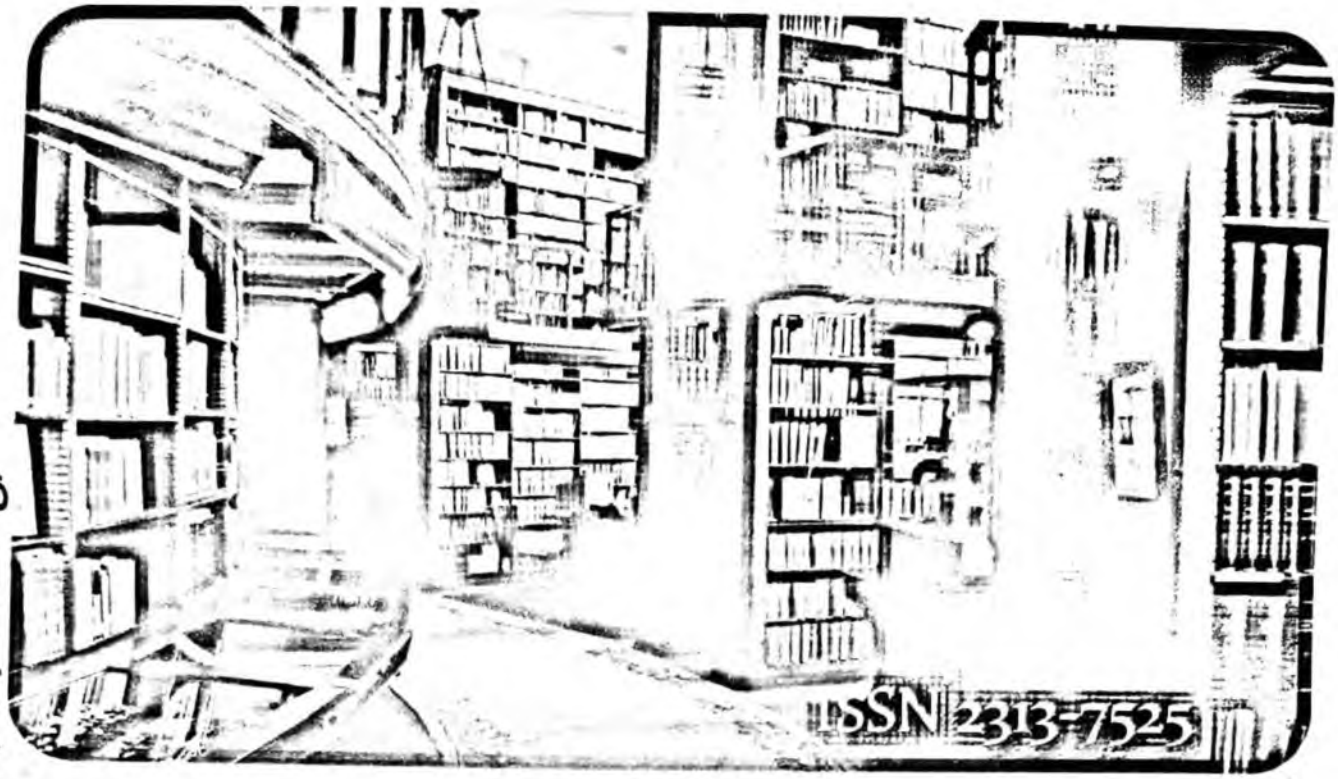

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Fundamental and applied researches

in practice of leading scientific schools

Volume 31, Number 1, 2019

Scientific Journal

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Fundamental and applied researches in practice of leading scientific schools

journal homepage: http://farplss.org

ISSN 2313-7525

Fundi Appl Researches

Diversification of investment activity's financial sources in Ukraine

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Article info

Accepted 28.02.2019

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Verheliuk, Y. (2019). Diversification of investment activity's financial sources in Ukraine. *Fundamental and applied researches in practice of leading scientific schools, 31 (1), 250-253.*

The article is devoted to the assessment of financing sources of investment activity in Ukraine from the point of view of their diversification. The emphasis is placed on the importance of financial provision of investment activity. In the context of external and internal sources of financing, the components have been evaluated, namely: self-financing, budget financing, bank lending, financing from foreign investments.

In the course of the analysis it was revealed that self-financing dominates in the structure of financing sources of investment activity in Ukraine. The share of other financing sources is rather insignificant, which testifies to their inaccessibility for economic entities. In the course of assessing the dynamics of participation of foreign capital in financing investment activity in Ukraine, a slight increase in the analyzed period was detected, as well as a decrease in the indicator in 2017 due to the influence of a number of negative factors. Foreign investments are mainly directed to export industries or branches with a short production cycle, and a significant proportion of them are made using the technology of "round tripping", which is a negative trend. It was concluded that the uneven participation of funding sources and the concentration of self-financing of investment activity shows low possibilities of diversification of financing. To a greater degree, such a situation with the financing of investment activity is a reflection of the state and opportunities of the economy.

Keywords: diversification; sources of financing; financial resources; investment activity; foreign investment.

Introduction

The material basis for the implementation of investment activity is the financial resources that form the investment capital. The structure and composition of investment capital within a country depends on its level of development, investment climate and investment attractiveness. It is fair to say that investment activity in the country is an indicator of its development and competitiveness. Given the low activity of investment activity, the passive participation of private entities, the state and foreign investors in financing investment activity in Ukraine, it can be argued that there are a number of restraining factors: political instability, the level of protection of investor's rights, and lack of effective incentives. At the same time, the development and financing of investment activity in Ukraine is taking place in an unfavorable macroeconomic environment. That is why diversification of sources of financing of investment activity is an actual and simultaneously complex direction of research, the achievements of which contribute to qualitative diversification of sources of funding and their quantitative increase.

Theoretical foundations of research

Many works of foreign and domestic scientists are devoted to the study of sources of financing of investment activities in Ukraine, among them: Alpatskaya Ye.G., Varnalij S.S., Woodwood V.V., Vlasyuk O. S., Ivakhnenko I.S., Majorova T V., Marusyak N. L., Onyshko SV, Sukhorukov A. I., Sysoev E.F., Trofimov M. N., Shalimov D. A., Kharazishvili J. M. However, given the presence negative tendencies in the financial provision of investment processes in Ukraine, this trend requires constant study and substantiation.

Goal of article

is to assess the current trends of diversification of sources of financing of investment activity in Ukraine.

Results & Discussions

The key role of investment lies in the fact that they create an economic base for solving socio-economic problems, therefore, there is a need for rational management of the investment sphere, which will allow to

concentrate investment resources in its territory to improve the business climate. In this regard, the financing of investments as an essential element of the investment process becomes of particular relevance and significance (Chernjaeva, 2015).

Only the availability of free financial resources makes it possible to implement investment activity, since without its financial potential, its transformation into investment capital is impossible. The effectiveness of investment activity depends on the chosen policy of financial security. Of course, the most optimal and easiest way to financially support investment activity is self-financing, however, often in conditions of financial instability, businesses face the problem of a lack of financial resources. The lack of financial resources often affects not only investment activities. Long-term investment in investment activity is often inaccessible. Access to other sources of funding illustrates the level of capital market development in the country. The study of the theoretical fundamentals of investment activity financing is an important element in the development and selection of an optimal financial security policy.

The opinions of domestic scientists are good: «In recent years, the problem of the lack of financial resources for the renewal of production, the construction of new production facilities and facilities, the development of new types of products that will be competitive in the domestic and world markets is characteristic for enterprises. To solve this problem, enterprises are constantly looking for sources of financing their activities. One of the solutions is the search for investors, both domestic and foreign»
(Vudvud, Dzhurovets', 2018).

If we analyze the dynamics of financing of capital investments in Ukraine in 2014-2017. (Table 1), the unevenness of the participation of various sources in financial security is clearly observed. Among the main sources of financing of investments are: state budget funds, local budget funds, bank loans, self-financing, households' funds for housing construction, as well as funds from foreign investors. In Ukraine, traditionally the most important source of financial provision of investment are the funds of the enterprises themselves, who the saurise profits in their own or other activities. Such a share of self-financing indicates that economic entities are not able to consume or redistribute the results of their activities, but instead reinvest them in business development. This is due to the lack of access to other sources of funding.

Table 1

Dynamics of financing of capital investments by sources of financing in Ukraine in 2014-2017.

Source of funding / years	2014 year	2015 year	2016 year	2017 year
The funds of the state budget, mln. UAH	2738,7	6919,5	9264,1	15295,2
Funds of local budgets, mln. UAH	5918,2	14260,0	26817,1	41565,5
Own funds of enterprises and organizations, mln. UAH	154629,5	184351,3	248769,4	310061,7
Loans to banks and other loans, mln. UAH	21739,3	20740,1	27106,0	29588,9
Funds of foreign investors, mln. UAH	5639,8	8185,4	9831,4	6206,4
Population funds for housing construction, mln. UAH	22064,2	31985,4	29932,6	32802,5
Other sources of financing, mln. UAH	6690,2	6674,7	7495,5	12941,3
Total, mln. UAH	219419,9	273116,4	359216,1	448461,5

Source: sample from [3].

The share of budget financing of investment activity in Ukraine shows an increase: if in 2015 it was 7.8% then in 2017 it increased to 12.7%. Looking at the structure of budget financing, it can be noted that the growth of this share occurred at the expense of financing from local budgets, while the share of financing of investments from the state budget remains negligible. Ukraine is actively developing public-private partnership in financing investment activities. It can be assumed that an increase in the share of budget financing of investment activity took place precisely in this regard. According to the data of central and local executive authorities in Ukraine as of January 1, 2016, 177 projects are implemented on the basis of public-private partnership (2018).

As we see, the share of own financing of investments is at the level of 70%, although there is a slight tendency to decrease it, which to a greater degree does not testify to equalization or improvement of the situation, but only shows the gap between the growth rates of the share of self-financing and total investment volume. If we consider this source of financial support for investment activity from the position of the entity itself, then, according to many scholars, this way of funding is optimal. The biggest advantage for the firm when using its own sources of financing is the value of this financial instrument, because at the current cost of credit resources, their use of the company is very costly.

Some domestic scientists, in particular P. M. Garassim and N. A. Loboda studying the logistics of sources of financing for investment processes, emphasize that: «Financing at the expense of our own financial resources is the most expensive method of engagement. Since it is formed due to the redistribution of profit from the activities of such an enterprise and does not provide scientific and technological component (for the country this means the closed nature of economic reproduction). Foreign entrepreneurs are more profitable for the subject of entrepreneurial activity, which is theoretically unlimited than domestic ones, which is why domestic enterprises today use more expensive sources of investment without access to external sources of financing on acceptable terms. This type of financing was due to the fact that budget financing is decreasing and access to such investment resources as loans is complicated»
(Harasym, Loboda, 2018, p.22).

Funds from financial institutions and banks are a rather expensive source of investment, but have a stable return character. There is a significant reduction in the share of capital investment at the expense of borrowed funds. If in 2014 the share of bank lending was 9.9%, then in 2017 the indicator decreased to 6.6%, which can be classified as a very negative phenomenon, as it testifies to the inaccessibility of bank lending services for business entities, as well as high risks, accompanying this process.

The degree of realization of the possibilities of credit potential is manifested in the results of the investment-innovation process at different levels of the national economy, including enterprises (Prosvirina, 2007). Investment-credit resources of the economic system (macro-, meso- and micro-levels) are limited qualitatively and quantitatively but can be used differently. In this regard, at the practical level, the task of managing credit potential is updated.

Researchers consider foreign investment as the most qualitative and promising source of investment for an organization or enterprise (usually provided that these investments do not originate from offshore zones or are the result of fraud in order to avoid taxation or laundering of "dirty" funds), but in conditions of economic instability they, in fact, is one of the unstable sources of financing investment activity (Harasym, Loboda, 2018).

In recent years there has been no significant increase in foreign capital as a source of financing for capital investment. investment in the economy. As we see, there is an annual increase in the volume of investments in foreign capital. However, such an increase can hardly be considered significant, especially since in 2017 the absolute volume of foreign sources of capital investment actually decreased by the amount raised in the previous 2 years. The decrease in 2017 was 37%.

By playing a key role in stabilizing the social and economic situation in the country, foreign capital is concentrated mainly in export industries, that is, where it is possible to quickly and earn a lot. Foreign investors are investing not in the industries that most need financial support, but are extremely advantageous to their enterprise. The placement of capital abroad is justified by the opportunity to receive several times more profit than at home. Such results can be guaranteed only by cheap raw materials, preferential tax regime and low paid labor force. This situation significantly reduces the competitiveness of domestic goods, impedes the sustainable development of their own enterprises (Anisimova, 2014).

«Western capital is mainly concentrated in the food and tobacco industry, trade, finance, and energy. That is, in sectors with a rapid turnover of capital and the provision of markets. These investors are still considering their investments in Ukraine mainly as an opportunity to ensure the marketing of products without customs and protectionist restrictions. Firstly, due to numerous privatization scandals and revisions of auction results. Secondly because of the closedness of the process itself» (2017, p. 76) - observes the national scientist Gribinenko O. M.

A negative phenomenon that determines the tendencies of external financing of investment activity in Ukraine is considered to be the withdrawal by residents of assets outside of our country, and then their returns in the form of direct foreign investments. Specialists of the NBU define such a movement of capital as a round tripping. The term "round tripping" means the process of sending residents abroad funds, which then return to the country in the form of direct foreign investment. The volumes of foreign direct investment, which are realized using this technology of capital movements, amount to 7.9 billion dollars. The United States, which is 22% of the total inflows of foreign direct investment in Ukraine over this period ($ 35.9 billion) (Sysoeva, Vetohin, 2008). The share of such investment is relatively significant, creating an illusion of the attractiveness of the domestic economy for highly developed investor countries. Given the lack of official round trip trip statistics, these figures can be considered understated (due to lack of official reliable information), the share of such funding is very significant.

If we analyze the origin of foreign investment, we note that the main investor countries include Cyprus - 25.6%, the Netherlands - 16.1%, the Russian Federation - 11.7%, the United Kingdom - 5.5%, Germany - 4, 6%, Virgin Islands (GB) - 4.1%, and Switzerland - 3.9%. Cyprus (about half of the total volume of such investments), the Netherlands, Switzerland and Austria were the main countries that invested in round tripping.

Thus, in the process of selecting sources of investment activity, the following factors need to be taken into account (Sysoeva, Vetohin, 2008):

- availability of necessary financial resources on the market;
- the cost of attracting funding sources;
- terms and conditions of engagement;
- provision necessary for raising funds;
- terms of organization and receipt of financing;
- the question of controlling the activities of the enterprise.

However, given the extremely low level of diversification of investment financing sources due to the low level of access to individual sources, these factors cannot be considered as feasible. After all, the level of concentration of self-financing is 80%, which indicates the inaccessibility of external sources.

Conclusion

Consequently, the assessment of the diversification of sources of financing of investment activity in Ukraine was carried out in the context of internal and external sources. The internal sources of financing are analyzed, which include all sources coming from within the same country. It was possible to reach the following conclusions: self-financing of investment activity in the analyzed period takes about 80% of the total financing. This means that borrowed and attracted sources for investment actors are inaccessible. Among other sources, the state financing of investment activity was investigated. The main mechanism for its implementation was the introduction of joint investment financing projects. It is proved that access of investors to sources of financing is a reflection of the state of the economy.

The attractiveness of the economy for foreign investors reflects its level of development and efficiency, therefore special attention is paid to external sources of financing of investment activity in Ukraine. On the basis of the analysis, it was found that the share of foreign investors in the structure of capital investments is decreasing, which is a negative trend and evidence of a decrease in the investment attractiveness of the national economy. It was found that among the countries that actively invest in the Ukrainian economy a large share belongs to investments, which were carried out using the technology of external reinvestment round tripping. The share of such investment is relatively significant, which creates the illusion of the attractiveness of the domestic economy for highly developed investor countries. In general, the analysis made it possible to assess the sources of financial support for investment activity and allows us to ascertain their low level of diversification and imbalance, and deficits.

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Scientific journal

FUNDAMENTAL AND APPLIED RESEARCHES IN PRACTICE OF LEADING SCIENTIFIC SCHOOLS

Volume 31, Number 1, 2019

DOI prefix: 10.33531

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ISSN 2313-7525

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Co-Publisher
Accent Graphics Communications
1807-150 Charlton st.East,
Hamilton, Ontario,
L8N 3Y3
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February, 2019

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