

## INVESTMENTS AS PART OF THE STRATEGIC DEVELOPMENT OF THE NATIONAL ECONOMY

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**Abstract.** The article presents the problems and trends in investment activity in Ukraine. In the study the structure of the investment process as the main source of investment and knowledge base for this process in Ukraine is revealed. The article also shows the factors that affect the trends in the investment field and proves the need to stimulate investment and improve the investment climate.

**Key words:** financial source of investment, investment decisions, investment process

### INTRODUCTION

Economic reform and development of the modern market economy and provides connections to attract a large amount of resources, which is achieved through economic growth at the global and local level.

As experience of period from late XX to early XXI century shows, investments become super power factor of economic stabilization and intensive development at both the national and global levels, improve source of balance payments and stabilize national currencies. Also, this is the way to recovery and intensive development of all industries and sectors of the economy based on recovery of fixed assets on an innovative basis.

Competitive economic complex formation requires significant expenditures of all kinds of resources, while the state can not always ensure their own existence. For this purpose, the process of attracting investment resources performed, implement strategic and implementation priorities and contribute to the further development of the economy, based on the realities of today.

Development of investment activity in Ukraine now is the stage of active becoming, during which the formation of principles accumulation of investment resources and development methodologies investment, according to the functioning of the national market.

In determining the mechanism of investing an economic entity, it is imperative to consider all the features that may affect the outcome of the investment process, including special attention should be paid to sources of investment resources and their area of application.

## RESEARCH METHODS

The problem of optimizing the investment as a key element of the overall strategy of national economic development is extremely important, it is engaged in the development of a large number of both foreign and domestic scholars, among which are the work of economists such as W. Sharpe, L. Hitman, M. Junks, J. Keynes, S. Behrens, K. Reilly, V. Shapiro, V. Bocharov. Significant contribution to the study of problems of investment made and Ukrainian scientists, namely I.O. Blank, A.A. Peresada, A. Mertens, V. Fedorenko, S.K. Reverchuk, A. Hal'chyns'kyi, V. Geets.

Despite the large number of research papers covering various aspects of investment as part of the strategic development of the national economy, this issue needs further refinement and comprehensive research.

Formation of the investment potential of the country is extremely important part of the strategic development of the state economy. It is by attracting investment resources the country can enforce an extremely important task, which in the future will form a number of competitive advantages in economic and social terms.

At its core, the investment can be defined as a long-term investment of different types of resources (material, financial, intellectual etc.). To further both economic and non-economic development of the investee, profit from investing resources and other effects that are consequence of the use of investment resources [Grinyova et al. 2002, p. 227]

Investment resources represent the diversity of borrowed capital investments, acting either in cash or in natural form. They are used as sources of real and financial investment. Investment resources are associated with the processes that take place within the accumulation and reproduction of capital. These processes occur at the level of the industry or the country. Size, the rate and extent of accumulation and retention of investment resources determined the general level of economic development, the level of financial support for companies and level of income.



During the economic crisis investment is contributed to solving urgent problems of economic stabilization, enhance its processes and increase its activity, according enhances overall economic attractiveness for investors and identifies potential opportunities for further development of the national economy.

Database of research investment process are the official data of the State Statistics Committee of Ukraine on capital investment.

It is on the priority areas of scientific and technological progress should be maximum target investment and resources. The development of current and future high-tech industries can claim only those countries that are able to provide a high level of science, technology, education, culture, organization management and labour discipline [Zhuchenko 2007, pp. 105–111].

Consequently, investment in national economic development aims two objectives: profit and social impact from the implementation of certain investment projects.

Accordingly, investing their funds in the national economy, investors are primarily interested in profit. Implementation of investment projects that have social effects to the society involved especially the central and local governments and local authorities.

In affiliation capital investments for the development of the national economy can be divided into domestic investment and foreign investment (Figure 1). Under each of these groups also includes various items in their economic, organizational entity significantly differ from each other and, therefore, their involvement in the economy is characterized by specific motives and expectations from the investment of such funds.

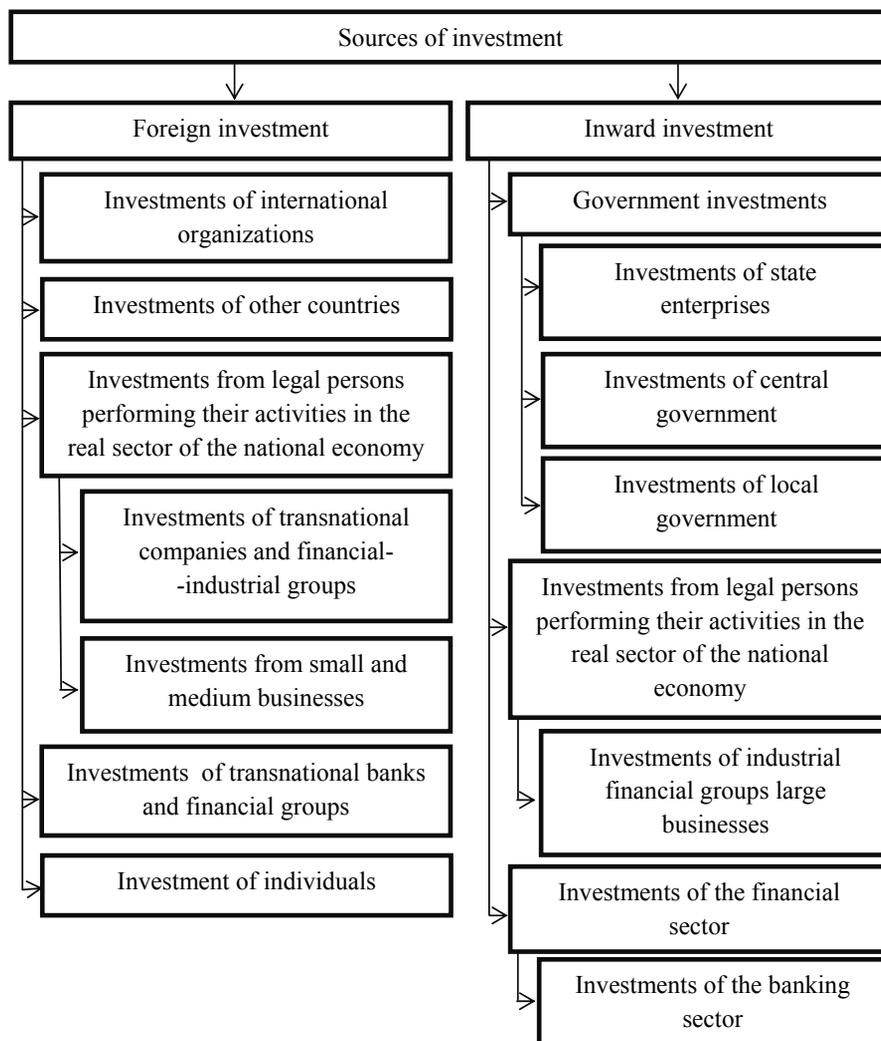
Accordingly, the investment policy should be based on these features and principles. Only in this case it will be really efficient and meet today's national economic development.

Foreign investments may be represented as investments of international organizations and other states of the real sector of the economy, including highlight important investment of transnational corporations and financial-industrial groups, small and medium business, investments individuals (Figure 1).

It should be noted that each of the sources of foreign investment has its own particular function and their motives for investment activities. For example, for transnational companies strategic issues may be building a new plant for the production of certain types of products in order to capture not only the market, where the company will be a bucket, but also in neighbouring countries. And for the small entrepreneur can be interesting, for example, the formation of a joint venture with domestic same small-sized investors to realize a small investment project in the border regions. Accordingly, these entities are interested in different business conditions in the country. However, the overall investment growth in Ukraine is disappointing.



Consider investing sources of national economy more detail.



**FIGURE 1.** Sources of investment

Source: Problems of investment [Grinyova et al. 2002].

Negative trends in the investment sphere of the national economy due to the following factors [Lysenko 2004, p. 151]:

- increase investment risks due to political speculation regarding revision of privatization of state property and distributing the proceedings of past privatization cases;

- change the structure of the distribution of financial performance of domestic enterprises for the benefit of current consumption;
- a sharp change in tax rules and violation of a number of state obligations to foreign investors for industry development programs and policies on free economic zone and the territory of priority development;
- reduction of the investment component of public spending;
- channeling household savings rate primarily for consumption rather than investment because of lack of financial markets;
- a sharp increase in net income withdrawal of state enterprises, which significantly reduced investment capacity state sector of the economy;
- the development of the securities market and other financial instruments of protection of shareholders' rights, which prevents most companies to attract financial resources through financial market mechanisms.

Therefore, the fundamental strategic objective must be to create an environment that will encourage investment primarily in important socio-economic development sector and industry. Therefore, guidelines strategy to stimulate investment activity in Ukraine should be:

- increasing the efficiency of budget capital expenditure budget mastering modern development incentives;
- accumulation of the population within the systems of social and pension insurance and focus on long-term financing of investments;
- broadening the base of investment resources will be directed into the innovation sector, through the mechanisms of the tax, customs and regulatory policies;
- increased investment direction of the stock market and its infrastructure;
- investment focus privatization;
- introducing a mechanism of accumulation of surplus funds, particularly venture capital funds;
- provision of investment depreciation policy direction;
- increased investment activity of the population and provide guaranteed protection of their savings;
- facilitating access to long-term loans to enterprises, lower real interest rates due to restructuring and additional capitalization of the banking sector, the establishment of long-term lending institutions, increasing presence of foreign capital in the banking market of Ukraine;
- strengthening intersectional flows of capital through the stock market, the development of horizontally and vertically integrated companies;
- reform of corporate income tax, which should encourage their investment direction;
- formation of transparent and based on the experience of Member States, tax incentives investment process, ensuring equal access to these incentives;



- introduction to stimulate energy efficiency, switching to energy and resource-saving technologies as a means of increasing productivity and release of large investments;
- improve awareness of domestic and foreign business investment opportunities of firms, industries and regions, investment opportunities in Ukraine, terms of economic activity and macroeconomic situation in Ukraine, the situation in the markets, and production capacity of Ukrainian enterprises like.

Only the implementation of these guidelines strategy to stimulate investment in Ukraine will significantly increase productivity in enterprises improve efficiency and competitiveness, strengthen national investment potential. So fundamental strategic objective must be create an attractive investment environment that will attract investment, including foreign investment in all sectors and industries to further socio-economic development of Ukraine and will be the subject of further research in this paper.

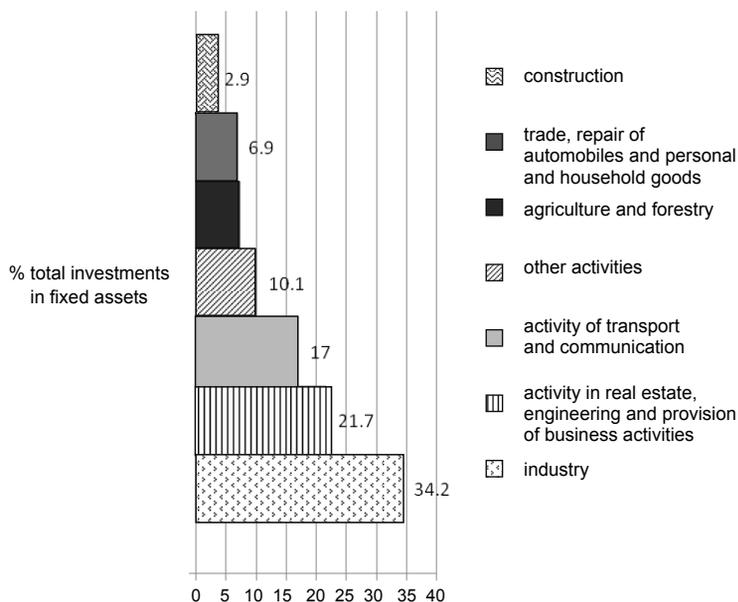
Thus, the implementation strategy of the national economy is directly related to the increase in the volume and quality of investment, creation of favourable conditions for attracting investment resources.

The main determinants of the activity of the investment process are the state of the national economy and the effectiveness of macroeconomic controls, primarily, tax, credit, depreciation policy. Investment process responds to the phase of the business cycle in the phase of the crisis is rapidly decreasing investment potential and investment performance will decline faster than with other macroeconomic indicators. So in Ukraine in 2011 GDP decreased by 15.8%, industrial production by 22% the volume of assimilated investments in fixed assets – by 41.5%, the volume of construction works – by 48.2%.

In 2012, investments in fixed assets from all sources totaled 150.7 billion (excluding VAT), in comparable prices is by 40.4% less than in pre-crisis 2007. The main source of investment are equity entities, from which in 2012 financed 55.7% of investments in fixed assets. The share of state and local budgets in total investment amounted to 9.1%, of public funds for individual housing construction – 13.8%, bank loans – 13.7%, foreign investors – only 2.3%. Reducing public investment and increasing the share of capital investment from own funds of enterprises and organizations have led to a reduction of state support of investment unprofitable industries.

Figure 2 shows the structure of investments in fixed assets by sector in 2012: investments in real estate, renting and business activities (21.7%) exceeded investment in transport and communications (17.0%), and investments in trade, repair of motor vehicles and personal and household goods (6.9%) higher than investment in construction (2.9%).





**FIGURE 2.** Structure of investments in fixed assets by economic activities in 2012

Source: Data from the website of the Ministry of Economy.

More than a third of all investments in fixed assets (34.2%) focused on the development of industrial production, more than half utilized in the processing industry. Attractive sector food, beverages and tobacco (24.2% investment in the manufacturing industry). Significant results were also part of the chemical and petrochemical industry (12.3%), manufacturing and electricity, gas and water (14.9%), industry (8.8%) and engineering (7.5%). Consequently, most of the investment resources that came into the industry was aimed at that industry, not in the high-tech innovation and multiply potential. The current distribution of fixed investment by sector plays imperfect structure of the national economy strengthens inherited macroeconomic imbalances.

## CONCLUSIONS

Summing all the above said, it can be concluded that the investment process in Ukraine are developing not efficient enough. The amount raised through the investment of funds in the economy of our country are increasing from year to year, but the system of development should be improved.

The most advanced form of investment for the Ukrainian economy is investment in fixed capital and foreign direct investment. Although these types of investments do not belong to one classification group (not classified by the only sign), they form the largest group of investment.

Development and stable growth of investment in fixed assets is primarily due to the fact that domestic enterprises are extremely necessary to modernize and diversify with fixed assets. Indeed, a significant number of strategic industries was established in the days of the Soviet Union and now urgently need to bring data capacity in line with the present.

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## INWESTYCJE JAKO ELEMENT STRATEGII ROZWOJU GOSPODARKI NARODOWEJ

**Abstrakt.** Artykuł przedstawia problematykę i tendencje w kształtowaniu działalności inwestycyjnej na Ukrainie. Ukazano strukturę procesu inwestycyjnego jako głównego źródła inwestycji i wiedzy o procesie inwestycyjnym na Ukrainie. Określono również czynniki mające wpływ na tendencje w kształtowaniu obszaru inwestycji, z uwzględnieniem potrzeby stymulowania inwestycji i poprawy klimatu inwestycyjnego.

**Słowa kluczowe:** źródła finansowania inwestycji, decyzje inwestycyjne, proces inwestycyjny

