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DOI <https://doi.org/10.26661/2414-0287-2023-1-57-18>**INVESTMENT ACTIVITY AS THE BASIS OF FINANCIAL AND ECONOMIC SECURITY*****Boiko O.B., **Vasylieva O.V., **Kurchenko M.M.****Ternopil Ivan Puluj National Technical University****Zaporizhzhia National University**Ukraine, 69600, Zaporizhzhia, Zhykovsky str., 66*

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Theoretical approaches to the definition of the essence and value of investment activity are researched. The importance of investment activity for enterprises is substantiated. The classification of investments by types is given. The author's definition of the essence of "investment activity" is given, which is proposed to be considered as a process of investing investment resources in tangible and intangible objects in order to obtain various types of effects: economic, ecological, financial, social, budgetary. It is noted that investment activity significantly affects economic security both at the macro and micro levels. The most important components of economic security are characterized and it is proved that guaranteeing the investment security of the country while observing investment restrictions can significantly affect both the macroeconomic indicators of the country and the development of regions and economic entities. The influence on the Investment Attractiveness Index of Ukraine of important events such as Euromaidan (2014), COVID-19 (2020–2021) and the tragic event for the Ukrainian people – a full-scale invasion of Russia (2022) is investigated. The main problems that reduce the investment attractiveness of the Ukrainian economy in 2018–2022 are indicated. The assessment presented by the CEOs on the state of the investment environment in Ukraine in 2022 is also presented. It is established that the key issue of national economic policy is the intensification of investment activity, which provides for the necessary formation of an investment policy that ensures the maximum use of national resources and attracts foreign investment. Investment activity as a significant component in ensuring financial and economic security is investigated. The investment attractiveness of Ukraine in the first half of 2022 and the factors that influenced it are also considered. Proposals to increase the investment attractiveness of the Ukrainian economy are made.

ІНВЕСТИЦІЙНА ДІЯЛЬНІСТЬ ЯК ОСНОВА ФІНАНСОВО-ЕКОНОМІЧНОЇ БЕЗПЕКИ***Бойко О.Б., **Васильєва О.В., **Курченко М.М.****Тернопільський національний технічний університет імені Івана Пулюя****Запорізький національний університет**Україна, 69600, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**інвестиції,
інвестиційна діяльність,
фінансово-економічна безпека,
індекс інвестиційної
привабливості

Досліджено теоретичні підходи до визначення сутності та цінності інвестиційної діяльності. Обґрунтовано значення інвестиційної діяльності для підприємств. Наведено класифікацію інвестицій за видами. Надано авторське визначення сутності «інвестиційна діяльність», яку запропоновано розглядати як процес вкладання інвестиційних ресурсів в матеріальні та нематеріальні об'єкти з метою отримання різних видів ефектів: економічного, екологічного, фінансового, соціального, бюджетного. Зазначено, що інвестиційна діяльність суттєво впливає на економічну безпеку як на макрорівні, так і на мікрорівні. Охарактеризовано найважливіші складові економічної безпеки та доведено, що гарантування інвестиційної безпеки країни при дотриманні інвестиційних обмежень може суттєво впливати як на макроекономічні показники країни, розвиток регіонів та суб'єктів господарювання. Досліджено вплив на Індекс інвестиційної привабливості України важливих подій таких як, Євромайдан (2014 р.), COVID-19 (2020–2021 рр.) та трагічна подія для українського народу – це повномасштабне вторгнення Росії (2022 р.) Зазначено основні проблеми, що знижують інвестиційну привабливість економіки України у 2018–2022 рр. Надано оцінку, яке представили генеральні директори, щодо стану інвестиційного середовища в Україні 2022 рік. Встановлено,

що ключовим питанням національної економічної політики є активізація інвестиційної діяльності, яка передбачає необхідне формування інвестиційної політики, що забезпечує максимальне використання національних ресурсів та залучення іноземних інвестицій. Досліджено інвестиційну діяльність як вагому складову у забезпеченні фінансово-економічної безпеки. Також розглянуто інвестиційну привабливість України у першій половині 2022 р. та чинники, які на це вплинули. Внесено пропозиції щодо підвищення інвестиційної привабливості економіки України.

Formulation of the problem

The economy of Ukraine has suffered considerable losses from the full-scale invasion of Russia. However, even in such conditions it is necessary to look for ways to improve the economy. Investments are the tool that will overcome the crisis because investments revive production at the macro and micro levels, contribute to stable economic growth. However, investment attractiveness is affected by various internal and external factors.

Analysis of recent research and publications

Investment processes are considered in the studies of such scientists as O.I. Baranovsky [1], M.O. Moroz [1], I.M. Boychik [2], A.O. Zadoya [3], L.M. Zakhrevska [4], A.O. Zainchkovsky [4], T.V. Kulinich [5], N.O. Krykhyivska [6], M.A. Mrychko [5], N.V. Pavlenko [7], G.M. Chernyshova [6], A.O. Shcherba [8].

Formulation of the objectives of the article

Analysis of the essence and nature of investment activity as an important functional component of financial and economic security and identification of ways to increase the investment attractiveness of Ukraine in order to guarantee financial and economic security.

Presentation of the main material

One of the important means of forming the production base is investment. The concept of «investment» comes from the Latin «invest», i. e. investment of funds. The term «investment» of the enterprise is mainly associated with quantitative and qualitative changes in production capacity. Without investment activity, the production process cannot function normally.

Economic growth is achieved through investment activity, since in this process the long-term strategic goals of various business entities are achieved.

According to the Law of Ukraine «On Investment Activity» (1991), investment is an investment of all types of property and intellectual property in economic entities and other types of activities with the aim of obtaining profit (income) and/or achieving social and environmental impact [9, Article 1].

Values may include [9, Article 1]:

- target bank deposits, funds, shares and other types of securities;
- movable and immovable property, especially buildings, various structures, equipment, and other types of material assets;
- intellectual property;
- technical, commercial and other knowledge, formalized in the form of documentation, skills and includes

production experience necessary for the organization of production, but not patented;

- the right to use land, water, resources, facilities, equipment and include other rights to property, values.

Investments are divided into different types, depending on the classification.

Now we can define what investment activity is. It is the actions of individuals, the state to implement investments, the main purpose of which is to make a profit.

Investment activity of enterprises is an activity aimed at capitalization of property objects, regulation of investment and international investment flows, formation and use of investment resources and creation of an appropriate investment environment [3, p. 6].

We think that investment activity can be defined as the process of investing investment resources in tangible and intangible objects in order to obtain various types of effects: economic, ecological, financial, social, budgetary.

In modern conditions, the successful development of industrial enterprises depends on the implementation of effective investment activity, which contributes to the introduction and development of the latest production technologies and increase competitiveness in the process of attracting various forms of capital, domestic and foreign investment.

It should be noted that investment activity significantly affects economic security both at the macro and micro levels.

The investment component of economic security is a set of social, legal and environmental conditions that determine the type and dynamics of reproduction processes to ensure the reliability of income and efficient use of investment funds. Investment security of the country should be understood as its ability to maintain the accumulation of production and capital investments at the pace necessary to ensure the expansion of economic reproduction, structural and technological restructuring [1].

The dominant place in the system of economic security is occupied by financial security, which affects absolutely all spheres of economic activity. Financial security is a complex system that consists of subsystems (budget, taxation, debt, financial security of the banking system, currency, monetary, investment, insurance, financial security of the stock market), each of which has its own structure and logic of development.

One of the most important components of economic security is investment security. Ensuring investment security of the country, while observing investment restrictions, can restore and preserve the intellectual and scientific and technical potential of the country; reproduce capital to a greater extent; maintain economic competitiveness; ensure GDP stability at the level of socio-economic development and international cooperation;

ensure sustainable growth; form strategic reserves; reduce or overcome depression in different parts of the country; preserve and restore natural resources; preserve the environment; and protect the environment [4].

It is believed that in developed countries the rate of gross investment to fixed capital varies from 30% to 40%, in countries characterized by medium and low rates of economic development – from 17% to 20%. The economy grows on average by 3% when, respectively, the share of gross investment in fixed capital in GDP is from 20% to 22% [7]. Therefore, to ensure sustainable economic growth, it is necessary to keep the share of gross investment at 25% and above.

Investment security refers to the process of ensuring that the investment environment is in a state where the economy can maintain and provide sufficient investment resources in the face of internal and external threats, which is necessary to ensure sustainable development. As well as the socio-economic stability of the country, the growth of competitiveness of the national economy and the welfare of people.

Analysis of Ukraine’s investment activity in 2018–2019 shows that despite the good growth of investment in Ukraine, the situation remains disappointing [10]. This is mainly due to the deterioration of the investment climate in the country due to the unstable political and economic situation. In addition, in 2022, the factors hindering the development of investment activity in Ukraine include: unstable legislation, lack of effective strategies for attracting investment, huge tax and administrative pressure on legal entities, unresolved issues of protecting investors’ property rights and Russian aggression.

Stable economic growth of the country directly depends on the improvement of the investment environment. This will directly contribute to the mechanism of attracting foreign capital. Its basis is the economic and organizational block, which is based on a sound strategy for attracting foreign investment, namely the system of tax incentives. The development of certain spheres of economic activity will ensure the improvement of the economic situation in Ukraine.

Therefore, investment activity requires immediate stimulating measures to accelerate the inflow of domestic and foreign capital into the Ukrainian economy, thereby contributing to the development of priority areas of the national economy.

Our country is not as attractive for investors as it has the potential due to unsatisfactory legal, judicial and tax systems. Because of this, we still lack huge investments that are useful for our economy from different parts of the world.

According to the European Business Association [11], the investment attractiveness index of Ukraine showed the

lowest value since 2013 (Fig.1). The semi-annual index decreased by half a point – to 2.17 from 5. During the active phase of the COVID-19 pandemic, the index fell to 2.4 points, and during the Euromaidan – to 1.8 points, which remains the lowest value for the entire period of the study (Fig. 1).

The main problems that reduce investment attractiveness include [12]:

- complexity and uncertainty of the political situation inside the country, which determines the unclear direction of Ukraine’s foreign policy;
- weak legislative system: lack of laws on the distribution of products to investment companies; low efficiency of antimonopoly regulation;
- inadequate taxation systems: complicated tax administration, technical obstacles in the VAT refund process, pressure from the authorities, corruption and regulation of business creation and operation;
- the judicial system is not transparent; low business culture of counterparties, distrust of business entities – problems with obtaining bank credit and loans;
- full-scale invasion of Russia into the territory of Ukraine.

Assessment of the investment climate is quite an important indicator. Fig. 2 shows the impact of the war in Ukraine on this indicator.

In general, the investment climate is unfavorable. However, it is necessary to apply various tools to increase the investment attractiveness of Ukraine, in particular to attract foreign investors.

Increasing the investment attractiveness of Ukraine should be one of our priorities. The problems that currently exist and need to be overcome and the ways to make Ukraine attractive for investment:

- huge tax burden; income tax rates (18%) and VAT rates (20%) in Ukraine are higher than in many European countries [12] – simplify tax administration systems;
- political stability and setting foreign policy priorities – with a clear focus on establishing a free trade area with the EU;
- adapt regulations and legislation to the European Union model [5];
- corruption of the authorities at all levels and non-transparent decision-making procedures by administrative bodies; extremely high level of shadow economy – the problems that throughout the existence of Ukraine impede the normal functioning of the economy, it is necessary to conduct more strict control and take effective measures, to create a law on the elimination of corruption;

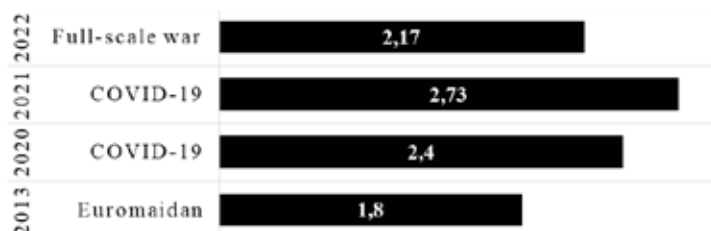


Fig. 1 – Ukraine’s investment attractiveness index during Euromaidan (2013), COVID-19 (2020–2021) and full-scale Russian invasion (2022) on a 5-point scale

Source: compiled by the authors based on [11]

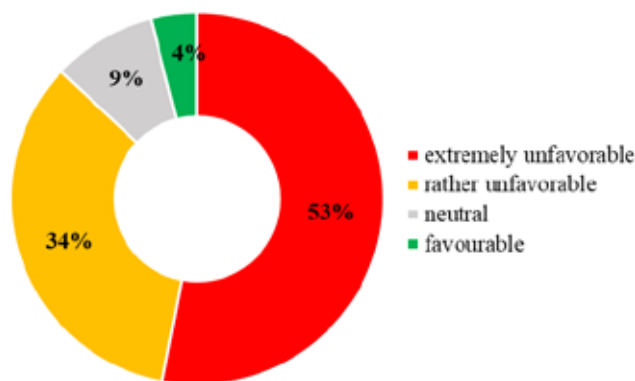


Fig. 2 – CEOs' assessment of the investment environment in Ukraine 2022

Source: compiled by the authors based on [11]

– lack of mechanisms for protecting market rights and freedoms of investors, low level of investor protection – to develop the stable functioning of investment security as a component of financial and economic security and to introduce economic mechanisms for insuring foreign investment risks [6];

- to win the war, which has actually been going on since 2014, because hostilities cause distrust and risk among investors, including foreign ones;
- to develop the stock market;
- provide enterprises with timely relevant information, such as macroeconomic indicators, investment ratings;
- create everything to ensure free competition.

Conclusions

Investments are an important component in ensuring financial and economic security. There are methods to increase the investment attractiveness of Ukraine, although

not all problems can be solved in the near future. The main thing is to choose the right course to gradually increase investment attractiveness and attract funds from both Ukrainian and foreign investors.

As of 2022, the investment attractiveness of Ukraine as a whole has suffered some blows, in particular due to the invasion of Russia, but after the victory it will be necessary to be able to attract investments and use them effectively.

Investments are the basis of economic development and financial and economic security, and this article shows that this is indeed the case: in order to ensure sustainable economic growth, it is necessary to keep the share of gross investment at 25% and above to fixed capital.

The development of industrial enterprises directly depends on how investments will be attracted, which directly contribute to the introduction and development of new modern production technologies and increase competitiveness.

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