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## THE COMPREHENSIVE APPROACH TO THE IMPLEMENTATION OF MODERN MECHANISMS OF STATE REGULATION OF ATTRACTING FOREIGN INVESTMENTS

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When forming the main directions of public investment, preference should be given to investments in the industry, which play a leading role in ensuring economic development. At the same time, it is advisable to give preference to investment projects that have a mixed financing system. Accordingly, the use of the state share of investments acts as a guarantee of their target orientation with the possibility of further privatization.

In the article defines that investment is a mechanism of state enrichment, which allows not only to increase the level of economic development, but also to create appropriate conditions for the development of innovation. Its effectiveness is due to systematic and comprehensive approaches to the management of relevant processes, as well as scientifically sound definition of the purpose and objectives of state regulation. Appropriate mechanisms of state regulation of investment activity serve to ensure coordination of investments in accordance with the state strategic goals and development priorities of the state. It is they who determine the features of individual territorial units and the capabilities of their business entities, which at the expense of their own profits form investment resources and direct them to their own production.

Mechanisms of state regulation of investment activities play the role of an appropriate system of regulatory, organizational, legal, monetary, state and economic measures to achieve the established economic, organizational, social, economic, financial and other results. Forms of their implementation include the formation of favorable economic conditions; direct and indirect participation of public authorities in investments; protection of the rights and interests of investment entities and examination of investment projects.

*Keywords: foreign investment, investment process, activity, financial assistance, complex mechanism*

## КОМПЛЕКСНИЙ ПІДХІД ДО ВПРОВАДЖЕННЯ СУЧАСНИХ МЕХАНІЗМІВ ДЕРЖАВНОГО РЕГУЛЮВАННЯ ЗАЛУЧЕННЯ ІНОЗЕМНИХ ІНВЕСТИЦІЙ

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Під час формування основних напрямів державного інвестування варто надати перевагу інвестиціям у галузі, які відіграють провідну роль у забезпеченні розвитку економіки. При цьому доцільно надавати переваги інвестиційним проектам, що мають змішану систему фінансування. Відповідно, використання державної частки інвестицій виступає у вигляді гарантії їх цільової спрямованості з можливістю подальшої приватизації.

В статті визначено, що інвестиції є механізмом збагачення держави, який дозволяє не тільки підвищити рівень економічного розвитку, але й сформувати належні умови для розвитку інновацій. Його ефективність зумовлена системним і комплексним підходами до управління відповідними процесами, а також науково обґрунтованим визначенням мети та цілей державного регулювання. Для забезпечення координації інвестицій відповідно до державних стратегічних цілей та пріоритетів розвитку держави слугують відповідні механізми державного регулювання інвестиційної діяльності. Саме вони визначають особливості окремих територіальних одиниць та можливості їхніх суб'єктів господарювання, які за рахунок власних прибутків утворюють інвестиційні ресурси та спрямовують їх на власне виробництво.

Механізми державного регулювання інвестиційної діяльності відіграють роль відповідної системи регуляторних, організаційно-правових, грошово-кредитних, державних та економічних заходів з метою досягнення встановлених економічних, організаційних, соціальних, господарських, фінансових та інших результатів. Форми їх реалізації охоплюють формування сприятливих економічних умов; пряму та непряму участь органів державної влади у капіталовкладеннях; захист прав та інтересів суб'єктів інвестиційної діяльності та проведення експертиз інвестиційних проектів.

*Ключові слова:* іноземні інвестиції, інвестиційний процес, діяльність, фінансова допомога, комплексний механізм

**Problem statement in general and its connection with important scientific and practical tasks.** In the context of public reform and the formation of public administration in Ukraine, the issues of updating approaches to state regulation of investment activities, improving mechanisms for attracting foreign investment, reviewing relevant public policy in the context of accelerating the growth of investment attractiveness of the country. Quite difficult external and internal political, social and economic circumstances, caused by the next wave of the global economic crisis and hostilities in eastern Ukraine, create new challenges for market transformation processes. Given the existing economic risks, Ukraine seeks to create an attractive investment climate in the country as an indicator of the state of the national economy.

At the same time, an effective role in intensifying the development of administrative-territorial units should be played by an effective investment policy of the state, as investments are the basis for stable and effective economic progress, which allows reducing the gap with neighboring countries. However, at present, the activity of state regulation in the field of attracting foreign investment does not play a proper role in the process of ensuring the transformation of economic processes. The reasons for this situation lie in the imperfection of the system of state regulation of attracting foreign investment, which often does not take into account the realities of today. These realities determine the satisfaction of the needs of potential investors in further liberalization of the country's stock market, the introduction of electronic services and constant dialogue between the government and business, reducing the level of corruption in the investment process and more.

**Overview of recent research and publications.** Problems of state regulation of foreign investment are studied in the scientific works of such foreign and Ukrainian scientists as V. Babayev, I. Berezhna, I. Blank, B. Danylyshyn, O. Datsy, J. Duning, M. Kramer, M. Latinin, A. Merzlyak, M. Potter, O. Rudenko, D. Sachs, G. Fedorov, P. Hennon, S. Chimer, M. Chumachenko and others. Despite numerous scientific achievements, the issues of state regulation of investment activities in the context of decentralization of power require more detailed research in the context of the transfer of these powers to the regional and local levels.

**Objectives of the article.** It consists in defining and theoretically substantiating the ways to improve the system of state regulation of attracting foreign investment in the context of decentralization.

**Research results.** According to researchers [1], the formation of a single methodological tool in Ukraine to create an investment cycle and organize its effective implementation has state, legal, scientific and practical prerequisites; it should be implemented on the basis of system design, hierarchy theory, investment management and construction. As you know, the scientific prerequisites for the formation of the method are manifested in the development of diagnostic, system research, organizational, technological and analytical methods and models of the investment process at different stages of the investment cycle. The practical validity of the method implies its readiness for comprehensive analysis at the stage of project selection and guaranteeing the necessary conditions for its implementation by the investor.

Along with practical and research needs, all macroeconomic characteristics of development should be taken into account

Factors that slow down the development of the investment process, experts [2] include, rather, very limited reserves of domestic sources of financial support for a large number of organizations and enterprises and fears of foreign investors about investing in Ukraine's economy. The latter is still the case today, as the system of tax influence on producers' remains inefficient in Ukraine, and the low level of depreciation policy leads to falling profits and

depreciation as the main source of personal investment resources of relevant enterprises and organizations. In addition, the growth of investments in the banking system and the domestic economy is not adequately ensured and the organizational and economic mechanism of the stock market remains imperfect. Due to the low level of profitability, economic entities are not motivated to accumulate resource potential in the direction of investing in science, technology and production. To improve this situation in the investment sphere in Ukraine, state regulation of the investment process has recently been carried out and a favorable legal framework for attracting foreign investment has been created, but such actions have not led to significant changes in this direction.

When forming the main directions of public investment, preference should be given to investments in the industry, which play a leading role in ensuring economic development. At the same time, it is advisable to give preference to investment projects that have a mixed financing system.

Accordingly, the use of the state share of investments acts as a guarantee of their target orientation with the possibility of further privatization. In Ukraine provides for the development of new regulations that will regulate:

- transformation of organization, evaluation and selection on a competitive basis of investment projects involving budget resources;
- depreciation policy to overcome the inefficient practice of depreciation, which does not adequately meet all investment needs of organizations in construction materials and increases the tax;
- regulation of the investment share of budget financing, directed to capital construction.

At the same time, the following key aspects of improving the regulatory and legal support for attracting foreign investment should be identified: guaranteed use of profits and other financial resources received as a result of investment activities, additional preferential provision to encourage foreign investors to invest in priority areas, guaranteed provision of compensation in case of violation of the rights of foreign investors, in case of legislative changes or urgent cessation of investment activity, a clear definition of the territories in which the activities of foreign investors are restricted or prohibited.

In addition, when creating favorable conditions for foreign investors should be guided by the main criterion, which is the return on investment. After all, it is the rapid payback, high level of liquidity of the project, rate of return and long-term operation of the project for the investor should demonstrate the level of profitability and reliability of investment in an investment project in a particular sector.

Proved that "in order to solve social and economic problems, Ukraine needs to receive foreign investments worth almost 40 billion conventional units". However, in the conditions of modern Ukraine, these investments will not be enough for the "resuscitation" of the mining sector, light and heavy industry, agricultural sector, etc., which are gradually losing markets.

The list of international organizations that provide financial assistance to our country is quite diverse, and therefore, primarily, determines the investment protection against non-commercial risks. At the same time, the main condition for partial investment is a constant and stable set of appropriate rules that allow a potential investor confidence in their effectiveness. It also indicates the urgency of systematization of the Ukrainian regulatory investment sector and systematization of the process of state regulation of investment activities.

Under such conditions, comprehensive measures aimed at creating general and specific conditions for the development of market relations in the country, aimed at solving problematic issues of state regulation of investment activities in Ukraine, may be timely. These include simplification of tax legislation, tax incentives for production, preferential taxation of investors of long-term investment projects to compensate for the costs of slow capital turnover,

mobilization of free resources of enterprises and the public by increasing interest rates on contributions and deposits, formation of the bankruptcy mechanism at the legislative level, inhibition of inflation, stabilization of the socio-political situation, etc. It is characteristic that the listed mechanisms of development of the industry cause limited association of national resources with foreign capital, substantiation of investment areas, conducting an annual expert analysis of the need for foreign investment, establishing the potential attractiveness of the domestic market for foreign investors, etc. Accordingly, the effectiveness of such a comprehensive mechanism for attracting foreign investment is due to certain factors (prerequisites).

It should be noted that the Ukrainian practice of applying standard investment approaches shows a small influence of foreign capital on the level of efficiency of the industrial complex of the state; on its structural restructuring, technical restoration of production and development of modern technologies. Thus, only a modern comprehensive mechanism for attracting foreign investment can balance the rates of return, guarantees and incentives to attract foreign investment in the development and privatization of expertise, as well as the level of risk. Such a mechanism should provide the necessary result of investment and make a significant contribution to economic development, implementation of new methods, approaches and management technologies.

In this context, we can identify priority areas of the investment process that can ensure high efficiency: involvement of foreign colleagues in the implementation of investment projects related to the use of industrial and innovative potential, restriction of investment areas and implementation of projects taking into account the current innovation potential, formation of modern organizational forms of introduction of industrial and financial capital, involvement of private and public resources in the investment process, formation and implementation of investment programs at the regional level. At the same time, it is important that foreign loans under state guarantees be used mainly to finance those investment projects that provide a high level of expertise in those industries where relatively short payback periods of productive investment.

It is essential that a comprehensive mechanism attracting foreign investment be aimed primarily at creating a favorable investment climate and increasing the level of investment activity. It is based on the economic and organizational unit, based on the strategy of attracting foreign investment, determining the priority areas of foreign investment, the system of tax benefits, increasing opportunities for foreign investment in the formation and privatization of joint ventures. At the same time, it seems expedient to introduce a differentiated system of preferential taxation, which takes into account the duration and volume of foreign investment activity as key criteria for its effectiveness. Discounts of up to 50% of the income tax established at the legislative level are deserved by enterprises and organizations with foreign investment, which carry out their activities in priority areas.

The formation and effective operation of a comprehensive mechanism for attracting foreign investment at the national level involves the following measures:

- generalization and adaptation to the Ukrainian realities of foreign experience in attracting foreign investment in the development of the state economy; shortcomings in the main areas of attracting foreign resources;
- structural and functional justification of a comprehensive mechanism for attracting investment;
- forecasting the volume of foreign investment in key areas of application.

Introduction of a comprehensive mechanism for attracting foreign investment at the regional level, in addition to the formation of a favorable climate for innovation, involves the formation of technology centers or industrial technology parks.

According to researchers, “the industrial and technological park is a concentration of small innovative business incubators and enterprises with preferential operating conditions. The main purpose of the industrial and technological park is the formation and implementation of innovative ideas, the formation of a mechanism for the introduction of innovations in production, the formation of a research center. The industrial and technological park can be formed on the basis of university or research centers” [4].

Adaptation to the conditions of Ukraine of world experience in the development of modern technologies leads to the formation of cluster associations that allow using all the advantages of key industries to accelerate economic growth rates and form all the necessary conditions for the production and sale of competitive products. The implementation of this approach involves the following regional measures:

- formation of a regional (oblast) investment fund to support investment initiatives;
- introduction of a mechanism for providing grant financial assistance (from the resources of the regional investment fund) to stimulate investors and create jobs in administrative-territorial units with high unemployment rates;
- development of mutual investment institutions in the context of expanded participation in financing the innovation activities of venture funds;
- introduction of a mechanism for providing financial (from the resources of the regional investment fund) and advisory assistance on innovation centers, technology parks and investment business incubators;
- improvement of the procedure for registration of foreign investments;
- formation of an insurance system with access to international insurance markets and attraction of powerful insurance companies to regional markets for insurance of investment risks of various nature;
- providing training and retraining of professional staff in the investment sphere;
- establishing cooperation of local authorities with the media in order to form a favorable investment image of the state and its territories, their investment prospects and economic potential. All this should be considered in the context of establishing strategic guidelines (directions) of the relevant administrative-territorial unit in order to increase its investment attractiveness: ensuring economic security of the relevant territorial unit (in particular, preventing foreign investment entities from direct management of competitive industries and protection domestic producers); risk minimization (in particular, support of enterprises by local authorities, financial and tax authorities and withdrawal of part of the profits from the shadow sector); achieving leadership positions in the markets, which contributes to the rapid return on investment through increased sales of products, works and services; distribution of available resources between sectors of the economy that have the ability to ensure a sufficient level of profitability for local businesses (in particular, through demand for products and labor); maximizing the efficiency of foreign capital revenues in the context of revenues to the local budget and the creation of new jobs; maximizing the use of labor and financial resources in directing them to the development of industrial enterprises and relevant investment goals (in particular, through the development of financial institutions; reducing migration; financing of investment activities; improvement of production capacity, etc.); increasing economic potential (in particular, through the formation of new enterprises, improvement); raising the level of qualification of employees, increasing the population with higher education, reducing the rate of migration; stimulating the investor's interest in investing in the territory of the relevant administrative-territorial unit (in particular, simplification of the issuance of relevant permits and discounts on the use of relevant energy resources).

Thus, the introduction of a comprehensive mechanism for attracting foreign investment is a timely solution to the problems associated with the low level of investment in the banking system and the domestic economy; imperfection of the organizational and economic



mechanism of the stock market; low level of return on investment in science, technology and production; low level of motivation of potential investors by the state and local authorities, etc. Its effective functioning at the national level involves a number of measures aimed at adapting to the Ukrainian realities of foreign experience in various systems of attracting foreign investment in the development of the state economy; study of advantages and disadvantages in the main areas of attracting foreign resources; forecasting the volume of foreign investment in key areas of application.

Accordingly, the regional level determines the implementation of measures aimed at forming a regional (regional) investment fund; introduction of a mechanism for providing grant financial assistance; improvement of procedures for registration of foreign investments; formation of an insurance system with access to international insurance markets; providing training and retraining of professional staff in the investment sphere; cooperation of local authorities with the media to promote the investment prospects and economic potential of the territory.

**Conclusions.** Investment is a mechanism of state enrichment, which allows not only to increase the level of economic development, but also to create appropriate conditions for the development of innovation. Its effectiveness is due to systematic and comprehensive approaches to the management of relevant processes, as well as scientifically sound definition of the purpose and objectives of state regulation. Appropriate mechanisms of state regulation of investment activity serve to ensure coordination of investments in accordance with the state strategic goals and priorities of state development. It is they who determine the features of individual territorial units and the capabilities of their business entities, which at the expense of their own profits form investment resources and direct them to their own production. Mechanisms of state regulation of investment activities play the role of an appropriate system of regulatory, organizational, legal, monetary, state and economic measures to achieve the established economic, organizational, social, economic, financial and other results. Forms of their implementation include the formation of favorable economic conditions; direct and indirect participation of public authorities in investments; protection of the rights and interests of investment entities and examination of investment projects. At the same time, the protection of investment capital provides an increase in investment and improves the general economic situation in the country, which encourages public authorities to form effective mechanisms for modernizing economic, informational and regulatory support of investment activities in the context of territorial orientation.

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