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## **DEVELOPMENT OF REGIONS IN THE CONDITIONS OF INTERREGIONAL COMPETITION TAKING INTO ACCOUNT DIGITALIZATION OF A SOCIETY**

The article considers the main directions of regional development in terms of interregional competition, state regulation of socio-economic systems, the intellectual potential of digitalization, economic and sectoral aspects of digitalization in the regions. Recommendations for the development of socio-economic systems in the context of digitalization of society shall be given.

Key words: digitalization, socio-economic systems, digital economy, regulation of digital economy, development of regions, digitalization of society.

**Problem statement** One of the problems of modern society is the development of regions in the conditions of interregional competition, to this day there is an inorganic state of digitalization of the economy and society, which has been developing for several decades. The history of the development of world civilizations and states proves that along with the tasks on a regional scale, the relationship of people and objects, as well as their integration into the Internet create fundamentally new areas of activity. As a result, at the regional level, society faces serious challenges that arise in the conditions of competition of regions during their development at all levels and directions.

**The purpose of the article** is to determine the current state of development of regions in terms of interregional competition, taking into account the state of digitalization in the regions.

**The paper main body** The modern process of regional development management includes both a general ideology in the context of a national strategy

and tools of diverse influence to create favorable conditions for economic and social actors in the region, attract investment and ensure their effectiveness, reveal the creative and cognitive potential of residents to create conditions for appearance of the innovations, strengthening the cohesion and responsibility of society, increasing the attractiveness of the region in foreign markets [5]. In other words, there is a common vision of the region's development and concrete measures, the implementation of which will create favorable conditions for the development of various actors in the region.

Socio-economic processes in the regions can be assessed on the basis of several types of comparisons:

- 1) historical (current and past state of the region);
- 2) synchronous (current state of regions and the country as a whole);
- 3) prognostic (present and probable future).

When analyzing the quality of regional development, it is important to apply the concept of the theory of stages of growth, according to which economic development passes through three main stages: pre-industrial, industrial and post-industrial. Thus, the structure of the economy of different regions may correspond to different stages of development.

On a national scale, the development of regions shall be purposefully implemented within the framework of regional policy. The legal framework of regional policy determined by the Law of Ukraine on the Principles of State Regional Policy, which entered into force on 02.03.2015 [1]. According to this document, the main goals of regional policy in Ukraine are to create conditions for dynamic, balanced development of Ukraine and its regions, ensuring their social and economic unity, improving living standards, compliance with state-guaranteed social standards for every citizen regardless of residence.

Also, the Law of Ukraine on the Principles of State Regional Policy defines the basic principles according to which the state regional policy is implemented:

- legality - compliance with the Constitution and laws of Ukraine, international treaties, the binding nature of which approved by the Verkhovna Rada of Ukraine;

- cooperation - coordination of goals, priorities, tasks, measures and actions of central and local executive bodies, the Verkhovna Rada of the Autonomous Republic of Crimea, executive bodies of the Autonomous Republic of Crimea, local governments, ensuring cooperation between them in the formation and implementation of state regional policy;

- parity - ensuring equal opportunities for access of regional policy objects to the resources of state financial support for regional development;

- openness - ensuring free access to information that determines the state regional policy and is available to public authorities, the Verkhovna Rada of the Autonomous Republic of Crimea, executive authorities of the Autonomous Republic of Crimea and local governments;

- subsidiarity - the transfer of power to the lowest level of government for the most effective implementation;

- coordination - interconnection and coherence of long-term development strategies, plans and programs at the state, regional and local levels;

- unitarity - ensuring the spatial, political, economic, social, humanitarian integrity of Ukraine;

- historical continuity - taking into account and preserving the positive achievements of the previous development of the regions;

- ethnocultural development - the revival of ethnic identity and the preservation of spiritual and material culture of ethnic groups, promoting the development of their ethnic, cultural, linguistic and religious identity;

- sustainable development - the development of society to meet the needs of the current generation, taking into account the interests of future generations;

- objectivity - the development of all documents that define the state regional policy, based on real indicators that can be achieved and that can be assessed.

Thus, competition as an economic category that characterizes the relations of economic entities and its transfer - with its goals, mechanisms, consequences - to relations between societies, including regions, does not seem legitimate or, at least, requires a significant transformation of the concept and its adaptation. to the specifics of non-economic objects [6]. Analyzing the current specifics of competition and its differences from traditional ideas, in addition to the obvious problems of commodity markets, some negative effects of competition that directly affect the interests of regions, such as employment, disappearance of strategically important, urban and socially significant enterprises without adequate filling, economic development of regions [6]. Concerned about the subject and forms of interregional competition, we can call it the direct subjects of regional administrations and large regional owners.

The register of subjects of competition includes struggle for:

- large taxpayers (the desire to register a rich enterprise, to place its headquarters in the region);
- budget funds (grants and subsidies), less - for budget loans;
- attracting investors, credit ratings, placement in the region of attractive new construction facilities;
- certain types of resources (electricity, water, some types of building materials, alcohol for distilleries, etc.);
- attracting or retaining staff for the economy, utilities, transport;
- the image of the region and political dividends (the desire to report better than others on various indicators that characterize the success of regional government) [6].

As formulated, the object of competition is the living conditions and doing business, budget independence, investment attractiveness and other conditions of the regions operating in the context of globalization [3]. There are three forms of regional competition [4]:

1) vertical competition - competition between different levels of government (central and regional) for the amount of power and the distribution of financial resources;

2) horizontal competition - competition between regional authorities for mobile resources;

3) network, the emergence of which is closely linked with the development of globalization and the erosion of national borders, when the activities of regional economies cease to be narrowly territorial.

Concluding that Ukrainian regions currently participate in all three forms of competition, they pay special attention to the network form. Network competition expands the field of competition beyond the territorial boundaries of the region and becomes competition for the taxpayer - attracting new residents and entrepreneurs, as it depends on the amount of regional budget revenues.

In the literature it shall be accepted to allocate a group of regions which qualify as depressed. They conclude that the established regulatory mechanisms not only did not reduce the differences between the regions, but, on the contrary, contributed to their strengthening. Pointing to the temporary nature of some positive changes, they note that the observed changes did not have a significant impact on long-term prospects. The reasons for this phenomenon are the narrow-sectoral approach to the distribution of funds, uncoordinated funding mechanism and weak control over the spending of allocated funds. The general conclusion is that the regional authorities are not interested in creating the preconditions for the growth of the regional budget in the future in terms of redistribution of a significant part of tax revenues in favor of the center [2].

Emphasizing the urgency of the problem of regional differentiation, it can be argued that equalization is no longer a self-sufficient priority of regional policy; this is complemented by the task of leveling the regions as a space for innovative development.

In fact, always some regions in a certain period are characterized by higher, others - lower indicators of socio-economic development, and the existing

interregional relationship is not rigid, but may change under the influence of a complex range of internal and external circumstances [5]. Indeed, socio-economic development in different regions occur with different intensity, different dynamics. This is due to the nature of the factors of such development and the creation of favorable conditions for this development. It is possible to conclude that competition between regions leads to an increase in the depth of lag of depressed regions, primarily from those with highly developed scientific and educational complexes. We can assume that the reason for this situation is that the socio-economic development of the region shall be determined by the state of the entire scientific and innovative system of the region [5]. Competition between regions leads to the fact that the lag of depressed regions in comparison with more successful neighbors is gradually becoming more significant. The main danger of the region's weaker development compared to its neighbors is the potential migration of the population. There is a high probability of the population moving to more successful neighboring regions with more favorable conditions and a high level of well-being. As a result of such migration, the lagging depressed region only widens the gap in lagging behind. Without human resources, the process of making the region more attractive is impossible, so some legislative measures are needed to regulate the flow of migrants. A.S. Vorobiev and A.O. Drozdov argue that the uneven, sometimes increasing, spatial organization of the economy inevitably leads to the need for a responsible regional economic policy, without which the contradictions not only in economic but also in social and political spheres will increase [ 2].

Thus, competition becomes an objective factor of regional development. From the point of view of the national economy the main problem is that the competition of regions within the country, representing an internal redistributive process, requires unproductive usage of resources, increases regional disparities and threatens the integrity of the state as an economic space, but also as a social community.

We can identify factors that distort competition at the regional level:

- inertia of economic development of regions;
- the action of multipliers of spatial inequality;
- differences in the degree of participation in foreign economic relations;
- disintegration processes in the country;
- lack of a single economic space and common economic interests within the region;
- disturbances in the functioning of the institutional environment;
- lack of adequate response to market signals from the regions [4].

Currently, two contradictory processes are taking place in Ukraine: deindustrialization and the growth of the share of the services sector. The first process - the decline in the share of processing industries, with the simultaneous strengthening of mining - is partly forced and in general in terms of prospects for further development of the domestic economy is negative.

Regional development management tools are divided into several groups, each of which is aimed at its impact on a particular area.

1) tools aimed at the geographical distribution of economic and social resources - the creation of industrial and business zones, the distribution of buildings, service centers, the location of transport hubs and logistics centers; implementation of a balanced polycentric policy - the development of small towns, improving the infrastructure of rural areas;

2) instruments aimed at the formation of social infrastructure and public services - public investment in infrastructure construction; placement of state institutions, development of social infrastructure and expansion of the market of social services;

3) tools of ecological and cultural orientation - preservation and development of natural areas that have aesthetic and recreational significance; protection of cultural heritage, preservation of cultural landscapes, development of the tourist sphere.

The system of criteria characterizing the development of regions and indicators that allow to measure these criteria should be built in accordance with

the goals of regional development. Despite interregional differences, international organizations use a number of universal indicators to assess the degree of regional development.

One such indicator is the Human Development Index, developed under the auspices of the United Nations Development Program. To calculate it, three indicators are used: life expectancy at birth, intellectual potential (adult literacy and average length of study), the amount of per capita income, taking into account purchasing power and reducing the marginal utility of income. In combination with integrated indicators of regional development (human development index), you can use some indicators of regional development that reflect regional specifics: per capita income; the level of consumption of material goods; degree of income differentiation; lifetime; level of physical health; educational level; degree of happiness of the population of the region. [4]

The main factor of success in the management of regional development is the level of qualification of the staff of the regional administration and the rational use of the intellectual potential of regional development consultants. The main indicators by which the efficiency of regional administrations is assessed, and thus become indicators of the region's success in competition.

The formation and differentiation of regions indicates the essential need for constant monitoring and accounting of socio-economic reality at the regional level as a basis for forecasting the future development of the structure of which the region is part. The founders of the regional economy formulated the concept of the region as the concentration of population and natural resources, production and consumption of goods, services. In the works of the first authors, the region was not considered as a subject of economic relations. The concept of region has evolved, the region is already seen as a multifunctional and multifaceted system. The region acts not only and not so much as a territorial or historical unit, but as an entity that seeks the role of a functionally alternative state, which can take on some state functions and function in the economy as an independent unit.



Thus, in administrative terms, the region as a managed subsystem of the regional management system is presented as a set of elements including budget, tariff policy, fixed assets, agriculture, small business, construction, road network, housing, general education and income. It should be noted that the state of big business in the region is taken into account in the regional indicators indirectly - through the amount of budget revenues, the size of fixed assets and income. Analysis of the composition of indicators allows us to conclude that they to some extent characterize the state of the elements of the system, but do not reflect the state and characteristics of the relationships between them.

The development of the region, like any managed socio-economic process, is associated with risk. As an economic concept, risk is subjective and objective. On the one hand, an economic system of any level operates in the external environment; its activities shall be influenced by a number of factors (almost independent of subjective internal management decisions and actions). On the other hand, the effectiveness of resource management is determined by internal management decisions made by management bodies and certain individuals.

Concluding that Ukrainian regions currently participate in all three forms of competition, special attention is paid to the network form. Network competition expands the scope of competition beyond the territorial boundaries of the region. Analyzing the regions, a group of so-called depressed regions shall be distinguished. Analyzing the budgetary aspect of differentiation and indicators of regional development, it is obvious that the established regulatory mechanisms not only did not help to reduce differences between regions, but, on the contrary, contributed to their strengthening.

The report of the World Economic Forum examines the impact of digital economy technologies on the labor market until 2020 and shows that as the transformation of the labor market of business and the state should accelerate the new vision of the global labor market.

Digital technologies to achieve higher levels of production and consumption efficiency, to enter new markets and to increase competitiveness to increase

market share in the global consumer base, which increasingly includes digital technology users. According to experts who participated in the report, which transforms the potential of the Fourth Industrial Revolution, encourages business leaders in all industries and regions to develop a comprehensive human resources strategy to meet the challenges of the new era of digitalization [6].

It can be shown that the digital economy contributes to the transformation of economic relations where it shall be involved as an intermediary in economic relations without an intermediary based on digital platforms.

Extending the conclusions of the report of the World Economic Forum on the issue of digitalization of the regional economy, we can propose four main factors in the development of competition in the period 2018-2022 on the basis of technological advances in digitalization:

- 1) ubiquitous high-speed mobile Internet;
- 2) artificial intelligence;
- 3) widespread use of big data analytics;
- 4) cloud technologies have a positive effect on business growth.

The considered factors of competition shall be connected with speed of introduction of digital technologies in business and shall be caused by social and economic tendencies of development of regional economy opening opportunities for business on the basis of state regulation and introduction of regional IT projects in combination with distribution of new technologies expanding education and the middle class, moving towards a greener economy through advances in energy technology.

The rapid development of digital technologies has led to significant changes in all spheres of society, while maintaining a high potential for further change. Digitalization affects most human interactions in one way or another, and social and economic institutions, some belatedly, try to adapt to these influences. No area remains impenetrable to change, the effects of digitalization are being felt in the

private sector, in the public sector, in areas that have so far been little affected by technology.

It was determined that the results would depend crucially on political measures. Developers, policymakers interested in understanding the opportunities and challenges of digitalization, must be aware of qualitatively new effects arising in the digital economy. Digitalization is one of the key trends affecting the world economy, and it seems that nothing is inevitable about its impact on welfare in the coming years. The results will depend on the choice of institutions and their ability to adapt to technology, demographics, globalization and other factors, on how well the institutions are prepared for the challenges.

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