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FORMATION OF INVESTMENT POLICY FOR THE PURPOSE OF INCREASING UKRAINIAN COMPETITIVENESS

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An urgent problem facing Ukraine is the substantiation of directions of increasing competitiveness and gaining a strong position in the international market. After all, ensuring the competitiveness of the economy is a priority for any state that cares about its place in the world market and its economic growth. The level of investment depends significantly on the economic attractiveness of Ukrainian enterprises, because competitive enterprises are an important factor in the success of investors. The formation of the country's investment attractiveness is necessary to ensure its competitiveness and to solve social problems. The effective use of foreign direct investment in the national economy can be an important factor in accelerating economic growth, optimizing the reproductive structure of the economy, solving many other strategic challenges. Accumulated foreign investment is one of the indicators and reflects the level of integration of the country into the world economy, the development of its foreign economic relations and the desire to create an open, export-oriented model of the economy. Ukraine lags far behind most countries with economies in transition in this regard. The article focuses on the assessment of the current state of competitiveness of Ukraine and other countries. The state and tendencies of investments in Ukraine are analyzed. The analysis of Ukraine's competitiveness is performed. It is established that the increasing of the country's competitiveness leads, as a consequence, to the rise of the investment. It is determined that the need for sustainable economic growth, which contributes to increased productivity, remains critically important to improving living standards. The ways to improve the investment climate in Ukraine are proposed. The system of proposals to augment investment activity is the results of the work.

ФОРМУВАННЯ ІНВЕСТИЦІЙНОЇ ПОЛІТИКИ В ЦІЛІ ПІДВИЩЕННЯ КОНКУРЕНТОСПРОМОЖНОСТІ УКРАЇНИ

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Ключові слова:

конкурентоспроможність, підвищення конкурентоспроможності, інвестиційна політика, інвестиції, інвестиційна привабливість підприємства.

Актуальним завданням, що стоїть перед Україною, є обґрунтування напрямів підвищення конкурентоспроможності та завоювання міцних позицій на міжнародному ринку. Адже забезпечення конкурентоспроможності економіки є пріоритетом для будь-якої держави, яка піклується про своє місце на світовому ринку і своєму економічному зростанні. Рівень інвестицій в значній мірі залежить від економічної привабливості українських підприємств, оскільки конкурентоспроможні підприємства є важливим фактором успіху інвесторів. Формування інвестиційної привабливості країни необхідно для забезпечення її конкурентоспроможності та вирішення соціальних проблем. Ефективне використання прямих іноземних інвестицій в національну економіку може стати важливим фактором прискорення економічного зростання, оптимізації відтворювальної структури економіки, вирішення

багатьох інших стратегічних завдань. Накопичені іноземні інвестиції є одним з показників і відображають рівень інтеграції країни в світову економіку, розвиток її зовнішньоекономічних зв'язків і прагнення до створення відкритої експортно-орієнтованої моделі економіки. В цьому відношенні Україна значно відстає від більшості країн з перехідною економікою. Стаття присвячена оцінці поточного стану конкурентоспроможності України та інших країн. Проаналізовано стан і тенденції інвестування в Україну. Проведено аналіз конкурентоспроможності України. Встановлено, що підвищення конкурентоспроможності країни призводить, як наслідок, до збільшення інвестицій. Визначено, що потреба в стійкому економічному зростанні, який сприяє підвищенню продуктивності, залишається критично важливою для підвищення рівня життя. Пропонуються шляхи поліпшення інвестиційного клімату в Україні. Результатом роботи є система пропозицій по збільшенню інвестиційної активності.

Formulation of the problem

The world is at a turning stage in the social, environmental and economic spheres. Slow growth, increasing inequality and accelerated climate change are creating the conditions for an appropriate response against capitalism, globalization, technology and elites. There is a stalemate in the system of international governance, and growing geopolitical and trade tensions are exacerbating the uncertainty. This constrains investment and increases the risk of supply shocks: disruptions in global supply chains, sudden price spikes or interruptions in the availability of key resources.

Foreign investment is important for the development of the country, because it intensifies investment and innovation processes, promotes the development of small and medium-sized businesses, which, in turn, raises productivity and ultimately increases the welfare of the population.

Analysis of recent researches and publications

Such scientists as Schwab K. [1], Koval N., Terpel L. [3], Popovych P. [4] paid in-depth attention to the study of the problem of investment policy of enterprises.

Scientists note that increasing the country's competitiveness will lead to raised investment in Ukraine. Most researchers believe that the state's corruption, the unfair competition and the imperfect legislation has a negative impact on investment policy.

The issues need attention are the forming an effective state strategy on priority areas of growth and attracting investments for the development of enterprises.

Forming the goals of the article

The purposes of the article are to study the current state of investment activity in Ukraine, to identify the strengths and weaknesses of the investment climate in Ukraine and to provide suggestions for its improvement.

Presentation of the main research material

The goals of rational investment policy are: stimulating entrepreneurship; minimization of business risk in the state; support for the implementation of projects necessary for the intensive economic development of the state; creating a favorable business climate; simplification of the procedure for entering the state economy for foreign investors; improvement of the social and humanitarian sphere.

For those enterprises and organizations that are relatively independent of the investment policy of the state, the formation of its areas is based on the goals of the company. For example: enhancement of working conditions or other measures that will increase the profits of enterprises and organizations, improving the technical equipment of production or enterprise management system [1].

The most important prerequisite for the country's competitiveness is the efficient activity of the state, which determines and implements the competitiveness strategy, establishes the rules of market relations. Since competitiveness is an integral part of global development, we propose to consider it as a process of gaining benefits in macroeconomic indicators, improving the welfare of the population, freedom of doing business in the modern economic space, which allows having economic growth in terms of international integration. This growth is aimed at ensuring the socio-economic development of society.

The level of investment depends significantly on the economic attractiveness of Ukrainian enterprises, because competitive enterprises are an important factor in the success of investors. According to the Founder and Executive Chairman of the World Economic Forum, Klaus Schwab: "Those countries that integrate into their economic policies an emphasis on infrastructure, skills, research and development, and support those left behind, are more successful compared to those which focus only on traditional factors of growth." [2]. Data on the assessment of Ukraine's competitiveness are given in Table 1.

Indicators of macroeconomic stability and innovation opportunities decreased by 2 positions, and the indicator of ICT adoption - by 1.

Ukraine's position improved in pillars "product market" – from 73rd to 57th place, "labor market" – from 68th to 59th, institutional development – from 110th to 104th place.

The volume of the domestic market and infrastructure has not changed.

Ukraine also rose to 2nd place in the field of education and 1st place in terms of business development.

Singapore became the leader, overtaking the United States, the leader of the previous ranking, which took second place. Hong Kong (7th position in 2018), the Netherlands and Switzerland (ranked 1st in 2012–2017) were among the top five (Table 2).

Table 1 – Assessment of Ukraine's competitiveness in 2019

	Competitive positions	Score 2018	Rank 2018	Score 2019	Rank 2019	The best country in 2019
1	Institutions	46,3	110	47,9	104	Finland
2	Infrastructure	70,3	57	70,3	57	Singapore
3	Adoption of information and communication technologies	51,0	77	51,9	78	Republic of Korea
4	Macroeconomic stability	55,9	131	57,9	133	Several countries (33)
5	Health	72,0	94	65,6	101	Several countries (4)
6	Skills	68,9	46	69,9	44	Switzerland
7	Product market	55,3	73	56,5	57	Hong Kong
8	Labor market	59,5	68	61,4	59	Singapore
9	Financial system	48,7	117	42,3	136	Hong Kong
10	Market size	62,7	47	63,0	47	China
11	Business dynamism	55,3	86	57,2	85	The USA
12	Innovation capability	39,0	58	40,1	60	Germany

Source: generalized by the author based on [2]

Table 2 – Assessment of the competitiveness of the world in 2019

	Leading country	Score 2018	Score 2019
1	Singapore	83,5	84,8
2	The USA	85,6	83,7
3	Hong Kong	82,3	83,1
4	Netherlands	82,4	82,4
5	Switzerland	82,6	82,3
6	Japan	82,5	82,3
7	Germany	82,8	81,8
8	Sweden	81,7	81,2
9	United Kingdom	82	81,2
10	Denmark	80,6	81,2

Source: Generalized by the author based on [2]

The index explores the relationship between competitiveness and two other dimensions of sustainable development – social cohesion and environmental sustainability. This shows that there is no internal compromise between competitiveness and sustainability, as well as between competitiveness and social cohesion. This implies a “win-win” political space where a productive, low-carbon, inclusive economy is possible, and this is the only viable option in the future.

According to the annual Global Competitiveness Report of the World Economic Forum, the worst performance in the financial systems and health care, where 19 and 9 positions were lost, respectively.

The report of the World Economic Forum is a reminder of the need to take a holistic approach and better balance short-term considerations with factors that are felt beyond quarterly results and election cycles. For example, the results of the Competitiveness Index show that labor and education policies lag behind the pace of innovation in most countries, including some of the largest and most innovative economies [2].

The greatest demand from investors is industries where you can make money quickly, especially without risking losing investment. Also popular are industries that do not require long-term investment and development of new technologies: the financial sector and the real estate sector (Fig. 1).

In 2019 Ukraine received the largest investment inflows from Cyprus, as in the previous year. During the year, these

revenues decreased significantly. In 2015-2017, the largest contribution was made by the Russian Federation, although in 2017 revenues were much lower (Fig. 2).

The main national measures to improve investment activity can be identified as follows to:

- eliminate negative legal factors at the legislative and executive levels of government, which make it impossible to regulate business activities effectively in attracting and developing investments;
- optimize the fiscal system and minimize advance payments, apply the cash method of collecting the revenue side of budgets;
- provide flexible tax policy in order to increase investor interest; it will be expedient to exempt investments of taxation during the first year;
- improve the procedure for payment of duties and fees upon receipt of foreign investments in Ukraine;
- introduce the judicial reform so that everyone is equal before the law and not selectively;
- create a system of legal protection of foreign investors from debtors and unscrupulous partners, guarantee investment protection in accordance with the World Economic Forum;
- simplify the procedures for execution of documents required for the implementation of investment projects;
- dismiss close people from management positions and involve professional managers in order to increase the investment level of enterprises, firms, organizations;

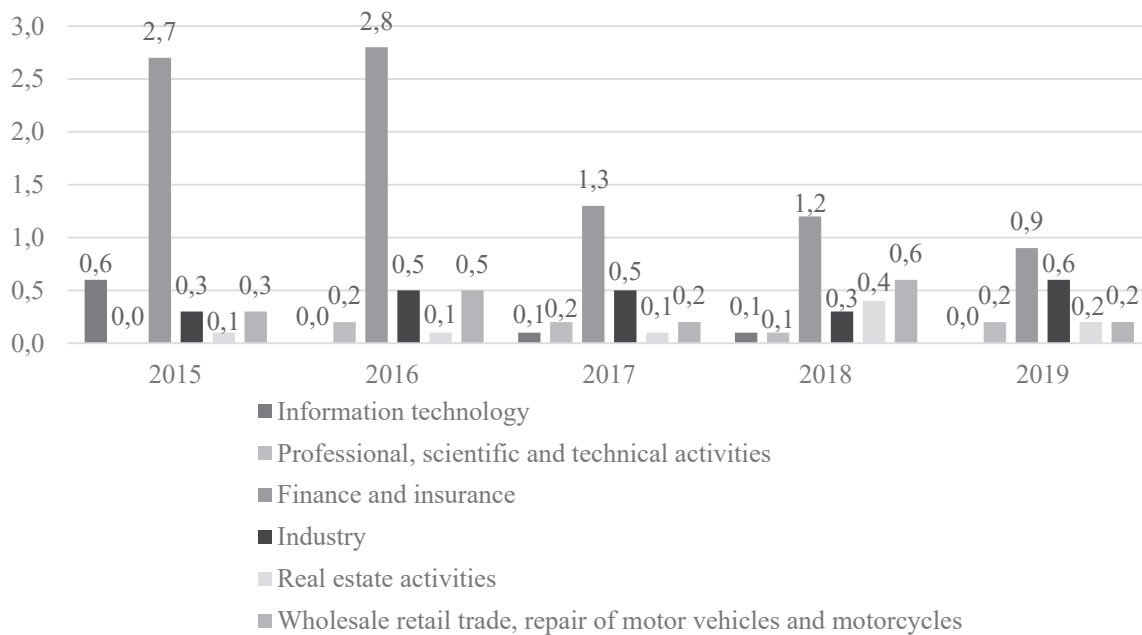


Figure 1. The largest amounts of foreign investment inflows by type of economic activity in 2015–2019, billion dollars. Source: generalized by the author based on [3]

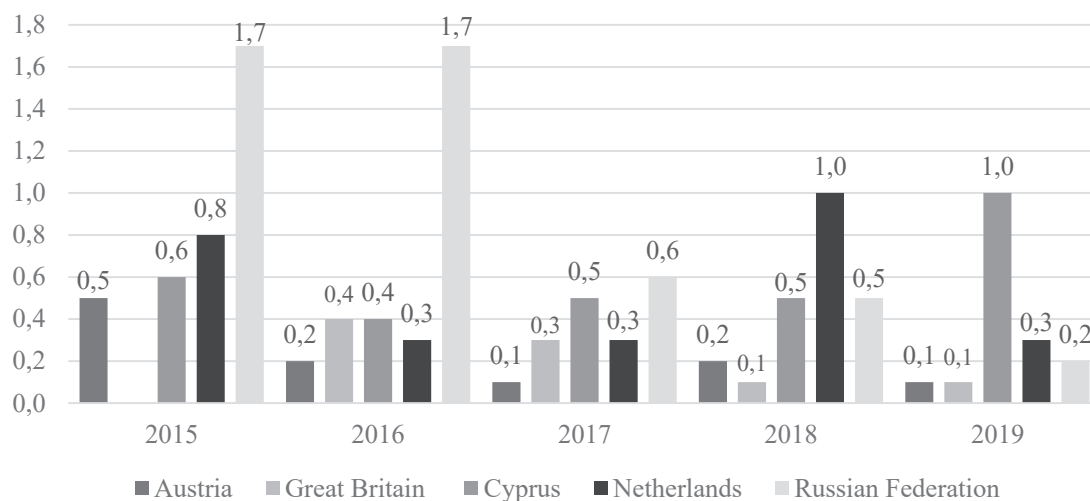


Figure 2. The largest inflows of foreign investment by investor countries in 2016–2017, billion dollars. Source: generalized by the author based on [3]

– create a favorable environment for the development of scientists to stop their outflow abroad and realize the intellectual potential within the country.

The following ways have been further developed: ways to implement the investment policy of the state, which are related to improving competitiveness; enhancement of advisory and analytical work in the field of investment; improving the functioning of investment market infrastructure; elimination of antitrust law violations; guaranteeing the rights of all participants in the investment process; abolition of contradictions in the existing investment legislation; simplification of the procedure for execution the documents required for the implementation of investment projects; promoting fair competition between investors [4].

The fragile economic base of the least developed countries and developing countries makes them very vulnerable to shocks. The report from the World Economic Forum states that the need for sustainable economic growth, that strengthens productivity, remains critical to improving living standards, taking into account the slowdown in extreme poverty scale reduction and the fact that almost half of humanity is still struggling to meet basic needs.

At the same time, the climate crisis is unfolding, which requires urgent, decisive and coordinated action by politicians. Supporting economic growth at all costs cannot be the single goal.

Sustainable economic growth remains the surest path from poverty and the main driver of human development. Over the last decade, growth has been restrained and still

below potential in most developing countries, hampering severely the progress towards several UN Sustainable Development Goals by 2030. The situation with competitiveness does not promise anything good in 2019. Individual countries, the humanitarian community and all stakeholders must intensify urgently their efforts.

The Global Competitiveness Index shows that in the current volatile geopolitical environment and with a likely future downturn, increasing economic resilience by increasing competitiveness is crucial, especially for low-income countries.

Therefore, as monetary policy begins to exhale, it is critical for the economy to rely on fiscal policy and government incentives to stimulate the research and development, improve the skills of current and future labor force, develop new infrastructure and integrate new technologies [2].

The investment strategy in Ukraine should focus on increasing the share of investment in GDP, improving the structure of investment sources and optimizing the directions of their investments. Investments should be directed to the reproduction of capital in the real sector of the economy, to innovative development that would help Ukraine integrate into the world community. At the same time, it is necessary to ensure equal investment conditions for domestic and foreign investors with the simultaneous provision of state (regional) guarantees and compensation for the risk of possible losses. As the experience of recent global financial crises shows, investment in the

manufacturing sector (industry and agriculture) is a more stable form of investment of money and resources than bank loans and portfolio investment [5].

Conclusions

Ukraine both attracts and repels investors. The country's significant potential can provide a large inflow of investment, but the existing problems stop this process. First of all, vanquishing corruption, changing the legislation, tax reforms and removing business from the shadow sector will attract investors. With a lack of investment resources in the real sector of the economy, limited investment opportunities by the state and a number of risks to continue growing trends in investment activity, the state investment policy should be aimed at implementing effective incentives to attract domestic and foreign capital and create an effective investment management system. The state is already taking steps to reform the legislation; the main thing is not to stop in order to show clear intentions to improve for potential investors. Therefore, the main goal of the government should be to create an investment-attractive climate for Ukraine.

Ukraine needs a prudent policy of stimulating investors, which will provide them with guarantees and other measures to support investment activities, as well as the availability of the necessary infrastructure to attract resources for innovation. This would allow the state to integrate most successfully into the world economy, expand opportunities for innovative projects and partnerships.

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