

TERMS OF INSTITUTIONAL TRANSFORMATION TRANSACTION COSTS  
IN BUSINESS TELECOMMUNICATION SERVICES MARKETІНСТИТУЦІОНАЛЬНІ УМОВИ ТРАНСФОРМАЦІЇ  
ТРАНСАКЦІЙНИХ ВИТРАТ В ПІДПРИЄМНИЦЬКІЙ ДІЯЛЬНОСТІ  
НА РИНКУ ТЕЛЕКОМУНІКАЦІЙНИХ ПОСЛУГ

*This article analyzes the interdependence of market mechanisms on the effectiveness of the institutional environment, which leads to the necessity of taking into account the transaction costs in the development of forms of entrepreneurship on the telecommunications market. Reveals the basic directions of forming a homogeneous institutional environment that influences the form of integration transactions with minimizing barriers in the provision of telecommunications services. The analysis of the transaction costs of public sector entities telecommunications market.*

**Key words:** Institutionalization, integration, transaction costs, the operator of telecommunications, telecommunication services market.

*У статті аналізуються взаємозалежність ринкових механізмів від ефективності інституціонального середовища, що призводить до необхідності урахування трансакційних витрат в умовах розвитку форм організації підприємницької діяльності на ринку телекомунікаційних послуг. Розкрито базисні напрями формування однорідного інституціонального середовища, що впливає на форми інтеграційних трансакцій із мінімізацією бар'єрів у процесі надання телекомунікаційних послуг. Проведено*

*аналіз трансакційних витрат державного сектору суб'єктів ринку телекомунікаційних послуг.*

**Ключові слова:** інституціоналізація, інтеграція, трансакційні витрати, оператор телекомунікацій, ринок телекомунікаційних послуг.

*В статье анализируются взаимозависимость рыночных механизмов от эффективности институциональной среды, что приводит к необходимости учета трансакционных издержек в условиях развития форм организации предпринимательской деятельности на рынке телекоммуникационных услуг. Раскрыто базисные направления формирования однородной институциональной среды, влияющей на формы интеграционных транзакций с минимизацией барьеров в процессе предоставления телекоммуникационных услуг. Проведен анализ трансакционных издержек государственного сектора субъектов рынка телекоммуникационных услуг.*

**Ключевые слова:** институционализация, интеграция, трансакционные издержки, оператор телекоммуникаций, рынок телекоммуникационных услуг.

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**Introduction.** The institutional basis of economic relations characterized by market actors transaction between entities at different levels of management on the basis of agreements or formal regulations and informal institutions. Transaction costs arising as a result of economic interaction of domestic telecommunications operators grow through the incomplete formation of the institutional foundations of a market economy, which reduces the economic attractiveness of telecom innovation projects.

In addition, the development of the domestic telecommunications market is hampered by the low level of adequate institutional mechanisms regulators of transition, including a mechanism to institutionalize relationships that arise during the evolution of forms of interaction.

Therefore, the problem of transaction costs in the activities of telecommunication operators is of special interest from the standpoint of theoretical research and development practices to reduce.

**Analysis of recent research and publications.** Analysis of management of telecommunication operators paid attention to such domestic and foreign researchers, as L.E. Varakin, L. Mises, V.L. Inozemtsev, Kotler, V.G. Rostants, O.B. Morhulets, N.V. Makarova, A.S. Redkin, V.M. Granaturov, including the theoretical framework of diversifying busi-

ness in conditions of postindustrial economic system reflected in the works of R. Ansoff, T. Kono, J. Keynes, A. Marshall, G. Mynttsberha, M. Porter, P. Hall.

The issue of the formation transactions and transaction costs devoted to the work of scholars such as: X. Demsets, R.Kouz, D. North, Errou K., W. Meklynh, C. Menard, John. Mylhrom, John. Roberts, O. Williamson, T. Ehhertson. Relevant valuation and transaction cost analysis of trends revealed in the works of J. Wallis, N. Wong, R. Valley, Karl Menrad [16] and others.

**Setting objectives.** However, the problem of regulating transaction costs in business telecommunications operators in the contemporary economy requires theoretical and methodological analysis of transaction costs with substantiated ways of increasing the efficiency of institutions transaction that resulted in the goal of the study.

The purpose of the article is to study the theoretical and methodological analysis of transaction costs and their regulation in the business of telecommunication operators.

**The main material research.** The impact of transaction costs on the efficiency of business activity is accompanied by increased interdependence of business and market needs analysis of their joint action. The role of transaction costs in the operation of tele-

communication operators as an institutional indicator is characterized as agents of opportunism common interactions in the system and the shortcomings of institutional regulation in the transaction sector [2]: banking, telecommunications and others.

Increased attention to the impact of transaction costs on the efficiency of business activities, primarily due to the infrastructure markets as a complex system of economic relations between the entities sold under certain economic and legal order, which is formed and played their direct participation and based on their economic interests. This is due to their importance in the social-economic (income markets of transport and communication accounted for over 14% of GDP) and political development. In this connection special relevance acquires the balance of economic policy to ensure national economic interests. Management of transaction costs in markets telecommunications services involves analyzing not only the threshold selected indicators, but also a comprehensive assessment of economic processes. During the years 2010-2014 there was an annual decrease of almost all indicators of the results of functioning of infrastructure services (Table. 1).

In the rating of Ukraine as infrastructure, including telecommunications, for the years 2014-2015, which is part of the Global Competitiveness Index (76th position among 144 countries), the country was on the 68th place (144's) and 130 th ranking on the quality of institutions [17]. Under these conditions, there is an urgent transformation of transaction costs in business. Complexity analysis of transaction costs accompanied by increased integration processes on the market, including telecommunications services, due to the existence of a system of interests that are expressed by business entrepreneurs, state – government authorities and the public – through the institutions of civil society. The regulatory impact on the integration of the least performed institutions of civil society and business through the establishment of appropriate voluntary social organizations and associations of economic interaction [5]. The direct participation of state bodies in the business environment associated with the ability to compensate for the limited efficiency of market mechanisms, during their formation, the formation of institutions resulting from the consolidation of good practice and the next Legislative their design. The importance of the state as regulator of economic relations with acts of its purpose to preserve the unity of the legal environment, institutional and business structures, as well as a regulator of the integration process – providing com-

petitive advantage for strengthening of the national economy and its subjects.

Effective mechanisms to support economic activity and balancing market space is a system of law that governs property relations and of interaction, but in the case of regulatory measures ambiguity leads to the manifestation of symptoms monopolizing the industry on the one hand, and on the other – the desire of government agencies to ownership the right to sell power and influence in the business sector that collectively constrain the transformation of the institutional system security economy.

In general, integration – the process of combining disparate elements together. The economy of integration – a process of mutual adaptation, expansion of economic and industrial cooperation, a form of internationalization of economic activity, etc. [8], and is manifested in the creation of favorable conditions for its implementation, expansion and deepening industrial and technological relations, sharing of resources association Capital and others. [10]. At any level (micro, macro) elements of the integration process are relative to the development of self-movement and come in contact and interaction that at some point in time under the influence of factors and conditions generating internal and external contradictions between them, bearing in not only destructive but creative force that reflects this contradiction [1].

Increased intensity and frequency of transactions enterprise integration enhances relations, but in terms of improved environmental uncertainty and specificity of resources needs to change the institutional structure. The study P. Klein [15], institutional structure serves as a basis for building economic relations partners, but in case consolidation formal way (domestic convention) whether efficiency compliance verification procedures, and support regulatory prescriptions such forms of cooperation and contracts fall without having sustainable institutional arrangements. Basic directions forming a homogeneous institutional environment that influences the form of integration transactions are the distinct actions of public authorities to:

- Strengthening of private property (contract law, antitrust law) to reduce opportunistic behavior as manifestations of undertakings and public authorities and local government;
- Improvement contract relations in the direction of forming integrated structures with the interaction of science and production;
- Use of alternative measures to increase capital investments and the development of new forms of collective investment;

Table 1

**Dynamics of the provision of transport services and communications**

Industry	2010	2011	2012	2013	2014
Post and telecommunications (mln.)	47417	50281	52271	52492	52434

Source: [14]

- Development and improvement of self-regulation business.

Analysis of the effectiveness of telecommunications operators showed that transaction costs arising from the interaction between contract and market players, resulting organizational and economic, technical and institutional (formal and informal) conditions of its operation [12, p. 20]. Informality contracts due to their incompleteness because of the inability to identify possible opportunistic situations or circumstances and costly to control fulfillment of obligations by another party. According to the transaction costs typing O. Williamson [11], the main element serves the conclusion of a contractual agreement. Furthermore, in terms of inefficient institutional structure of the telecommunications sector performance increases transaction costs, which are the result not only of the relationship between the market players themselves but also interaction with government agencies. So select the transaction costs of business as the economy, and related entities (private) and state (public) [8, 9, 12].

According to research D. North "model state" based on the institution of property rights, transaction costs, etc. take the form of institutional Agreement [6]. Because the market entities, entering into relationship with the government, based on certain formal and informal terms of the agreement, the transaction costs shall consider them within the public sector within the typology, namely the cost of search, monitoring costs, transaction costs, expenses performance of the contract, the cost of protection from exposure to third parties.

The increase in transaction costs has been growing uncertainty and asymmetric information needs in the mechanisms regulating transaction costs, taking into account national specifics of certain types of business activities. Comprehensive evaluation methods of transaction costs of enterprises does not exist, because of the complexity of calculation of implicit component, expressed in the form of excessive spending growth, a high degree of opportunism and others. According to the classification of transaction costs by D. North and T. Ehhertssonom [13, p. 97] and R. Kapelyushnikov [4 p. 67], the calculation of conduct in their structure of telecommunications operators.

Analysis transaction costs for telecommunications operators showed a significant amount of their total operating costs in 74% and 56% for JSC "Kyivstar" and JSC "Ukrtelecom", respectively, in 2013, related to the interaction of business and state inefficiency that characterizes the institutional structure and availability of administrative constraints, on the one hand, increases the marginal cost operators, on the other – increase the competitiveness of the industry difficult, including because of institutional barriers and increase economic agents additional costs associated with mandatory contributions – the cost of

access to the market (state registration, licensing and control of the quality of telecommunication services) and illegal payments (expenses lobbying, costs deviations from regulations and fines from illegal conflict resolution).

One method of regulation transaction costs is the creation of effective legal protection through the institution of property relations in the prevalence of informal economic activity. It is therefore necessary institutional structuring of space specification functions relevant institutions that regulate transaction costs, for example, the institute of public-private partnership [3, 5]. Implementation processes of economic modernization most industry markets requires effective institutional mechanism to regulate the transactions businesses and developed institutional environment that will promote the formation and competitive advantage, because largely reduces transaction costs and increase the efficiency of economic activity. In turn, ordered the formation of circuits contract relations, institutional forms of economic ties and relations will improve the quality of management in the operator activity.

**Conclusions and prospects for further research.** The effectiveness of the current economic agents determined not so much chosen long-term market strategy, and everything is more appropriate mechanism as interactions with other market participants and institutional adjustment arising under the brand integration between asset relationships and organizational forms of business enterprise structures [7]. One of the factors of transaction costs acted striving to adapt to the dynamic market environment, telecom operators to minimize opportunism, but the uncertainty of the institutional environment, in which decisions about resource use.

Basic directions forming a homogeneous institutional environment that influences the form of integration transactions are the distinct actions of state bodies on: mechanisms for the protection of private property for decrease of opportunistic behavior as entities and authorities; contract improving relations in the direction of forming integrated structures with the interaction of science and production; the use of alternative measures for the development of new forms of collective investment to boost economic security [16].

Thus, there is an allocation of institutional mechanism as a special sphere of interaction and resolution of conflicts arising in the effective implementation of the goals and objectives of integrated facilities, creating conditions of stability and consolidation of the complex relationship between the firm [7]. In modern conditions in the domestic market to enhance the functioning integrated structures can be achieved by government regulation, the main areas which should be: forming joint organizations and expand industrial cooperation intersectoral cooperation within busi-

nesses, forming stable patterns of transactions based on contractual interdependence, which largely contribute to the modernization of the institutional environment.

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