

ECONOMIC SECURITY OF UKRAINE AND ENTITIES

UDC 336.63 (477)
JEL R11, R58, O16, F52

DOI 10.26906/eip.2018.4(71).1348

REGIONAL ASPECT OF INVESTMENT SECURITY OF UKRAINE

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Стаття отримана редакцією 26.10.2018 р.

Introduction. In strengthening of economical safety of the state as a whole specific role is played by condition of business activity of managing subjects, reflects the level of investment safety of the state. Investment safety of the state is dynamic category, in constant movement and modified under action of huge amount of factors affecting hierarchical levels various of it. Research of investment safety on the basis of integrated approach testifies of growth of the role of the level of investment safety on various hierarchical levels, in which regional level plays a significant role, as, on the one hand, he is the projection of common macro-condition of national economy and generalization development of the micro-level and the nanolevel of national economy. Non-uniformity in development of the regions of Ukraine which it is not possible to remove so far, it is that negative phenomenon which can be transformed to strong long-term direct threats for safety.

The review of the last sources of researches and publications. Territorial disparity development of regions from the position of economical safety they are covered in works by P. P. Bibasts, T. Vasylytseva, B. Danilishin, M. Dolishnii, S. Zlupko, T. Klebanov, S. Romaniuk and others. The main accent in these researches is done to negative influence presence of disproportions to condition of regional economy and the mechanisms of general government for their adjustment.

Unsolved part of the common problem. Giving up due to the operating time scientists in this direction should be noticed that problem of disparity in investment development of the region as threat of investment safety of the state is not enough covered.

Task statement. Article purpose is revealing of threats of investment safety of Ukraine on the part of regions' development disparity.

The main material and results. The task of investment safety on the level of the state and on regional level are interconnected: from supplying of high rates of accumulation of the capital to engagement of direct foreign investments. On territorial sign to socio economic situation of regions which year contract influences a series of powerful external and internal factors of disturbing and discouraging nature: external aggression, negative dynamics of economical ratings, slow steps in the direction of the exit to EU markets. Besides it low development ratings and negative dynamics of some of them is caused as well by strengthening of unattractiveness of investment climate and withdrawal of foreign investments. In recent years in Ukraine differentiation of regions on the level of socio-economic development grows, amount is increased among them of problem and depressive [1].

Increasing of investment safety of the region depends both from degree of state support, development of state programs of regional socio-economic development, and from opportunity of deployment of

investment potential on the appropriate territory by the society, that is, direct subjects of investment activities through their participation, in particular, in national investment projects.

It is a question of process of reforming of the system of public authority, of its decentralization. The main idea of the reform which takes place is differentiation of authorities between institutions of local government and executive authority and between the institutions of local government of different levels for transfer of the most important authorities to the level nearest to the people. Authority in this situation is the central factor of general government on the places which, on the one hand previously requires resources, however is connected at the same time with responsibility for accepted decisions.

On resources, then due to accepted changes to Taxing and Budgeting codes of Ukraine and as result decentralization annually growth of its own incomes of local budgets (Table 1). So, growth of financial opportunities of the society and opportunity to dispose earned, to push regional authorities to creation of favourable investment and business, as well will strengthen an investment safety of the region.

Table 1

Dynamics of own incomes of local budgets in Ukraine (2014-2017), bn UAH

	2014	2015	2016	2017
Own incomes of local budgets	68,6	98,2	146,6	192
Rate of additions,%	-	42%	49%	31%

Source: author's development, based on the source [2]

Investigating whole socio-economic situation of regions and in particular its investment component, domestic scientists came to the conclusion that the level of investment safety extremely low because of a series of traditional reasons: significant enterprises loss ratio; insignificant volumes of sales of products in branches base for Ukraine; high credit enterprises arrears; impossibility of engagement of “free” financial resources; loss of innovative potential of development owing to changes in the structure of industrial production not for the benefit of high-technology factories and thereof share reduction innovatively of active enterprises in industrial regions; growth of raiding etc. [3].

The general principles of a market economy, when unprofitable enterprises go bankrupt and new, more efficient ones appear in their place, do not work in the realities of the current institutional environment due to the fact that mainly unprofitable enterprises are state monopolies, whose profitability depends on the level of tariffs set by the regulator. Ineffective management in the context of public utility is due to the use of companies “gaskets” in the procurement of raw materials and product sales for the redistribution of national wealth or theft of assets. Total quasi-privatization of state has replaced real privatization with the establishment of an effective owner and institutionalized a special type of corruption – “state capture” because of the enthusiasm of state enterprises, whose financial flows are used to finance political campaigns.

The classic understanding of the basic sectors of the economy determines the areas traditional for the respective territory, the enterprises of which produce more products, is a source for filling the budget, attracts more people and capital and has comparative advantages when entering the world market. In the modern economically developed world, the concepts of basic sectors of the economy are directed not only at their quantitative, but also at their qualitative characteristics: innovation, high-tech production. Practically, the introduction of innovative technologies condemns our basic industries to insignificant volumes of product sales in the domestic market and for low competitiveness in the foreign market, and then the inability to return loan capital is the main source of investment after its own sources.

The absence of powerful changes in the real sector does not push for the transformation of the financial sector, which could offer alternative mechanisms for attracting “free” financial resources.

Under the conditions of Ukraine, objective preconditions, in particular, regional differentiation by economic and geographic location, natural resource potential, population structure, sectoral specialization, financial security, type of socio-economic development, etc., also hinder the strengthening of investment security of the regions. [4]

In significant part of regions of Ukraine investment attractiveness is defined by one-two branches, the enterprises of which predominantly specialize on raw materials and semi-finished items, produce

intermediate or low-easily manufactured production. It became the main reason of decrease of competitiveness of the most of regions of Ukraine on foreign markets, at the same time foreign economic activity is concentrated in the most industrially advanced regions [5]. Preservation of such specifications of economical development of regions complicates the task of reduction of disproportion, as economical complexes of regions generated and continue to support economic ties, profitable first of all for region itself. And it inevitably results in reduction of interregional interaction inside the country and hinders consolidation of economical Ukraine space. Investment processes, interregional co-operation communications, the mobility of human resources within the limits of state by rather non-uniform that it is investigation of the common tendency it is traced in economical Ukraine space and is characterized by significant diversity. According to the conception of supplying of harmonized investment safety of the state regional measurement is her compound and plays complementary role. It tests threats of non-uniformity (heterogeneities) of distribution of capital investments and direct foreign investments on regions (by administrative units and economic regions). Non-uniformity of distribution of capital investments and direct foreign investments on Ukraine regions testifies of degree of spatial heterogeneity and her dynamics for the evaluation of her influence to investment safety of the state. Reduction of degree of spatial heterogeneity of capital investments and direct foreign investments creates more favourable conditions for promising development of the economy both depressive regions, and in the economy as a whole. At the same time, growth of degree of heterogeneity results in weakening of interregional communications, sharpening of socio-economic contradictions and disintegration of national economy as a whole and growth of the role of regional politician in revealing of “weak” places and acceptance of managerial decisions.

The investment security index at the regional level is calculated by the formula:

$$I_{me} = d_c * k_h^c + d_{fdi} * k_h^{fdi}, \quad (1)$$

where, k_h^c, k_h^{fdi} - coefficients of heterogeneity of the spatial distribution of capital investments and foreign direct investment;

d_c, d_{fdi} - weighted coefficients respectively.

For definition of factors of heterogeneity of spatial distribution of capital investments and direct foreign investments to Ukraine on economic regions it is possible to apply a classical economical method of the evaluation of degree of concentration of market Wednesday – the index of concentration by Herfindahl – Hirshman (Herfindahl – Hirschman Index (HHI)):

$$k_h^c = \frac{1}{HHI^c / HHI_0}, \quad (2)$$

$$k_h^{fdi} = \frac{1}{HHI^{fdi} / HHI_0}, \quad (3)$$

where HHI – the index of concentration by Herfindahl – Hirschman, which is calculated by the formula:

where $k = 9$ – the number of economic districts of Ukraine;

i_j – volume of capital investments (foreign direct investment) in the j-th economic region, UAH million;

I – total volume of capital investments (direct foreign investments) in the economy, UAH million;

HHI_0 – the value of a uniform distribution.

Theoretically, the maximum value of the index HHI is 10,000, when the total volume of capital investment is one economic region. Its minimum value (HHI_0) corresponds to a uniform distribution of investments in nine economic regions and equals 1111 (10,000 / 9 = 1111).

According to the State Statistics Committee of Ukraine [6], in terms of the size of capital expenditures

for 2010–2017, investments in fixed assets for 2004–2009 and direct foreign investments, we will calculate by the formula (4) the index, the coefficients of heterogeneity according to the formula (2 and 3) the investment security index at the regional level by the formula (1) (Table 2).

Table 2

The Index of investment safety of Ukraine on regional level

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
HHI_o	1111	1111	1111	1111	1111	1111	1111	1111	1111	1111	1111
HHI^c	1680	1699	1655	2053	2104	2090	2109	2289	2407	2262	2230
k_h^c	0,661	0,654	0,672	0,541	0,528	0,532	0,527	0,485	0,462	0,491	0,498
HHI^{fdi}	2 760	2 780	2 828	2 887	3 122	3 182	3 285	3 410	3 771	4 472	4 439
k_h^{fdi}	0,403	0,4	0,393	0,385	0,356	0,349	0,338	0,326	0,295	0,248	0,25
I_{me}	0,623	0,616	0,63	0,518	0,502	0,504	0,499	0,461	0,437	0,455	0,461

Source: author's development

The calculation of the index is carried out using weighted coefficients, which we determine empirically, taking into account the logic of the impact on investment activity. For the coefficient, the weight factor will be 0.85, and for – 0.15.

The range of characteristic values of the investment security index at the regional level (the subindex of the investment security of the state) is measured from 0 to 1 and is divided into five intervals (Figure 1): 0-0,19 - absolutely dangerous level; 0,2-0,39 - critical level; 0,4-0,59 - dangerous level; 0,6-0,74 - unsatisfactory level; 0,75-0,89 - satisfactory level; 0,9-1 is the optimal level.

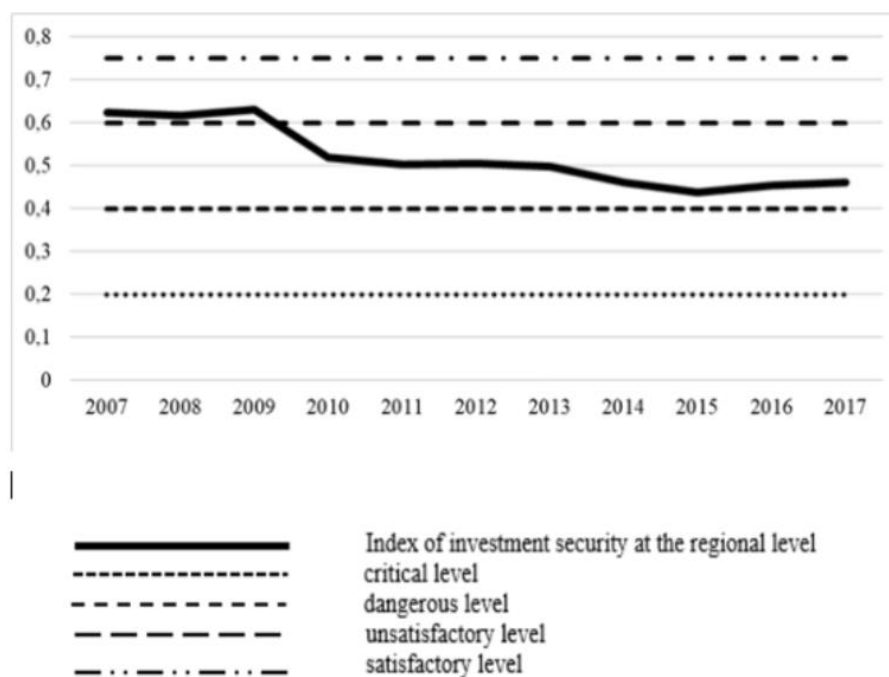


Fig.1/ Dynamics of the investment security index of Ukraine at the regional level

Source: authors' calculations

When calculating the level of investment security at the macro level based on the indicator “Gross fixed capital formation, % of GDP”, the total value of capital investments is taken into account without reference to the region. From the point of view of ensuring a harmonized investment security, the level of heterogeneity in the distribution of capital investments plays the role of assessing trends and forecasting the dynamics of investment activity. Its activity will grow due to the uniform development of regions and

reduction of heterogeneity of regional development in the context of overall economic growth.

In conditions of unattractiveness for foreign investors, the only way to develop the regional economy is mobilization and efficient use of domestic resources, uniting the efforts of the state, regions, the private sector and society. On the part of the state, this will mean, first of all, the strengthening of the role of national scale multipliers and their active implementation in the regions [6]. On the part of the region, it is a conceptual rethinking of the role of regional authorities in promoting regional and national brands. An important prerequisite for successful investment in the region, domestic and inbound tourism, the expansion of exports is the formation of an attractive brand, reflecting its tourist and recreational potential, production, scientific or other identity. Such brands provide strong support to regional producers, including helping to form production clusters and attract investment and skilled labor.

Taking into account importance of strengthening of the region brand as factor of socio economic development, is represented expedient inclusion of the appropriate events to the composition of regional programs, including the support programs of small business. It is necessary granting of information, methodological aid and educational support of project execution of development of brands of cities and regions called to provide formation of effective mechanisms of the territories marketing.

Considering the importance of strengthening the brand of the region as a factor of socio-economic development, it seems appropriate to include relevant activities in regional programs, including small business support programs. It is necessary to provide information, methodological assistance and educational support for the implementation of projects for the development of brands of cities and regions designed to ensure the formation of effective mechanisms for marketing territories.

Conclusions and prospects for further research. So, taking into account the negative trends in the dynamics of the index of investment security of Ukraine at the regional level, a new paradigm of changes should be the intensification of regional development policy through the initiation of national investment projects to participate in them and the development of a branding concept for the development of the region. This is possible thanks to the openness, accountability, responsibility of the regional authorities in the context of decentralization, in turn, will become the basis of the socio-economic development of the region.

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УДК 336.63 (477)

JEL R11, R58, O16, F52

Варналій Захарій Степанович, доктор економічних наук, професор, професор кафедри фінансів. Київський національний університет імені Тараса Шевченка. **Никитенко Дмитро Валерійович**, кандидат економічних наук, доцент, докторант. Національний університет водного господарства та природокористування, м. Рівне. **Регіональний аспект інвестиційної безпеки України**. Досліджено стан інвестиційної безпеки держави на регіональному рівні на підставі розрахунку коефіцієнтів гетерогенності просторового розподілу капітальних інвестицій та прямих іноземних інвестицій. Визначено об'єктивні чинники, що перешкоджають зміцненню інвестиційної безпеки регіонів, до яких відносять диспаритетність регіонів за природно-ресурсним потенціалом, структурою населення, галузевою спеціалізацією, фінансовою забезпеченістю тощо. Нерівномірність розподілу капітальних інвестицій за регіонами України дає змогу проаналізувати ступінь та динаміку просторової неоднорідності для оцінювання її впливу на загальну інвестиційну безпеку держави в частині забезпечення її сталого високого рівня. Зниження рівня інвестиційної безпеки на регіональному рівні актуалізує потребу в регіональній політиці, що направлена на розроблення державних програм регіонального соціально-економічного розвитку. Вони дають можливість розкриття інвестиційного потенціалу на відповідній території безпосередніми суб'єктами інвестиційної діяльності через їх участь, зокрема, у національних інвестиційних проєктах.

Ключові слова: інвестиції, прями іноземні інвестиції, економічне зростання, інвестиційна безпека.

UDC 336.63 (477)

JEL R11, R58, O16, F52

Varnalii Zakharii, Doctor of Economics, Professor, Professor at the Finance Department. Taras Shevchenko National University of Kyiv. **Nikytenko Dmytro**, Ph.D. in Economics, Associate Professor, National University of Water Management and Environmental Management, Rivne. **Regional aspect of investment security of Ukraine**. The state of investment security of Ukraine at the regional level is investigated on the basis of calculation of coefficients of heterogeneity of spatial distribution of capital investments and direct foreign investments. The uneven distribution of capital investments by region of Ukraine allows us to analyze the degree of spatial heterogeneity and its dynamics to assess its impact on the overall investment security of the state in terms of ensuring its stable high level. The authors describe that reducing the level of investment security at the regional level will raise the need for regional policy aimed at developing state programs of regional socio-economic development. They enable the disclosure of investment potential in the relevant territory by direct investors through their participation, in particular, in national investment projects.

Key words: investments, direct foreign investments, economic growth, investment security.

УДК 336.63 (477)

JEL R11, R58, O16, F52

Варналій Захарій Степанович, доктор економічних наук, професор, професор кафедри фінансов. Київський національний університет імені Тараса Шевченка. **Никитенко Дмитрій Валерієвич**, кандидат економічних наук, доцент, докторант. Національний університет водного господарства та природопольовання, г. Ровно. **Регіональний аспект інвестиційної безпеки України**. Исследовано состояние инвестиционной безопасности государства на региональном уровне на основании расчета коэффициентов гетерогенности пространственного распределения капитальных инвестиций и прямых иностранных инвестиций. Определены объективные факторы, препятствующие укреплению инвестиционной безопасности регионов, к которым относят диспаритетность регионов по природно-ресурсному потенциалу, структуре населения, отраслевой специализации, финансовой обеспеченности. Неравномерность распределения капитальных инвестиций по регионам Украины позволяет проанализировать степень и динамику пространственной неоднородности для оценки ее влияния на общую инвестиционную безопасность государства в части обеспечения ее устойчивого высокого уровня. Снижение уровня инвестиционной безопасности на региональном уровне актуализирует потребность в региональной политике, направленной на разработку государственных программ регионального социально-экономического развития. Они дают возможность раскрытия инвестиционного потенциала на соответствующей территории непосредственными субъектами инвестиционной деятельности через их участие, в частности, в национальных инвестиционных проєктах.

Ключевые слова: инвестиции, прямые иностранные инвестиции, экономический рост, инвестиционная безопасность.