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CURRENT STATE, PROBLEMS AND PROSPECTS OF THE DEVELOPMENT OF DOMESTIC TRADE

The article considers the current state of the domestic market, which is being formed today under the significant influence of globalization processes, the consequences of which were particularly contradictory during the global financial and economic crisis. The article presents an analysis of the current state of domestic trade in Ukraine, which will allow a better understanding of the existing problems and will outline promising ways of the industry development for its stabilization and improvement of efficiency. The dynamics of the turnover of domestic trade in Ukraine, which was marked by notable fluctuations due to both global challenges and military conflicts, are analysed. The problems of domestic trade in Ukraine are identified, which have a complex nature and arise due to various economic, political, social and infrastructural factors. The main losses of the domestic market of Ukraine are considered, which are largely related to the reduction of consumer activity, the destruction of industrial and commercial facilities, and the general decline in economic activity due to the war. The article substantiates the promising directions of domestic trade in Ukraine, which depend on many factors, such as economic conditions, legislative changes, investments in infrastructure, technologies and changes in consumer behaviour.

Keywords: domestic market, mechanism of globalization processes, commercial objects, domestic trade, small businesses, medium-sized businesses, regional markets, consumers.

Яхно Т. П. СУЧАСНИЙ СТАН, ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ РОЗВИТКУ ВІТЧИЗНЯНОЇ ТОРГІВЛІ

Розглянуто сучасний стан внутрішнього ринку, який формується під істотним впливом глобалізаційних процесів, наслідки яких особливо суперечливо проявилися в період світової фінансово-економічної кризи. Представлено аналіз сучасного стану внутрішньої торгівлі в Україні, який дасть змогу краще зрозуміти наявні проблеми та окреслити перспективні шляхи розвитку галузі для її стабілізації та підвищення ефективності. Під час аналізу враховані ключові чинники, що впливають на внутрішній ринок: економічні, соціальні, законодавчі та інфраструктурні. Зокрема, звернуто увагу на важливість удосконалення логістичних і торгових мереж, поліпшення доступу до фінансових ресурсів для малих і середніх підприємств, а також оптимізації податкового навантаження. Проаналізовано динаміку товарообороту внутрішньої торгівлі в Україні, яка характеризується значними коливаннями, зумовленими як глобальними викликами, так і військовими конфліктами. Визначено проблеми внутрішньої торгівлі в Україні, які мають комплексний характер і виникають через різні економічні, політичні, соціальні та інфраструктурні чинники. Розглянуто основні збитки внутрішнього ринку України, які значною мірою пов'язані зі скороченням споживчої активності, руйнуванням виробничих і комерційних об'єктів, а також із загальним падінням економічної активності через війну. Обґрунтовано перспективні напрями внутрішньої торгівлі в Україні, які залежать від багатьох факторів, таких як економічні умови, законодавчі зміни, інвестиції в інфраструктуру, технології та зміни в поведінці споживачів. Рекомендації щодо розвитку внутрішньої торгівлі передбачають запровадження сучасних технологій, розвиток електронної комерції, підвищення рівня конкуренції та зниження бар'єрів для входу на ринок нових учасників. Важливою складовою є вдосконалення системи контролю якості товарів і послуг, що дасть змогу підвищити довіру споживачів. Окрім того, варто активно сприяти розвитку регіональних ринків, що уможливить зменшення залежності від імпорту та покращення внутрішнього виробництва. Усі ці заходи сприятимуть не лише стабілізації ситуації в галузі, але й забезпечать її сталий розвиток, підвищення ефективності та конкурентоспроможності української торгівлі на внутрішньому ринку. Також необхідно зосередити увагу на удосконаленні інфраструктури торгівлі, зокрема створенні зручних логістичних шляхів і доступу до інноваційних складських і торгових площ. Важливим кроком є підтримка малих і середніх підприємств через сприятливі умови для їх розвитку, зокрема в частині спрощення адміністрування бізнес-процесів і зменшення бюрократичних бар'єрів.

Ключові слова: внутрішній ринок, механізм глобалізаційних процесів, комерційні об'єкти, внутрішня торгівля, малі підприємства, середні підприємства, регіональні ринки, споживачі.

Problem statement. Globalization processes in the world and international integration of the national economy encourage scientific consideration of the socio-economic development of individual countries and,

particularly, Ukraine. In addition, changes in the socio-economic situation, the emergence of new modern challenges, an increase in social conflicts and tensions make it necessary to update scientific approaches to

assessing the current state and stimulating the long-term socio-economic development of Ukraine.

Analysis of recent research. The problems and prospects for the development of domestic trade in Ukraine were analyzed in the works of such domestic and foreign scientists as V. Apopiy [1], V. Borshchevskyy [2], N. Kuzo & N. Kosar [3], I. Markina [4], M. Rakhman & D. Prus [5], T. Ostashko [6]. The works of scientists contain a wide range of problems of a theoretical and applied nature related to the functioning of the sphere of trade and the domestic market.

In numerous countries, the decline in consumer spending has led to a substantial reduction in the production and consumption of consumer goods, as well as a decrease in export and import transactions, which has slowed the growth of national economies.

The paper purpose is to analyze the current state, problems and prospects for the development of domestic trade.

Major research findings. In Ukraine, the problems of improving the efficiency of domestic market and its impact on the socio-economic development of the national economy are of particular scientific, theoretical and practical importance. This market accounts for about 87% of the cash income of the country's population. Its role in the formation of GDP is also growing (about 65%), as well as in increasing domestic production and investment activity. In turn, the inconsistency of the level of development of the domestic consumer market with world standards negatively affects the social and economic motivation of citizens, does not fully satisfy the needs of the population in consumer goods and services, causes macroeconomic instability and increases social tension in society [1, p. 34].

Domestic trade is one of the major areas of economic activity of any country. It largely affects the development of the economic potential of society and satisfies the needs of consumers in goods and services. Domestic trade

is of great importance for the sustainable development of the economy, as it contributes to the even distribution of goods and services throughout the country, stimulates production and supports entrepreneurship. It is also an important source of tax revenues for the state budget, which allows financing of social programs and infrastructure projects. Moreover, domestic trade contributes to increasing the level of employment by creating new jobs in various sectors of the economy and ensures the stable development of small and medium-sized businesses.

In recent years, the economic challenges caused by the war have dramatically complicated the environment for the functioning of domestic trade. This sector of the economy has faced several negative trends, including the instability of wholesale and retail trade, inefficient organization of trade activities, low level of management of trade enterprises. Furthermore, a serious challenge was the emergence of low-quality products on the market, which could threaten consumer health. Other problems include weak government regulation of business activities, the growth of the shadow economy in trade, and other destabilizing factors.

Today, the main reason for the crisis in domestic trade in consumer goods is the aggravation of inflationary and devaluation processes, which lead to higher prices of goods and a decrease in the purchasing power of the population due to the war. An analysis of the current state of domestic trade in Ukraine will allow a better understanding of the existing problems and will outline promising ways of development of the industry for its stabilization and improvement of efficiency [2, p. 11].

The dynamics of domestic trade turnover in Ukraine in the period from 2020 to 2023 are marked by considerable fluctuations caused by both global challenges and military conflicts. In 2022, a decrease in turnover was observed, as shown in Fig. 1.

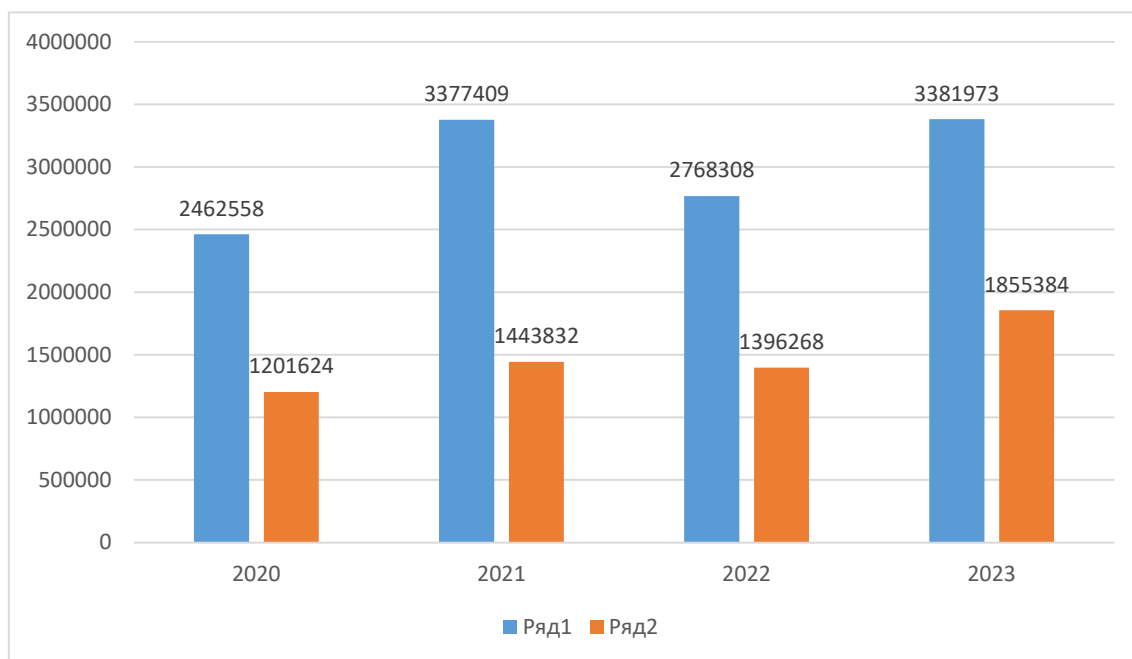


Fig. 1. Dynamics of domestic trade turnover in 2020-2023, UAH billion

Source: compiled by the author according to [7].

The total turnover of domestic trade decreased by 10-15% in 2020, especially in retail trade. And there was also a growing demand for essential goods, while sales of other categories, including non-food goods, decreased.

In 2021, there was a partial recovery as the market began to adapt to new conditions. Trade turnover started to grow as restrictions were lifted. The growth was approximately 8-10% compared to 2020, but still below the level of 2019.

In 2022, the outbreak of war again posed great challenges. Trade turnover suffered a sharp decline, especially in areas of active hostilities. According to estimates, the drop in turnover amounted to about 30-40%, in particular in the sectors most affected by the conflict. There was increased demand for food products, medical supplies and protective equipment, which contributed to the increase in sales in these categories. At the same time, the demand for other non-food products decreased significantly. Under the conditions of uncertainty, consumers began to limit their spending, which negatively influenced the retail turnover. Additionally, there was a decrease in imports and an increase in the deficit in the market, which led to higher prices.

Thus, the dynamics of retail sales of non-food products in the period 2020-2023 remained positive. However, in 2022, due to the full-scale war started by the Russian Federation, the economy of Ukraine suffered an appreciable blow, which strongly affected all areas, including retail trade.

Among all large enterprises that were successfully operating, only 17% were able to continue their activities without restrictions, 30% were forced to go online, and the remaining 53% ceased operations. More than 50% of people lost their jobs. Under such conditions, when the enemy attacked large warehouses of food and non-food goods, oil depots and powerful logistics centres, it became increasingly important to use a wide network of wholesale intermediaries to ensure domestic trade in Ukraine.

In 2022, retail trade in Ukraine indeed faced serious challenges due to the full-scale war. The main problems were as follows:

- outflow of population abroad;
- reduction of retail trade facilities;
- change of logistics chains;
- changing consumer priorities.

Therefore, trade was hit severely, but the market adapted to the new realities, which was already observed at the end of 2022 when increased activity in safer regions partially mitigated losses in the east and south.

According to the State Statistics Service of Ukraine, in 2023 the turnover of retail trade exceeded UAH 1.82 trillion. The specified amount exceeds the indicator of 2022 by 30.5% and is 26.2% more than in 2021. For comparison, the turnover of retail trade in 2022 was approximately UAH 1.3 trillion, and in 2021 – more than UAH 1.44 trillion.

The positive dynamics of retail trade turnover in 2024 are largely due to the growth of the Consumer Confidence Index of Ukrainians, which rose from 83.9 in 2022 to 84.9 at the end of 2023.

Such indicators became possible thanks to a change in the attitude of Ukrainians towards the basic values of life,

which led to the rejection of the formation of savings in favour of the «here and now» concept. The growth in turnover was also driven by spending on emergency purchases (such as evacuation supplies, solar panels, generators) and stockpiling food and hygiene products in case of store closures or logistical problems.

Currently, on the Ukrainian market, there is a need to adapt to new realities, ensuring the efficiency of supply and preservation of commodity stocks. Companies have to look for alternative delivery routes, optimize logistics processes and cooperate with reliable suppliers to maintain stability in retail trade. Also, the development of online sales and e-commerce is becoming an important tool for business support, allowing enterprises to stay afloat even under difficult conditions. Such adaptation can help businesses not only survive but also find new opportunities for growth and development, taking into account changing consumer needs and market trends.

Under today's conditions, the Ukrainian market is home to many trade intermediaries that differ in terms of scale of activity, organizational and economic forms, performed functions, specialization, etc., which indicates a substantial increase in wholesale turnover in 2023.

The problems of domestic trade in Ukraine are complex in nature and arise due to various economic, political, social and infrastructural factors. Let us consider the key problems faced by Ukraine's domestic trade in recent years [3, p. 108]:

- economic instability and inflation: constant economic fluctuations, high inflation, and rising energy and food prices are a significant challenge for trade;
- low purchasing power of the population: in Ukraine, the level of income of the population remains low compared to European countries, which directly affects the level of consumption of goods and services;
- war and destruction of infrastructure: Russia's full-scale invasion of Ukraine in February 2022 became the most destructive factor for domestic trade;
- disruption of logistics chains: problems with logistics began during the COVID-19 pandemic, but the war additionally exacerbated these issues;
- shadow economy: a large part of trade in Ukraine remains in the shadows. This means that a considerable amount of trade goes without proper records, which leads to the loss of tax revenue for the state and the creation of unequal conditions for legal market players;
- lack of investments: domestic trade in Ukraine often faces the problem of insufficient investments;
- high tax and regulatory burden: many business representatives note that the tax burden on trade in Ukraine is high;
- insufficient development of infrastructure: Ukrainian trade suffers from inadequate development of transport and logistics infrastructure;
- technological lag: despite the development of e-commerce, the overall level of digitization of trade processes in Ukraine remains low;
- consumer sentiment and changes in buyer behaviour: essential changes in consumer behaviour have occurred in recent years;
- the impact of international sanctions and trade restrictions: due to the war, Ukraine faced new external

economic challenges, including disruption of international trade relations and difficulties in exporting goods.

As of July 2024, the indirect losses of the Ukrainian economy due to the invasion of Russia exceeded USD 1.1 trillion. These losses include both current and projected losses in revenue and value added in various industries.

In addition to direct losses, Ukraine incurs large additional costs to restore key sectors and ensure social stability. Among the greatest costs are: demining – USD 42 billion, housing sector – USD 22.4 billion (including USD 15.4 billion – expenses of citizens on rent), social payments – USD 10 billion, dismantling of damaged facilities – USD 13.4 billion. The IT industry (USD 19.3 billion), education and science (USD 14.5 billion), and health care (USD 11.4 billion) were also notably affected. Damages in the sphere of culture, sports and tourism are estimated at USD 7.3 billion, and in the financial sector – USD 4.3 billion. An additional USD 7.7 billion is needed to restore the housing and utilities sector.

The damage to the domestic market of Ukraine is largely related to the reduction of consumer activity, the destruction of industrial and commercial facilities, as well as the general decline in economic activity due to the war.

In order to overcome the above-mentioned problems, it is necessary to determine the promising directions of domestic trade in Ukraine, which depend on many factors, such as economic conditions, legislative changes, investments in infrastructure, technologies and changes in consumer behaviour. Here are some major aspects that will influence the development of domestic trade [5, p. 108]:

1. Digitization and e-commerce, which continue to develop at a rapid pace, affecting the structure of domestic trade. The development of online platforms allows Ukrainian enterprises to sell products not only within the country but also on the international market.

2. Reforming the country's legislation. Improving the legal framework, particularly in the areas of consumer rights protection, regulation of monopolies, transparency of operations, protection of intellectual property and simplification of registration procedures, is of great importance for stimulating trade.

3. Support for small and medium-sized enterprises (SMEs), which are the basis of domestic trade in Ukraine.

4. To stimulate domestic trade, investments in logistics infrastructure are necessary: roads, warehouses, transport networks.

5. Adaptation to changes in consumer trends. The modern consumer is becoming increasingly demanding of the quality of goods and services, so the development of quality management systems and product standardization is an important prospect.

6. Innovations in the field of logistics and supply. The efficiency of logistics processes affects the development of trade to a great extent.

7. Decentralization and development of regions. Decentralization programs create opportunities for the development of trade in the regions, especially in remote and less developed areas of the country.

8. Integration into international markets. Signing free trade agreements with other countries, especially with the EU, creates opportunities for the export of Ukrainian

goods and services, but at the same time, it stimulates Ukrainian producers to improve the quality of products, which positively affects the domestic market.

9. The role of financial technologies (FinTech). Financial technologies are developing rapidly and play an important role in domestic trade, which involves the facilitation of financial operations, digital payment systems, and quick access to credit resources.

10. Attracting foreign investors. Domestic trade can benefit from attracting foreign investment.

11. Education and personnel development. The training of qualified personnel is important to ensure the competitiveness of trade.

12. Environmental standards and green trade. Interest in environmentally friendly products and sustainable production is growing. The transition to green standards in production and trade opens up new opportunities for Ukrainian companies.

13. Cultural changes and the impact of social networks. Social media actively influence consumer trends, stimulating the growth of demand for certain goods and services.

14. Risk management and economic resilience. One of the challenges for the development of domestic trade is instability in the economic and political spheres.

Conclusions. Ukraine has substantial potential for the development of domestic trade, but this requires concerted actions by the state, business and civil society. Since the domestic market is to a certain extent a reflection of the development of socio-economic processes, as well as the development of a person as a subject of socio-economic relations, it is important to consider this market and its features through the prism of new socio-economic relations caused by the transition to a post-industrial society, which is the subject of this study. The study of regularities, trends and contradictions in the development of the domestic market in transformational societies, and its influence on the socio-economic development of the country's national economy, is an exceptionally urgent task of the modern economic science. This is due to the fact that the key interests of the population and producers of final products are intertwined in this market. By its purpose, it performs multifaceted functions of life support for the population; it is a mechanism of reverse stimulating influence on the entire complex of sectors of the economy, and their anticipatory development is a prerequisite for accelerating the rates of economic growth and socio-economic development of the country's national economy. However, imbalances and structural deformations of the functioning mechanism of the consumer market contribute to a decrease in the competitiveness of the national economy, slow down economic development and worsen the welfare of the population.

The prospects for the development of domestic trade in Ukraine are encouraging, but they require a systematic approach and coordination of efforts between business, the state and international partners. Innovations, infrastructure improvements, human capital development, and the creation of a favourable investment environment can considerably accelerate the growth of domestic trade. Success will depend on the ability to adapt to new

challenges and to apply modern trends in the global economy.

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