

# THEORETICAL AND APPLIED ASPECTS OF ECONOMIC PROCESSES IN UKRAINE AND IN THE WORLD ECONOMY

UDC 334.72:005.93:005.591.3

<https://doi.org/10.26661/2414-0287-2020-3-47-13>

## DEVELOPING THE INVESTMENT PURPOSE AND SUPPORTIVE MECHANISMS FOR INVESTMENT ACTIVITY IN UKRAINE

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### Key words:

Ukraine, investments, investment purpose, supportive mechanisms, innovations, world experience, development, financial stability.

Modern condition of the economy and ecology in our country requires new attitudes to the activity of establishments, organizations, institutions and, first of all, high level of culture management, perfect methods and mechanisms, using sustainable development and, of course, director's and people's responsibility for their decisions. It causes the necessity, not only in searching new ways for increasing effectivity for person's development and activity, but also, it is needed for searching new scientific basics, revealing universal development regularities and systems' managing, causal relationships, which allow to prove and to use the simulation of the effective managing of the progress of investment activity. Also, it gives us an opportunity to control the development of the country, to forecast this development in the most structured direction, innovations. During the process of realization of the main purpose, we've examined world experience and given the examples of lead countries' development.

Including this moment, the main aim of this article is to expand the look on innovative

simulation, to make up the investment purpose in conditions of the modern country, complexity and consistence of essential institutional shifts, which must supply appropriate conditions for the success of the innovative simulation development realization of the establishments in Ukraine.

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## ФОРМУВАННЯ ІНВЕСТИЦІЙНОЇ МЕТИ І МЕХАНІЗМІВ ПІДТРИМКИ ІНВЕСТИЦІЙНОЇ ДІЯЛЬНОСТІ В УКРАЇНІ

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### Ключові слова:

економіка, Україна, інвестиції, інвестиційна мета, механізми підтримки інновацій, світовий досвід, розвиток, фінансова стабільність.

Сучасний стан економіки та екології в країні потребує нових підходів до діяльності підприємств, організацій, установ, і, перш за все, високого рівня культури управління, досконалих методів та механізмів застосування сталого розвитку, відповідальності керівника і кожної людини за свої рішення. Це викликає необхідність не тільки пошуку нових шляхів підвищення ефективності розвитку та діяльності людини, але і пошуку наукових основ, виявлення універсальних закономірностей розвитку і управління системами, причинно-наслідкових взаємозв'язків, які дозволяють обґрунтувати і застосувати моделювання ефективного управління розвитком інвестиційної діяльності, розвитком держави, прогнозувати цей розвиток в найбільш упорядкованому напрямку, інновацій. В процесі реалізації основної мети розглянуто світовий досвід та приведені приклади розвитку провідних країн. Враховуючи з цього, метою даної статті є розширення погляду на інноваційне моделювання, формування інвестиційної мети в умовах сучасної країни, комплексність та взаємоузгодженість необхідних інституційних зрушень, які повинні забезпечити необхідні умови для успіху реалізації інноваційної моделі розвитку підприємств в Україні.

### Statement of the problem

The main aim of the article is to examine most effective ways of realization the theory of achieving sustainable economic growth, using supportive mechanisms of investment activity in Ukraine.

### Analysis of recent studies and publications

Such scientists as: E. Andreeva, B. Andrushkiv, D. Babmindra, M. Belopolsky, G. Wozniak, A. Grinyov, I. Grozny, I. Gutsal, O. Ivashchenko, N. Kyrych, O. Kovtun, A. Kuznetsova, T. Kutsenko, V. Lazonik, A. Nechaev, S. Onyshko, O. Panukhnyk, T. Pozhuyeva, A. Sokolov, G. Tarasyuk made a big contribution into researches of innovative activity strategy. Along with this, there is little research on the examination of innovation and investment activities of the establishments and, of course, the aspects of its formation, which are reflected in the works of such scientists as: S. Kozmenko, Y. Krasnoshchokova, T. Maksimova, O. Filimonov, A. Cherep and others. The issues of intensification of innovation and investment activity, creating strategies of innovative

development, the using of organizational and economic supportive mechanism of investment activity are quite widely considered in scientific works.

### Objectives of the article

Let us look at the examples of world experience creating the investment aim, involving direct investments and the opportunity to use the problem for improving the strategy of the sustainable innovative investment development, where as a result, an intensive evolution of priority industries was used.

### The main material of the research

Modernization and intensive development of priority industries, for instance, caused the need in activating an intersectoral capital transfusion in the USA. In simple terms, industrial capital was relatively increased in cash. But, in the middle of 70s and in the beginning of 80s, when people watched a mentioned progress, it didn't happened then due to absence of necessary amount of money. In such conditions, implication of foreign capital in the USA caused overcoming further negative aspects for the economy development. Comparing to legislation of other developed countries, the legislation of the USA, regarding to foreign investments, is considered to be soft. Results of the system reconstruction substantially influenced the general economic regulation for the inflow in 80s: no limits on size for import and export, implementation of a new tax and depreciation policy, decreasing the governmental intervention into private business and making good conditions for the management system functioning, only by using methods of economic regulation.

The process of American economy liberalization made foreign investors to pay attention on due to high effectivity of the investment. Raising interest rates on loans played an exceptional role in attracting foreign investment to the United States. Currency devaluation also can be the reason of the capital inflow. Thus, due to American dollar, Swiss franc and Japanese yen devaluation, it became more profitable for foreign companies to move their manufacturing to the USA.

Including the fact, that the USA still remains to be a big capital exporter, the government of this country took

some restrictive measures for its export and created a system of incentive levers for the use of capital mainly in the domestic economy. In 90s the law, which gave banks an opportunity to create international bank divisions and, also to carry out international operations of the United States on the same terms as their abroad branches. Consequently, the United States received additional sources of capital accumulation. High levels of borrowing rates, along with low inflation and favorable forecasts of rising prices have led to a significant influx of foreign investment in the US economy. Cancellation of tax dividends, which are being paid by foreign owners of valuable documents, caused the expanding of stock among foreigners. According to the law of taxation in the USA, the absence of discrimination is guaranteed. It caused the creation of branches by most of foreign investors.

The system of measures of the federal government is supplemented by special programs to attract foreign capital by state governments. These programs provide different systems of preferential crediting and insurance of foreign investments, provision of land plots for construction of industrial enterprises, etc. There is an access for foreign investors to see results of researches and developments, which are carried out by universities; it provides information on the availability and volume of raw materials, energy and water resources, the state of transport links, etc. The conditions for granting benefits provide for the location of enterprises in a certain area, which is due to the need for proportional development of industries within a state.

English system of attracting foreign investments makes a big interest. United Kingdom is a leader in Europe of capital importing. Nowadays, there are functioning subsidiaries of almost all of 100 largest American corporations, branches of leading European multinational corporations, as well as Japanese electronic goods factories.

United Kingdom actually took a major part of investments, which are transferred to Europe from West and East. Here, more than 40% of all American assets in European Union countries are concentrated. There are some factors, which caused it:

- effective structural adjustment and improvement of the domestic economic situation in the country;
- the desire of foreign firms to occupy new markets for their products; reduction of transport costs; high rate of return due to relatively low labor costs.

During 70s, United Kingdom experienced some difficulties in economy. These difficulties were connected with the lack of raw materials, inflation, currency shocks. That's why, foreign investors weren't interested in investing in the economy of this country. The Conservative government's economic course has changed the situation for the better. The essence of this course was to strengthen market trends in the economy, the transition from Keynesian theory of economic management to monetarism. In 1979, there was the cancellation of currency and other limits for different private firms' activity. This greatly contributed to the movement of capital. The "Open Door" policy has given foreign banks virtually free

access to the domestic capital market, and now more than 500 foreign banks have branches in London.

The intensity of the process of attracting foreign investment is also influenced by the existing tax system in the UK. A significant investment incentive is the lack of taxes on investment in equipment, as well as their reduction by 79% on investment in construction.

United Kingdom has a system of state tender aid for the most important investment projects, the cost of which is at least 0.5 million pounds. The maximum amount of aid can be half the cost of the project.

The creation of "new business zones", "free port zones", "new cities" also contributed to attracting foreign capital. Such zones are characterized by preferential tax regimes and the possibility of duty-free export of manufactured products.

Attracting foreign investment in the French economy was facilitated by the privatization of property, growth in gross profit of business firms, tax and credit benefits, low interest rates on loans and more.

One of the factors in the inflow of foreign capital into France was the government monetarist policy in the 1990s, in which the country advantageous interest rate regulation played an important role. One of the government's priorities was to maintain a stable franc exchange rate against the US dollar and the German mark by tightly controlling inflation.

The French government pursues a strict policy of regulating foreign investment in the country towards non-EU countries. France has a developed financial market, which in terms of power and activity is second only to similar institutions in the United States and Great Britain. In this country there is an effective system of encouragement of both domestic and foreign investments, which are aimed at the development of priority and leading industries. To stimulate the construction of industrial facilities, the College of Economic and Regional Development of France provides investors with subsidies, amounting to 25% of the value of all investments in land and equipment purchased in the first three years of construction. In recent years, long-term soft loans at low interest rates have been widely used. The country also has a preferential tax regime for companies, which are working in the so-called business zones of France.

China's success in reforming its economy in recent years is linked to its government's policy of attracting foreign investments. As a result of economic reforms, the country has created a relatively efficient system of taxation of foreign individuals and legal entities, which is characterized by flexibility, the provision of large benefits and simplification of the tax procedure.

A key element of China's current foreign economic strategy is the creation of special economic zones (SEZs) and open coastal cities for foreign investors.

According to the rules, established by the state, of reduction tax rates on joint ventures and foreign enterprises in the SEZ, in addition to tax benefits for enterprises with foreign capital, there are additional benefits: halving the income tax; reduction of dividend tax rates; tax exemption in case of transfer of profits outside China; duty-free import of basic and auxiliary materials and even a significant share of consumer goods. China's success in attracting foreign direct

investment is generally associated with the creation of a favorable investment climate in a large part of the country, a set of material and institutional conditions that allow investors to reduce production costs to below the world average. Components of such an investment climate are low labor costs, granting the right to relatively cheap land use, an acceptable level of development of industrial and social infrastructure in areas of preferential investment, economically balanced taxation system, preferential migration and customs regime; favorable customs and currency legislation. In order to attract the maximum possible amount of resources from abroad, due attention is paid to large investment projects that are implemented on the basis of joint ventures. If the joint venture with a total investment of up to \$ 3 million.

The United States is eligible for a loan of no more than 43% of the amount of its own investments, then for a facility worth 10-30 million dollars and more loans can be 1.5-2 times higher than own funds. The production, sale and maintenance of modern computer systems, as well as the automotive industry have become quite attractive areas of foreign capital investment in the Chinese economy. According to experts, one dollar invested in the Chinese economy gives 6-8 dollars US profit.

According to the experience of attracting foreign capital in other countries, the following obstacles to this process can be identified: the lack of an appropriate investment climate; imperfection of the market mechanism; instability of the political situation; low level of business and professional qualification of entrepreneurs; lack of interested partners; lack of attractive investment projects; destructive tax system; lack of an effective investment insurance system; excessive monopoly in the economy; extremely high inflation; unresolved issues regarding private land ownership; non-convertibility of currency. Factors, which influence foreign project financing decisions, have different weights. According to American businessmen, according to the degree of importance and influence, they can be placed as follows: political stability; investment climate; the order of profit transfer; taxes; share of state enterprises; attractiveness of the project. Regarding the investment climate of Ukraine and the use of mechanisms to support investment activities, in current conditions, the country is not in an attractive shape, the investment climate needs to improve and improve the legal, socio-economic, financial and socio-political components, which can attract more investment economic development of Ukraine. Attracting investments is very important for the activities of enterprises in Ukraine. It requires the management for constantly improving economic activity and increasing the level of investment advantages, comparing to other enterprises. A feature of investment and innovation development of Ukraine, in comparison with most developed

countries, is the high degree of irregularity of the regional development. To a greater extent, inequality is determined by the specifics of each region, characterized by specialization, geographical location, as well as investment and innovation potential. In the conditions of development and transition to a new type of economy, the level of innovation potential and efficiency of its use provide potential opportunities and prospects of growth

of economic system. Evaluation of innovation potential is especially important in the justification of innovation policy at different levels (state, region, industry, enterprise) and the development of socio-economic development programs, taking into account the effective use of innovation resources. Scientific study of the innovative potential of the region shows a variety of approaches to its interpretation and formation of innovative investment model, which promotes the development of enterprises, including machine-building enterprises, which are a promising area in the economy, which has not yet earned maximum. It is possible to launch such an industry at full capacity by using examples of mechanisms to support world-class investment activities.

### Conclusions

The analysis of world experience confirms the fact, that foreign investments help to solve the problem of lack of own money as a source of funding. With their effective use, the country can not only compensate for the lack of domestic investment resources, but also increase the efficiency of production and competitiveness of domestic products, through the introduction of innovative technologies and analysis of progressive management experience in other countries. In addition, it is the attraction of foreign investments, that lead the country to world markets, establish ties with the world economy and help to overcome the crisis. Thus, without the increasing of foreign investment in Ukraine, the national economy will not be able to improve its condition and effectively enter the modern world economic system.

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