capital of the state; Nobel Laureates E. Roth and L. Shapley (2012) who study the problems of stable distribution in a free market between all business entities and members of society; J. Tirole (2014) who focuses on the study of activities of transnational corporations in the interests of society in order to support the state policy of generating welfare; A. Deaton (2015), who conducts a comprehensive analysis of consumption, poverty, and well-being.

## **2. Evolution of business social responsibility concept**

The development of the concept of business social responsibility can be dated to the times of Ancient Egypt, Greece, Roman Empire, the Middle Ages. Various historical sources indicate that even then there were manufacturers who felt their responsibility to the society: they paid taxes conscientiously, produced products of good quality, did not deceive consumers and workers. Since then, the essential basis for the notion of business social responsibility in the modern sense there is moral, ethical, and religious postulates. Principles of business social responsibility originated from the religious ideas of different confessions (Vittenberg, 2011). Thus, the Bible condemns inefficiency and laziness, and vice versa, the efficient work of farmers, craftsmen, and merchants is encouraged. It is coined in the Bible, that only personal work can be the basis of human well-being. Even the first mention of the need to pay taxes also was recorded in this religious document. Religious Islamic documents state that the financial system of these countries has a clear social orientation in accordance with the moral and ethical principles, and the principles which are set forth in the Quran. A striking example of such social ideas is the prohibition of "game over time". Any futures agreements that involve the risk that the future product will be of bad quality, and there may be a conflict between the seller and the buyer.

The modern history of business social responsibility dated from the twentieth century. The impetus for its development was the rapid growth of philanthropy, which took place at the end of the nineteenth century. Among the well-known philanthropists of this historical period, one may recall Henry Ford, the founder of Ford Motor Corporation and initiator of significant positive changes in the professional and social life of his workers; Mother Teresa, the founder of the Missionaries of Charity, which today operates in 133 countries, and winner of Nobel Prize "for work undertaken in the struggle to overcome poverty and distress in the world, which also constitute a threat to peace"; John Davison Rockefeller, an American businessman, the world's first dollar billionaire and philanthropist who has funded various educational, medical, and cultural projects

throughout his life; Evangelos Zappas, initiator and sponsor of the renovated Olympic Games, and finally, Mykola Tereshchenko, a well-known Ukrainian “sugar” entrepreneur and philanthropist, who donated his money to help children, sick and homeless people, built hospitals, shelters, and invested into wonderful works of architectural art.

The founder of the concept of business social responsibility is considered to be Howard Bowen, who in 1953 published his monograph entitled “Social Responsibility of Businessmen”. He wrote: “It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953). The ideas of this concept were also stated by the well-known scientist in the field of management Peter Drucker. After publication of works by H. Bowen and P. Drucker, the active development of the modern theory of socially responsible business in Western science began. There were dozens of scientific papers during 1960s-1980s, in which the theory of BSR was developed, the experience of socially responsible companies was summarized, and national and regional models were explored. Thus, K. Davis, one of the researchers of this concept in 1960, wrote: “Those who do not use power in a manner which society considers responsible will tend to lose it” (Davis, 1960). Another scientist, J. McGuire, argued that the company should be involved in politics, the welfare of society, education, the happiness of its workers and, in general, in the whole social world about it. Therefore, a business must act “justly,” as a proper citizen should (McGuire, 1963). The company is not responsible for solving all existing problems but is responsible for solving those problems that it generates which are related to its activities and affect its interests.

### **3. Regression analysis of the internal social activity of business entities in Ukraine**

The concept of business social responsibility as a term in nowadays meaning appeared in second half of 20th century in America and Europe as the indicator of prosperous and stable business. In Ukraine, the idea of social responsibility established only little more than 10 years ago and fulfils the function of company’s promotion more than the responsibility of entrepreneurs for their business activities. Big amount of Ukrainian companies fulfil some activities in the sphere of social responsibility irregularly and in more cases with one aim – to improve reputation. However, this process should be regular and take into account not only the interests of the company but also interests of all stakeholders such as workers, consumers, and all society.

As business appeared during the development of society and its needs, it should be responsible to society and meet certain social expectations. Thus, BSR is the

promotion of responsible business practices that bring benefits to society, supporting social, economic, and environmental aspects of sustainable development and at the same moment enabling a business to improve its financial performance, strengthen its competitive position, customer loyalty, and market stability. In this article, the authors will try to confirm or refute this thesis, based on the realities of the Ukrainian market. It seems appropriate to divide different business social activities in the Ukrainian market according to the approach of the stakeholder’s theory, proposed by E. Freeman (Freeman, 2010) into two dimensions – internal (social programs and payments, which are directed to company employees, management, shareholders) and external (social programs and expenses, which are directed to local communities and society). Also, we consider in the article the social orientation of the Ukrainian state policy and its adoption by companies.

Based on our assumption that business social responsibility directly affects its profitability, the authors developed a regression model of the correlation between the net profit of Ukrainian companies and various forms of internal social activity of business entities. Under conditions of significant lack of available data on key indicators of financial activity of companies and in order to ensure comparability of the surveyed data, the statistical base was formed on the basis of the 2015 year and consists of standard financial reports such as the Balance Sheet (The statement of financial position), the Statement of Financial Results (Statement of total income) and Cash Flow Statement. It should be noted that a number of Ukrainian companies (such as SCM, DTEK, Ostchem) publish their reports in the form of a final report of the audit company (Ernst and Young, PricewaterhouseCoopers), which makes it impossible to use a unified approach to form the statistical base of the study. Thus, the dependent variable of regression – net profit (NP) – consists of data in the line 2350, and independent variables – deductions for social activities (DSA) and compensation of employees (DCE) – in lines 3110 and 2505, respectively.

Internet sites of many companies under consideration have a corresponding section – “Social responsibility” with some companies even publishing sustainable development strategies that take into account the environment preservation and support rendered to the disadvantaged and vulnerable social groups. The regression was assumed to include one more section – line 1505 of the Balance sheet “Pension provisioning” but only one company ArcelorMittal made such payments in 2015 that is why this variable was excluded from the model as unrepresentative. Since social responsibility is not very widespread practice in Ukraine, the authors suggest adding to regression so-called “dummy” variable that should be regarded an index of social practices of company – sustainable development strategies, educational or health care

programmes funding etc. Especially should be noted that it is not possible to identify correctly the amount of such payments because they are not displayed on the balance sheet. That is why the social responsibility index was added to the regression, we propose to calculate it as follows:

$$I_{s.r.} = I_{s.d.} + I_{s.p.} \quad (1)$$

where  $I_{s.r.}$  – social responsibility index,  $I_{s.d.}$  – sustainable development strategy index,  $I_{s.p.}$  – social programmes index.

Consequently, the total value of index may vary within the ranks [0...2] with every separate component index equalling “1” if company exercises the corresponding programmes and “0” if it doesn’t. Taking into account the fact that the dimensions of the values under consideration vary from hundreds of millions to hundreds of thousands, there is a problem of matching data in regression, since the dummy variable has a maximum value of “2”. In this context, the initial data is proposed to be logarithmic on the basis of 10, i.e., translate them into a scale comparable to the index value (Table 1).

In our opinion, the fact that enterprises in Ukraine carry out appropriate social activities deserves great attention and, therefore, in the regression, the corresponding variable will be presented in values comparable to dependent and other independent variables. Thus, the equation of regression, in this case, will be:

$$Y = 3,06 - 0,5x_1 + 0,74x_2 + 0,43x_3, \quad (2)$$

where  $Y$  – net financial profit,  $x_1$  – deductions for social events,  $x_2$  – salary expenses,  $x_3$  – index of corporate social responsibility.

The value of the coefficients before each of the factors indicates the degree of influence of one of the factors (provided that the rest are unchanged) on the NFT (Net Financial Profit). The coefficient before the 2nd factor is negative, which indicates the presence of an inverse

relationship between the independent and depending variable, that is, an increase in the value of the factor by 1% leads to a decrease in the NFT. The obtained result corresponds to reality, which is a confirmation of the adequacy of the proposed model since tax payments, directly and indirectly, affect the NFT. Of the two factors that have a positive impact on the NFT, the most important is the value of the SE (Salary Expenses), an increase of which by 1% provides an increase of NFT by about 0.74%, what is obviously due to an increase in the intensity and quality of workers’ work, who get relatively higher wages. The internal social activity of the enterprise, thus, positively affects the NFT, i.e., the proposed hypothesis of the presence of direct dependence is confirmed empirically.

#### 4. Managing external business social responsibility in Ukraine

Having considered selected companies in terms of the second, external direction of socially responsible activities, it should be noted that only three of them have published non-financial reports that illustrate and provide financial data on expenditures in the territory of Ukraine. Some companies unregularly publish press releases that very discretely and partly describe their social projects for local communities. For example, in 2016 OKKO (OKKO, 2016, 2015, 2014), in the sphere of its external social projects, was collective in gathering used things for the low income people, which were given to volunteer associations, which had already distributed them to people from settlements located near the line of separation of hostilities, homeless people, forced migrants, boarding schools and shelters. Also, the company became one of the winners of the “Charitable Ukraine-2016” contest on the initiative “Christmas Coffee is Your Good Thing”. During this contest, the company has transferred a part of the funds from the sale of coffee and other hot drinks for medicines for cancer patients.

Table 1  
Logarithmic values of initial data of linear regression

Company	Net financial profit	Deductions for social events	Salary expenses	Index of social responsibility
Deloitte	4,852656847	4,159958003	5,13370493	1
Interpipe	5,596304536	4,582438377	5,501238697	2
Naftogaz	4,42372088	4,814846669	5,793884635	0
Carlsberg	5,927290273	4,916527641	5,386926807	1
KPMG	4,23530114	3,986637396	4,979297923	1
Lagoda	3,696793085	3,943247125	4,311287539	1
Fozzy Group	5,999830592	1,986771734	3,913018684	1
Ukrposhta	4,610936831	2,868644438	3,29907126	0
Zaporizhstal	3,91360195	2,683047038	3,076276255	0
OKKO	5,606175994	4,477352817	5,218059989	2
MTS	6,384293007	5,245885113	5,734551019	1
UkrAVTO	4,672725745	4,761852694	5,259641653	1

Source: calculated by the authors based on the data (Deloitte Ukraine, 2016; Interpipe, 2016; Carlsberg Ukraine, 2016; KPMG, 2016; Lagoda, 2013; Fozzy Group, 2016; Ukrposhta, 2015; Zaporizhstal, 2013; Naftogaz, 2015; OKKO, 2015; MTS Ukraine, 2016; Ukravto, 2016)

Zaporizhstal Company is more consistent in its external social responsibility policy. For several years, the project “We are the City” (Zaporizhstal, 2016, 2015, 2014) has been realizing aimed to help the Cossacks. For those Cossacks, who are not indifferent to their land, their history, their city, and since 2012, it provides organizational and financial assistance to initiative social and ecological movement “Save the Dnieper Together!” The goal is to clean up the Dnieper River, coastal areas, landscaping and restoration of living resources of waters and the implementation of other creative ideas in the movement.

In their social report, KPMG (KPMG, 2016, 2015, 2014) states that considering work with local communities is the foundation of its corporate social responsibility. Since 2011, KPMG in Ukraine has been helping disabled children from the Centre for Social Rehabilitation of Disabled Children in Slavutych, since 2012 pleasure pupils of Kyiv kindergarten № 591, which is attended by children with disorders of locomotor apparatus and infantile cerebral paralysis. Employees of the company hold an annual charity fair of homemade cakes for the Day of St. Nicholas raising funds for “butterfly children” – children with epidermolysis bullosa, who traditionally take part in “Day of the Donor” and the charity sports races.

Carlsberg Ukraine recognizes in their social report that interaction with local communities each year is becoming more strategic in nature to improve their reputation (Carlsberg Ukraine, 2016, 2015, 2014). Therefore, the company participates in the projects in the sphere of environmental protection, education, sports, culture, and charity. Also, Carlsberg Ukraine provides assistance to several orphanages in Kyiv, Zaporizhzhia and Sumy region.

Analysing financial and non-financial reports and official press releases of the above companies, we

chose three indicators that characterize the general approach of many Ukrainian companies to the social responsibility of business, that is, net profit, taxes and fees paid by the company, and the expenses for social responsibility projects for local communities (Table 2).

Figure 1 illustrates a balance between the net income and spending social responsibility projects for local communities, companies KPMG-Ukraine, OKKO, Carlsberg Ukraine, and Zaporizhstal. These charts indicate the disparity between these two indicators. With the increase of their profits, the companies allocate more funds and in some cases even reduce their spending on external social activity. In our opinion, in this case, it would be good to use Carroll's pyramid (Carroll, 1991) of social responsibility. Using this pyramid, we can characterize the stages on which the Ukrainian companies are.

This pyramid consists of four levels of social responsibility: economic, legal, ethical and discretionary. According to Carroll's pyramid, economic responsibility is the basic function of the enterprise market as a producer of goods and services that can meet the needs of consumers and make a profit. Legal liability – the necessity to be law-abiding in the conditions of market economy, the compliance of actions of the enterprise with the expectations of society, which are enshrined in legal norms. Ethical responsibility requires dealing business according to the expectations of society that are not fixed in legal acts and regulations but also based on the norms of morality. And, finally, discretionary (philanthropic) responsibility – refers the company's activities to support and develop the welfare of society through its voluntary participation in the implementation of social programs. So, if a firm is socially responsible, it should be profitable, legitimate, ethical, and be a good corporate citizen. According to this classification, Ukrainian companies are still on the first step of the pyramid, producing a

Table 2

**Some financial indicators of the companies KPMG-Ukraine, OKKO, Carlsberg Ukraine and Zaporizhstal**

		2012	2013	2014	2015	2016
KPMG-Ukraine	Net income (thousand)	n.a.	300	143	7464	17191
	Taxes and fees paid by the company, (thousand)	n.a.	20762	21252	33387	48967
	Costs at the cost price	n.a.	26315	140744	27479	30982
OKKO	Net income (thousand)	n.a.	404000	-885000	77000	316000
	Taxes and fees paid by the company, (thousand)	n.a.	2180000	4400000	6130000	n.a.
	Costs at the cost price	n.a.	-	-	1767000	600000
Carlsberg	Net income (thousand)	513 000	621 000	846 000	929 000	n.a.
	Taxes and fees paid by the company, (thousand)	1 200 000	1 193 000	1 337 000	1 460 000	n.a.
	Costs at the cost price		2000000	619551		n.a.
Zaporizhstal	Net income (thousand)	n.a.	8196	1121000	1804000	4000000
	Taxes and fees paid by the company, (thousand)	n.a.	1080000	1400000	2 500 000	3200000
	Costs at the cost price	n.a.	700	1100	1700	2300

Source: official press releases, financial and non-financial reports of the companies (OKKO, 2016, 2015, 2014; Zaporizhstal, 2016, 2015, 2014; KPMG, 2016, 2015, 2014; Carlsberg Ukraine, 2016, 2015, 2014)

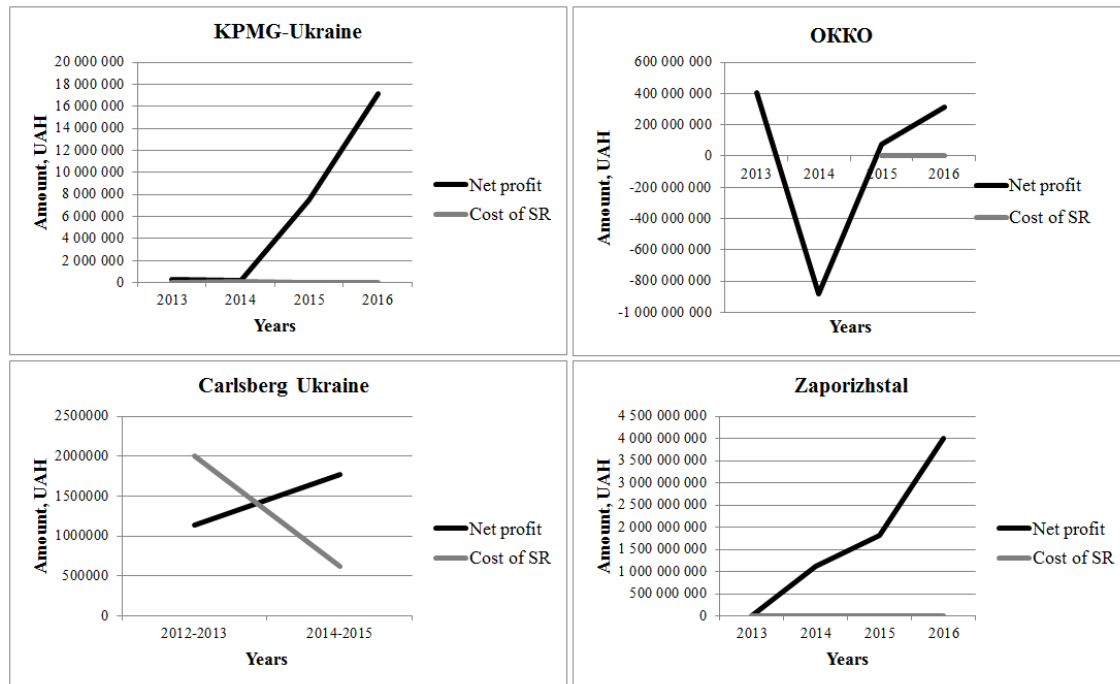


Fig. 1. Correlation between net profit and costs of socially responsible projects for local communities by KPMG-Ukraine, OKKO, Carlsberg Ukraine, and Zaporizhstal, according to companies' financial data (OKKO, 2016, 2015, 2014; Zaporizhstal, 2016, 2015, 2014; KPMG, 2016, 2015, 2014; Carlsberg Ukraine, 2016, 2015, 2014)

product and satisfying the needs of its consumers and employees. In most companies, external social projects are implemented unsystematically and without any link to the strategic social plans of local communities and their problems.

### 5. Business social responsibility and Ukrainian government policy

Any business always functions in a special social environment and not only influences on it with its production, goods, services, technologies, but also depends on it. Interdependence of society and business through socially responsible projects and taking into account public interests and expectations manifests itself in increasing loyalty to the company, and hence the growth of profitability. Therefore, the business, which wants to be successful, is interested in a good partnership with all its stakeholders. Today, Ukraine is gradually becoming aware of the need to implement the principles of social responsibility in management and the gradual transition to the provisions of this concept. But, in our opinion, such a transition is impossible without the support of the state, which should help and motivate companies, through financial and non-financial incentives, to implement the institution of social responsibility in its activities.

The key to this process is the role of a state. Accepting it, a state should not just monitor, coordinate, and stimulate responsible behaviour of business entities, but also be socially responsible personally, that is, to conduct

a socialized, socially responsible state economic policy. Elements of the socialization of the state's economic policy in the modern world economy can be traced throughout the world's history, in particular, such as Old-Roman laws of the times of the Gracchus brothers; certain elements of the social state are also observed in the Middle Ages when social policy was based on four main institutions: family, church, monarch, and corporation (Deaton, 2013).

During XVI-XVIII centuries, the formation of a new model of a social state took place. In the absence of any social protection institutions, the state resorted to the repressive practice of solving social issues. However, at the time of the enlightenment era, the question about the humanization of state policy arose.

The origins of the "social economy" theory dates back to the XVIII century, namely the philosophical and ideological quest for the concept of a new "social economy", which establishes democratic control over capital society in order to limit the negative effects of a free market on society (Hamari, Sjöklint, Ukkonen, 2016). The participants in this discussion were utopian socialists and founders of the cooperative philosophy of Wilson Owen, A. N. de Saint-Simon, J.B. Fourier and P.-J. Proudhon.

Nowadays in the modern world, the concept of a social economy, a socially oriented market economy, market self-governing socialism, etc. has acquired a peculiar philosophy of public administration, which, despite the similarity of the definition, has little in common with socialism and its principle "from each according to possibilities and to each according

to needs.” The construction of the social economy involves state administration and socio-economic organization on the principle of welfare, the economic activity of all members of society, legal stability and social security of citizens. The implementation of the concept of a social economy, especially in societies that require a fundamental restructuring of the existing political system, must be accompanied by its complete renovation and democratization of the entire economic life of society (Khan, Muttakin, Siddiqui, 2013).

In the conditions of the functioning of the socialized economic system, the shortcomings of the market economy are offset by state regulation, in particular, by the direct participation of the state in the provision of social benefits.

The aspect of the state socio-economic policy is realized through specific, typical programs of social protection and security. The main areas of social security and protection of the population of Ukraine are: social protection in case of impunity; social protection of pensioners; social protection of veterans of war and labour; social protection of the family, children, and youth; social protection of the unemployed; help in solving a housing problem, which includes housing maintenance and housing assistance; social protection of other categories of the population; research and development in the field of social protection; other activities in the field of social protection. The amount of money spent on social protection of the population depends on the financial capacity of the state, which is determined by the volume of GDP and scientifically substantiated optimum volume of the consumption fund. In making social payments, the state adheres to certain parameters. Funding of expenditures for social protection and social security in Ukraine is carried out at the expense of state and local budgets, funds of state target and non-state funds, territorial and municipal loans, insurance companies, as well as finance companies that indirectly support social programs. Implementation of any social programs requires the corresponding financial resources, which according to the current state of the national

economy is not enough. The problem is not even in the amount of these resources but in the ability to properly dispose of them. This is the main task of financial support for programs and measures of social policy in Ukraine. In order to fulfil its functions, in particular in the field of social policy, the state should have sufficient funds, which are formed by redistribution of GDP, and the main mechanism through which this redistribution is realized is budget (Financial and economic analysis office in the VRU, 2017).

Over the past five years, expenditures on social protection of the population and social security have increased annually (Table 3).

A significant increase in funding for social protection and social security is due to government policies aimed at raising social standards of living for citizens, and accordingly, increasing their income and protecting it from depreciation. At the expense of raising social standards and, accordingly, the citizens' ability to pay, it is expected that it will stimulate domestic demand, which should be a factor of future economic growth.

However, the indicators of this growth are rather heterogeneous, the growth rate in certain areas, unfortunately, has a negative character of the indicators (Table 4).

At the same time, the directions themselves, as well as the amount of their funding, are rather ambiguous. In particular, the world experience of leading countries in the field of social economy implementation (Sweden, Denmark, Finland, the Netherlands, Germany) shows the expediency of supporting families and youth, expansion of valeological and recreational programs, which would in the future create a stable economic system with a high level general welfare, and not excessive social support for some of the most vulnerable groups of the population.

The State Strategy for Sustainable Development “Ukraine 2020” defines the directions of activity, based on the understanding that the level of economic development and welfare of the population does not

Table 3

**State budget expenditures for the 2013–2017 years by functional classification, million UAH**

Expenditures	2013 (fact)	2014 (fact)	2015 (fact)	2016 (fact)	2017 (plan)
State functions	59979	65836,5	103116,7	117925,6	168122,2
Defence	16186	50056,7	52005,0	60263,0	69666,7
Public order, security and judiciary	38829	44617,2	54643,4	71671,1	81258,6
Economic activity	42759	34410,8	37135,4	31412,3	96659,9
Environmental protection	4275	2597,4	4053,0	4771,6	8222,6
Housing and communal services	51	111,5	21,5	12,5	24003,1
Healthcare	12966	10475,8	11450,4	12456,3	97111,5
Spiritual and physical development	4597	4871,8	6619,2	4958,9	23421,1
Education	32495	28674,6	30185,7	34825,4	178348,4
<b>Social protection and social security</b>	<b>89141</b>	<b>80549,1</b>	<b>103700,9</b>	<b>151965,5</b>	<b>272090,2</b>
Between-budget transfer	118566	130600,7	173980,0	195395,4	---
Total	419844	430108,8	576911,4	684743,4	1018904,4

Source: Formed by the author on the basis of the data of the State Treasury of Ukraine

Table 4

**Expenditures for social protection and social security for 2015–2016, billion UAH / %**

Directions	2015	2016	Growth rate
Social protection in case of incapacity	1,15	1,23	+6,96%
Social protection of pensioners	80,81	144,89	+79,3%
Social protection of veterans of war and labour	1,18	1,28	+8,47%
Social protection of the family, children, and youth	0,03	0,04	+33,33%
Social protection of the unemployed	0,07	0,05	-28,57%
Assistance in solving housing issues	1,75	1,45	-17,14%
Social protection of other categories of the population	5,53	4,94	-10,6%
Fundamental and applied research and development in the field of social protection	0,02	0,01	-50,0%
Other activities in the field of social protection	0,34	0,29	-14,71%

Source: budget dairy. By financial and economic analysis office in the VRU

correspond to the natural, scientific and technical, agricultural and industrial potential of Ukraine and the qualification and educational level of the population, socio-historical and cultural traditions of the Ukrainian people. However, progress in this issue is possible only with the active participation of business structures operating in the territory of Ukraine.

Mainly in state programs of social development, the focus is on supporting young people, families with small children, pensioners, people with disabilities, patients, creating a system of targeted assistance or introducing valeological measures to prevent negative trends in the future. Investigating the activity of individual companies in this area indicates that the vast majority of them participate in activities in the main areas identified by the state strategy. However, they all determine, at their own discretion, the scope of the project and methods for its implementation, based on the specifics, preferences, and priorities of the companies.

In particular, Interpipe Steel provides support to social, cultural, and educational initiatives aimed at developing and improving the standard of living of citizens, and together with Fozzi Group Corporation is an active participant in the program “Operational Response to the Social and Economic Problems of Internally Displaced Persons in Ukraine”. The purpose of this program is to ensure employment of migrants and increase competitiveness in the labour market by implementing a set of interrelated tasks and measures for creating new jobs, providing state guarantees and efficient use of labour force, which will help to reduce social tension in society, solve their issues of material support. Ukrposhta Company implements a number of programs, carrying out important socially significant tasks, in particular in the area of housing subsidies, by developing a simplified mechanism for filing subsidies through the mail. Currently, more than 4 million families have already used this service. The New Carlsberg Foundation implements educational projects in the field of business education for promising young people. And, with the support of Deloitte, a social development

index has been increased, which consists of indicators of the environment and social development, which are united in three directions of social progress: basic human needs, well-being, and opportunities.

## 6. Conclusions

Today the concept of social responsibility is extremely relevant in the field of international business. This approach analyses and examines the social, legal, political, corporate, ethical, and environmental components of the business, which eventually increasingly affect the profitability of economic actors. In turn, the analysis and understanding of the relationship between business and its external and internal stakeholders help to predict trends in its environment and protect itself from possible risks. After analysing the Ukrainian realities of integration of the social component into the enterprise management system, it is possible to conclude that Ukrainian companies are still at the first stage of the development of CSR, which manifests itself only in the production of the product and meeting the needs of their consumers and employees. In most companies, external social projects are systematically and exist without any reference to the strategic plans of social development of local communities and their urgent problems. With the increase in their profits, companies do not allocate more money, and in some cases even reduce their costs for external social activity. But at the same time, the authors empirically found, on the example of several companies, the existence of a positive influence of various forms of social responsibility (internal and external) on the net financial profit of Ukrainian enterprises. The process of transition of the Ukrainian market system from the traditional classical to the mixed socially-oriented involves all the participants – national and international business, the state, international organizations and ordinary citizens. Such process can be successful only with the awareness by the companies of the need to be socially responsible and effective in line with this because their feasibility is peremptory in modern conditions.



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