

Review Article

PRINCIPLES OF DEVELOPMENT OF SERVICE SECTOR IN THE REGION

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Abstract

The article focuses on improving the theoretical framework of the service industry. In particular, the need for a regional approach to economic development is emphasized because each region has its own characteristics, and based on these features, economic planning can increase efficiency. The main factor of regional development is the fact that the services sector is selected as the main share of this sector in today's gross domestic product exceeds 70%. The article shows the relevance of developing principles for developing the services sector in the region. This is due to the fact that certain rules and regulations must be followed in pursuing a specific economic policy. This is because economic principles that must be obeyed, regardless of space and time. In developing these principles, scholarly works on regional economics and services have been explored and suggestions for the development of principles integrating these two areas. Also, there are drawbacks in the principles developed by foreign scholars to develop services in the region, and some of them have been omitted or improved in the development of new principles. The principles of the service sector in the region are designed to meet the requirements of today. In particular, in the development of services in the region, necessity of adaptation of the region's natural resources, policy of regulating the service sector at the regional level, the introduction of digital technologies in services, globalization of services, introducing innovations in services and greening services have been paid attention.

Key words. Service sector, region, principle, natural resources, digital technologies, innovation, greening services.

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INTRODUCTION

Today, the role of the services sector in the growth of GDP, employment and improving the quality of life, in general, in ensuring macroeconomic stability of the country is invaluable. The share of this sector is 70% in the world and developed countries' GDP. Therefore, this sector should be used as a key instrument for economic reform. In addition, since the regional approach to economic reform is more effective, it is advisable to integrate both the services sector and the regional economy.

RESEARCH METHODOLOGY

This study used methods of analysis, synthesis, logic and historicity, induction and deduction. In particular, the evolution of the regional economy, that is, when the notion of a region emerged and when it began to be explored as a research direction, has been studied in historical method. It also explores what needs to be taken into account in developing regional economies by the method of analyzing. In the interpretation of the term principle, synthesis and logic methods are used. Induction and deduction methods were used to develop the service sector development principles in the region.

RESULT AND DISCUSSION

A regional approach to effective market relations plays the important role. Since every region has its own natural resources, demographic data and infrastructure, it serves to provide macroeconomic stability not only in the region, but also in the country.

The term region originally began to be used as an area in science with the emergence of economic zoning in the 19 century, and in the 20 century began to be actively studied in scientific works. However, in these works the territorial-production complex is recognized as the foundation of the economic region. That is, the sphere of production is of paramount importance, attention is not paid to the intangible sphere in economic development.

The term of the region was first introduced into science by N.N.Nekrasov in 1975 year. Nekrasov believes that the region is a large area of the country, where the production forces are directed on the basis of the existing and promising material-

technical base, natural Resources compatible with production and social infrastructure (Nekrasov N.N. 1978). Although this definition is also expressed with emphasis on the sphere of production, the use of the phrase "social infrastructure", although in part, indicates the importance of the sphere of services in the region.

It is worth noting that for many years, regional development and the problems that arise in it have been approached from the point of view of production. Today, the approach to regional development in terms of the intangible sphere is one of the topical and interesting issues. E.Kuklinski noted that the concept of the development of the region on the basis of science, education and innovation is a practical expression not only in the scientific sphere, but also in many areas of the national economy (Kuklinski E. 1997).

The rapid growth of the service sector is a sign of the transition of modern society to the stage of postindustrial development. The sphere of social services is considered one of the main dynamic sectors of the world economy, promoting the development of advanced sectors of the national economy, improving economic development and quality of life.

The service sector of the region is a small system of the regional economic system, which is inextricably linked with the main institutions of society. It is impossible to imagine the development of the services sector without interaction with all sectors. Therefore, it is necessary to substantiate the need for state regulation of the development of the services sector by analyzing the state of the services market, the role of the services sector in the economy, studying the characteristics of production and consumption in this sphere, the impact of created services on other spheres of the national economy.

In addition, it is necessary to modernize the infrastructure in this area by radically changing the capital and institutions used. In turn, the modernization process should be carried out on the basis of functional and structural changes.

The emergence of the service sector has increased the scientific interest in this area, and as a result, the development of the service sector in the scientific works of many scientists in the

following years has been studied at the meso, micro and macro level. However, although the regional principles of the development of the sphere of services are covered in many scientific works, its theoretical basis has not yet been fully improved. In this regard, a holistic concept was not formed, with a lot of controversy among economist scientists.

German scientist V.Kristaller studied the issues of effective placement of the services sector in his "Theory of Central Places". In particular, he noted that the services sector should be located in the urban areas of the region and services should be provided to other regions through the city. That is, the principle of its development of the sphere of services in the region is the placement of services in cities with a dense population (Granberg A.G. 2003).

S.Illeris recognized the following distinctive features of the development of the services sector in the region:

- employment in the service sector is even more than the population in large cities;
- financial and business services, wholesale trade is common in major cities;
- employment in the service sector is even more than the population in large cities;
- financial and business services, wholesale trade is common in major cities;
- retail trade and consumer services are directly proportional to the distribution of the population;
- some services are specifically linked to local properties. For example, hotels and restaurants are located in more tourist areas (Illeris S.).

Xuan R.Kuadrado in his research based that structural changes play an important role in the development of the region, and some services (financial, insurance, transport and telecommunications services) have at least the same efficiency as the most advanced manufacturing industries (Juan R. Cuadrado-Roura. 2016).

L.Sen pointed out that the service sector serves as a key factor in increasing the competitiveness of the territory, mainly referring to urban areas. He believes that the quantitative growth of the services sector in the region will improve its competitive position with other regions, while the qualitative development will improve the economic development of the region. He also expressed the opinion that "the impact on the results of competitiveness varies according to the existing types of services in the region" (Senn L. 1995).

The sphere of service is a complex sphere, the organization and provision of services depend on the geographical position, history and cultural traditions of each region (Ionita, Florin, Minodora Ursacescu and Sorin Burlacu. 2009).

In his research, X.Bremm found that the competitiveness of the region depends on the fact that its function or structural changes are based on the sphere of international finance and international services. Such regions are characterized by their integration into the world markets and the establishment of relations with other spheres of the national and global economy (Bremm H-J. 1995).

S.Bozzi shows the infrastructure (which affects the development of transport and telecommunications services) and innovation processes (which include universities, research laboratories and innovation centers) as the main elements of development for regional service sector (Bozzi C. 1995).

Ionita Et Al has acknowledged in his research that services (medical, educational services, etc.) that are massively consumed have a special in the development of the service sector in the region. These services bring additional prosperity to the attractiveness of the region on the basis of public administration and public-private partnership. If education plays a fundamental role in the formation and perfection of human resources, utilities provide industrial development with the necessary infrastructure. This scientist emphasized the

importance of technological services, higher education, household services and mass services in increasing the competitiveness of the region (Ionita, Florin, Minodora Ursacescu and Sorin Burlacu. 2009).

The principles of development of the sphere of services in the region are also numerous in the scientific works of CIS (Commonwealth of Independent States) scientists.

Economist Scientist E.A.Dmitrieva in his research recognized the following as the principles of sustainable development of the services sector in the region (Dmitrieva E.A. 2012):

- the principle of flexibility;
- the principle of surpassing other sectors of the economy;
- the principle of ensuring the equality of the quality of services provided;
- the principle of ensuring social responsibility of services;
- the principle of using all types of services;
- increasing personnel capacity;
- ensuring economic efficiency;
- strengthening the image of the region.

In our opinion, these principles are more relevant for the development of the sphere of service on the scale of the country than not for the region. Because, none of the principles has been adapted to the characteristics of the region.

S.A.Makhosheva emphasizes the need to take into account the following principle in the effective organization of the services sector in the region (Makhosheva S.A. 2009):

- the principle of taking into account the main legislation for the development of the regional services sector, analyzing the development trends of the past and developing forecast indicators on the basis of them;
- to draw conclusions by observing the principle of deduction, the process of transition from general indicators at the mezzo economical level to individual indicators;
- to draw conclusions by analyzing the principle of induction, exogen indicators that affect the area of regional services;
- the principle that the information we use has to be sufficient and expensive.

These principles are not actually considered principles. Because, in some of them, it is emphasized that it is necessary to draw conclusions by making forecasts, taking into account the internal and external factors. It is worth noting that the principle is a postulate (requirements), which is based on scientific theories, laws, legal acts and norms in society (http://ru.wikipedia.org/wiki/Принцип#Научный_принцип). That is, the principle should apply without regard to changes in quality and quantity, depending on the space and time of the factors affecting it.

S.R.Krivko developed the principles of the development of the sphere of services in problem regions and they are as follows (Krivko S.R. 2012):

- to eliminate obstacles between the country and its subjects and establish relations between the regions, increase the competitiveness of their economy;
- to develop government programs that will reduce the difference between the level of development of the regions and increase the welfare of the population;
- conducting an independent economic policy aimed at improving the social situation of the region, increasing the competitiveness of human capital and forming the market of services;
- create favorable conditions for attracting investments in infrastructure, taking into account the shortage of resources and the state of development;
- acceleration of institutional reforms in the field of services.

These principles of development of the sphere of services are consistent with all regions. However, these principles are also not developed perfectly. In particular, they are not structurally based and do not correspond to the conditions of global economic development.

In general, in the works of the above-mentioned foreign and CIS scientists, the principles of development of the sphere of services in the region have not been improved. They have often

created a principle by studying factors that affects the development of the services sector in the region. In our opinion, this is a serious drawback. Because, the economic principle must include not only existing factors but only all factors affecting economic development in order to ensure high economic growth.

In our opinion, the development of the services sector in the region should be based on the following principles (Figure 1):

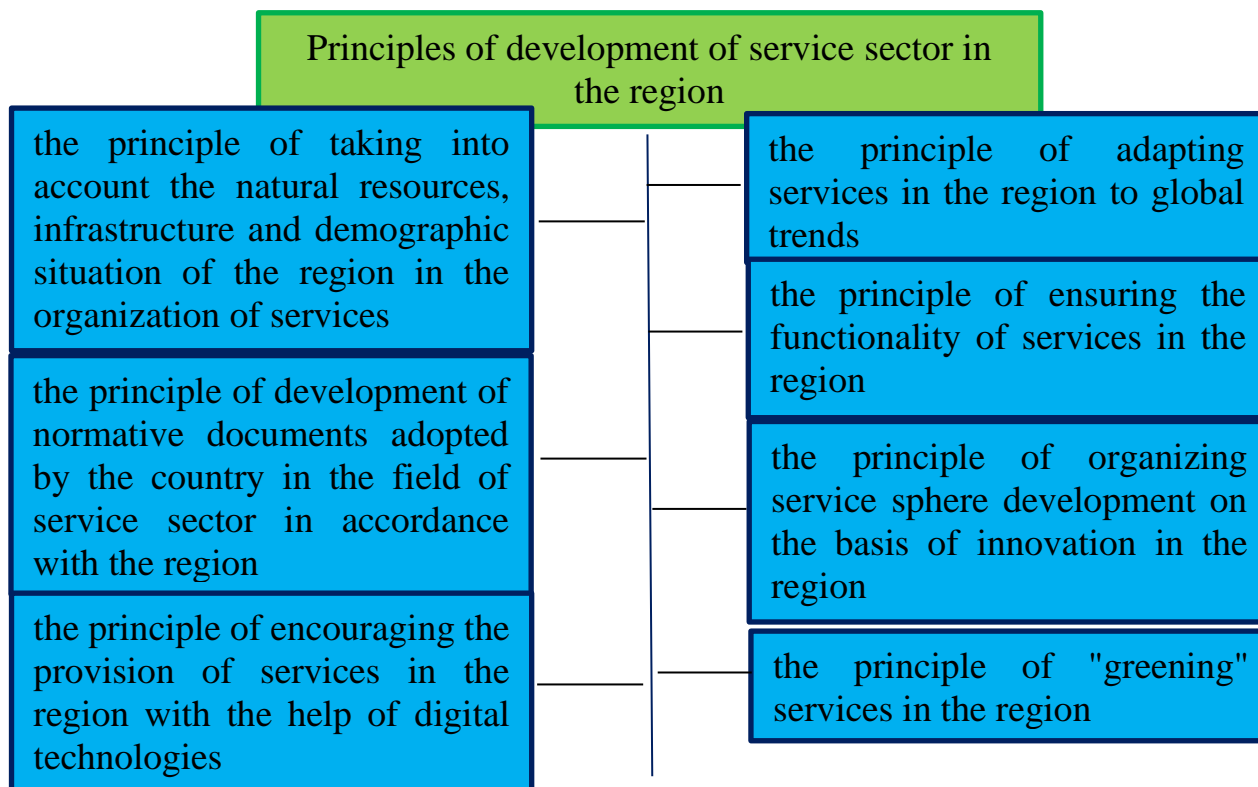


Figure 1. Principles of development of services sector in the region Developed by the authors

The principle of taking into account the natural resources, infrastructure and demographic situation of the region in the organization of services. First of all, it is necessary to take into account the demographic situation in the region for the organization of the service sector. Because both the service providers and the consumers are people, depending on their number and demand, the provision of services is established. In addition, the infrastructure in the provision of services is of particular importance and the provision of certain services is associated with the infrastructure. Infrastructures that form the characteristics of the regional services sector can be divided into two. These are economic and social infrastructures. As an economic infrastructure: there are branches of the banking and financial system, funds, currency and labor exchanges, insurance companies, a wide trading network, etc. As for social infrastructures: the number of educational institutions (primary, secondary, higher); health organizations (treatment and prophylactics); cultural objects (libraries, theaters, clubs, sports facilities, etc.); infrastructure of housing and communal services (provision of housing, improvement of housing stock, ratio and volume of urban and agricultural housing stock). Although the level of ownership of natural resources in the region is not considered to be of very high importance in the service sector, their level does not remain without direct impact on the cost of services. For example, the price of agricultural products affects the provision of agritourism services.

The principle of development of normative documents adopted by the country in the field of service sector in accordance with the region. In the state regulation of the sphere of services it is

necessary to approach from a subjective point of view. In particular, it is necessary to adapt the decisions, decrees, programs, etc. adopted to regulate the sphere of services at the country level according to the individual characteristics of each region, as well as to ensure the social orientation of services. The management of the process of social orientation of the regional services sector by the state implies the achievement of certain socio-economic goals and is characterized by the following: provision of all types of services required by the population in the region; provision of services to the population on location in the region and working hours of enterprises; providing different levels of services and prices for people with different income levels in the region; provision of necessary services to socially vulnerable segments of the population; creation of favorable economic conditions for the economic activities of goods and services producers; assistance in saturating the market with goods and services, meeting consumer demand; ensuring healthy competition, preventing monopolization of the market; consumer protection.

The principle of "greening" services in the region. Today's conditions of ecological aggravation require a transition to a green economy. This is the key to all sectors of the economy, including the service sector. In the long run, sustainable environmental development needs to be minimized and completely eradicated through the provision of green services. Ensuring sustainable environmental and economic development of the country's regions is one of the long-term and priority tasks of the country. Modernization of the country's economy should be carried out on the basis of the

"double achievement" policy aimed at ensuring economic growth while simultaneously reducing the negative impact of economic activities on the environment. Such policies include tools of government regulation that will allow to maintain the ecosystem in the long run; should include market mechanisms and personal commitments. Given the increasing role of the environmental factor at the global, national and regional levels, the urgency of introducing and promoting ecosystems, preserving the quality of the natural environment and their biosphere functions for the quality of people's life is growing.

The principle of adapting services in the region to global trends. It is very important to follow the global trends in the effective organization of the services sector in the region. Because, the organization of services that are in demand in the world market has both economic and social importance. The economic aspect is that the export potential of the region will increase. This in turn will help to avoid a number of macroeconomic problems in the region such as unemployment, inflation and subsidy from the budget. This is mainly due to the development of infrastructure in the region, national traditions and agriculture, where tourism services are carried out. The social aspect of adapting regional services to global trends is that the emergence of new types of services in the domestic market will enable the population to use these services. As a result, the outlook and spirituality of the population increases, contributing to the satisfaction of unsatisfied demand.

The principle of ensuring the functionality of services in the region. The service sector of the region is a subsystem of the regional economic system, and its activities cannot be organized without interconnection with other sectors and sectors of the national economy. At present, the service sector can be called a hyper-sector, receiving all kinds of social and commercial services. Efficient and effective use of the resource potential of the services sector is essential. It should be noted here that there is a close link between the functionality of the services and the turnover of natural, material and technical resources. Therefore, it is not possible to operate the service enterprises without redistributing all the necessary resources. For example, in the provision of tourism services, it provides functional, transport, hotel, banking and medical services in a functional manner.

The principle of encouraging the provision of services in the region with the help of digital technologies. In the following years, the introduction of the concept of "digital economy" into science dictates a change in the theoretical framework of the services industry. While some Economist scientists view the digital economy as a new stage of development of society, some also call it a "new service economy" by looking at it as a component of the service sector. In the region, digitalization of the service sector is very important to increase the efficiency of the service sector. This is because digitalisation of the services sector prevents over-spending and time, reduces the level of the shadow economy and improves the quality of services. Digitization allows many services to be produced and sold very cheaply. In addition, the "new service economy" can no longer be characterized by the concept of services that are not bound by the economic sphere or the boundaries of large-scale activities. Because, the relationship between industry and services cannot be understood or analyzed separately. It also reduces or eliminates the spatial dependence of service delivery.

The principle of organizing service sphere development on the basis of innovation in the region. Development of services in the region should be carried out on the basis of innovative developments. Innovative development of the services sector increases the competitiveness of the sector. The level of service innovation development by regions and regions of the country is characterized by certain differences, depending on objective and subjective factors. In accordance with this legislation, it is

possible to present a number of principled assumptions regarding the characteristics of innovative service development in the regions. This situation will be associated with the following events and processes: 1) wide coverage of the organization and organization of innovation activities in the regions; 2) instability of innovation activities in the regions and regions for a long time; 3) the spread of innovation in the regions, the disproportion in the volume and duration of innovation flows; 4) to consistently improve the skills and creative potential of the managers and specialists of the enterprise in the field of services; 5) Strengthening corporate and public partnership support for innovative processes' multiplicity; 6) stable growth of regional bodies' participation and level of interest in the management of innovation activities.

CONCLUSION

The conclusion is that regional policy is important for economic development. This is because the overall level of development of the country is the sum of regional development. In addition, each region has its own characteristics and, accordingly, economic policy can increase efficiency. The increasing importance of the services sector in the modern economy means that this area needs to be emphasized in regional economic policy. This is because the service sector is a functional area, covering more or less the entire industry and other sectors of the economy. It is known that certain principles must be followed when running economic policy. Otherwise, there may be cases of arbitrary or unintentional misconduct. The principles must also be well developed to address the challenges of today's modern society.

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