

Фінанси банківська справа та страхування

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INVESTMENT CLIMATE IN UKRAINE: REALITY AND PERSPECTIVES

***Summary.** The limited economic resources of Ukraine raise the problem of the additional funding sources finding. One of these sources is domestic and foreign investment. In the article it is maintained that the investment environment is formed under the impact of political, legal, economic and social factors. The importance of each factor in a particular country is different, because it depends on the level of economic development, historical and national trends, a set of resources and so on. The state and trends in the investment sphere of Ukraine and the features of the investment attractiveness of Ukrainian economy in the global economic space are analysed in the article. The ways of investment activity increasing in Ukraine are considered. The significant role of a stable investment climate forming to ensure socio-economic development of Ukraine is grounded. The problems of a positive investment climate support are studied. The advantages of investing to Ukraine and the main reasons that restrain the investment development are detected. The main measures to improve the investment climate are proposed.*

***Key words:** investment, investment climate, foreign investments, investment appeal, the index of investment appeal.*

Introduction. Statement of the problem Socio-economic development of Ukraine directly depends on the creation of a favourable investment climate, because the investment is one of the most important elements of a market economy, the development basis of production, entrepreneurship and business. The heterogeneity of the investment environment in Ukraine is one of the features of the national economy. The high investment appeal is a key factor in increasing of the country's competitiveness, the ensuring of the high and stable economic growth. The problem of a stable investment climate forming, the expansion of state functions in ensuring of the investment flow into the Ukrainian economy and their rational use are extremely urgent and important. One of the key challenges that is facing the Ukrainian authorities is to increase the investment appeal of the country. Ukrainian economy has significant resource potential for the development of the investment climate. However, there are some obstacles that prevent to full use of the available investment potential. For Ukraine the investment is one of the most important means of the crisis ways out, the achievement of sustainable economic development, the quality indicators improving of economic activity on the micro and macro levels. Therefore, prospects consideration of the investment climate improving in Ukraine that based on mobilization and usage of the foreign investments is one of the most urgent tasks of economic science.

Analysis of recent research and publications. The subject matter of the a favourable investment climate creation, the investment potential realization are studied by such scientists: Zadnipyryanna T.S., Yevtushenko H.I., Livkivskyy T.A., Pavlenko O.V. and others [1; 2]. The issue of the foreign investments attraction into the economy of Ukraine is dedicated the researches of I. V. Blank, O. V. Varyanychenko, N. A. Navrotska, I. L. Sazonets [2; 6].

Unsolved aspects of the problem. Scientific research of the certain aspects of investment activity in Ukraine is limited with theoretical generalizations and definitions, but almost there is no practical experience.

Inadequate state of scientific problems researches in general, an urgent need to develop the practical recommendations concerning the investment enhance to the Ukrainian economy determine the actuality of the research topic.

Task formulation. The aim of the study is to analyze the characteristics of the investment attractiveness of Ukrainian economy in conditions of the global economic environment forming, the assessment of investment climate in Ukraine, the problems identifying and measures finding to ensure a favourable investment climate and competitiveness of the national economy.

Main material exposition. At the present stage Ukrainian economy is required a large volume of both domestic and foreign investment. According to calculations of the Ministry of Economic Development and Trade of Ukraine, many European companies want to invest in Ukraine, but they do not do it because of high risks. A great assistance would be the implementation of the EU governments' state guarantees for their businesses that invest in Ukraine [5]. Thus, the strategic goal of Ukrainian foreign policy is an active engagement into the international integration processes. However, the realization of this task requires the significant concentration of intellectual, material, financial and natural resources for the development of strategic technologies as key factors of competitiveness in the global community. Moreover, there are significant difficulties with the practical implementation of attractive investment climate in Ukraine. Trends analysis of the international financial markets and global priorities changes of the various sectors of the economy indicate the capital transfusion activation on a global scale. Under the circumstances, Ukrainian companies must take an active part in these processes, in spite of all this they should be capital recipients. It should be noted that there are many criteria that determine the investment attractiveness of the country. The main of them are the presence of educated personnel, inexpensive labor force, a large consumer market, and positive dynamics of economic growth. These criteria to a certain extent correspond to the domestic economy. However, despite the important role

of these positive trends, there is no guarantee that high growth will continue in the future and will ensure qualitative changes in all spheres of society life. Especially it should be taken into account the factor that economic recovery is in Ukraine against the backdrop of significant distortions in the institutional framework of the economy, the structural distortions in sectoral and regional development, acute social contradictions. There is a lot of information about the resource potential of Ukrainian economy. Considering the available benefits of investing in Ukraine:

- A high level of research and development in many fields of science and technology and the availability of significant scientific and technical potential.
- Human capital is a key competitive advantage of Ukrainian economy. Wage in Ukraine is much lower than in developed countries;
- Ukrainian market is rapidly growing;
- Good infrastructure. There are pipelines, transit terminals, railways and roads, electricity networks, ports.
- Favourable geographical location and direct border with the European Union.

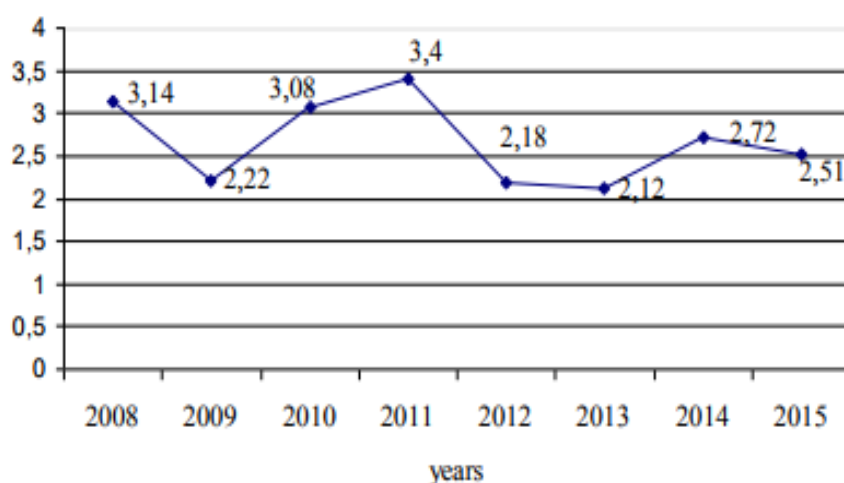


Fig. 1. Dynamics of investment attractiveness of Ukraine [4]

Ukrainian economy has always been attractive to foreign companies and investors. Expanding its activities, the investment into Ukrainian market promises the high profits, and respectively, imposes the certain risks. Investment attractiveness index is a rating of investment attractiveness of Ukraine that is conducted by the European Business Association and is based on regular monitoring of the business climate by the top officials of the Association member companies. As shown in Figure 1 the investment attractiveness of Ukraine in the first quarter of 2015 remained virtually unchanged in compared to 2012-2014 – 2.51 points out of five. The highest index of investment attractiveness of Ukraine was in 2011 – 3.4 points, then it is gradually decreased. The lowest value was recorded in 2013. Just foreign investments act a key role in the accumulation of money and their recommencement. This is contributed the uneven economic development, political situation in the country, geographical location, accumulation zones of productive forces, the infrastructure development, historical background, differentiation of different industries profitability in different parts of the world and the heterogeneous division of labour.

The next logical step in investment resources mobilization must be drastic measures to resolve the political situation, stabilization of the hryvnia rate against the major world currencies, the harmful effects of corruption reducing. In this situation, the decisive role belongs to the state policy relative to foreign investment. There is cooperation with foreign investors, capital mobilization, and control of the market condition, the regulation of economic, political and social activities. List of the main reasons hampering the development of investment activity in Ukraine and possible measures to improve the investment climate and increase investment attractiveness of Ukraine are shown in Table 1.

Table 1

Analysis of the causes of the investment control and measures to improve the investment climate in Ukraine

Causes	Measures
Political, legislative and economic instability in Ukraine.	Making a radical revolution in human psychology, instilling in them the tradition to earn, to consume, to save and to invest.
Presence of corruption, raiding in the enterprises and bureaucracy in state bodies of Ukraine; the hidden unemployment.	The introduction of "hard" budget constraints; creating of the transparent competitive environment.
The inability of a government to fulfil its responsibility concerning the social protection.	The implementation of the pension reform and to promote the establishment of the private pension funds institute.
The lack of clear safeguards for foreign investors from unscrupulous debtors and partners, the lack of confidence in further cooperation at the economic changes in the legislation time or in times of crisis.	Threshold limit of the shadow economy, legalization of shadow capital and the mass consciousness formation of positive perception of this step will provide a huge inflow of investment resources into the economy.
The lack of a unified strategy and plans for investment promotion.	State support for the establishment of mechanisms to raise funds of population into the investment circulation;
	The use of the marketing and PR-strategies to involve the foreign investment by state authorities;
	Preparation of appropriate information packages to the potential investors;
	Preparing for companies a new type of management - with market thinking
The lack of effective bankruptcy procedures, protection of owners' rights.	The investment efficiency improving due to the market environment transparency and work of enterprises (it should be taken the official acts which severely stipulate the need of information publication about investment activity of enterprises, and accounting system improvement).
High rates of duty, misunderstanding in the determining of the customs value of goods and other customs barriers.	Creating of the equal competitive conditions for domestic and foreign investors.

The language and geographical barriers are increasingly losing their relevance, before potential economic and social benefits. Some sectors of the economy just dramatically need funding in the form of investments (especially in the fields where fixed assets are worn out). Even the small financial resources may be the result of significant economic and social benefits.

Conclusions and recommendations for further researches. Ukraine could potentially be one of the leading countries in the foreign investment mobilization. This is contributed with its vast natural resource potential, favorable economic and geographical location, the availability of skilled labor force, a significant domestic market, place in the world geopolitical policy of the leading world countries etc. Thus, foreign investments contribute to the economic growth of the receiving economy and its integration into the global economy through the transfer of production capacity, transfer of technology, capital, management experience, skills and innovation. Though today investors begin to look more closely to Ukrainian companies, but on the one hand, this is a great perspective on the other is too big risks.

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