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WAYS OF INVESTMENT ACTIVITY PROMOTION IN REGIONAL ECONOMIC SYSTEMS

System of principles of state influence on the implementation of the investment process is defined. The interconnection of investment policy at the macro-, meso-and micro level is analyzed. Ways to accelerate investment in regional economic systems to ensure economic growth and welfare are grounded.

Keywords: revitalization, economic system, welfare, investment activity, investment policy, mechanism, region.

Герасименко І. С. Шляхи активізації інвестиційної діяльності в регіональних господарських системах

Визначено систему принципів впливу держави на здійснення інвестиційного процесу. Проаналізовано взаємозв'язок інвестиційної політики на макро-, мезо- і мікрорівні. Обґрунтовано шляхи активізації інвестиційної діяльності в регіональних господарських системах для забезпечення економічного зростання та підвищення добробуту населення.

Ключові слова: активізація, господарська система, добробут населення, інвестиційна діяль-ність, інвестиційна політика, механізм, регіон.

Герасименко И. С. Пути активизации инвестиционной деятельности в региональных хозяйственных системах

Определена система принципов воздействия государства на осуществление инвестиционного процесса. Проанализирована взаимосвязь инвестиционной политики на макро-, мезо- и микроуров-не. Обоснованы пути активизации инвестиционной деятельности в региональных хозяйственных системах для обеспечения экономического роста и повышения благосостояния населения.

Ключевые слова: активизация, хозяйственная система, благосостояние населения, инвестиционная деятельность, инвестиционная политика, механизм, регион.

Introduction

Analysis of the evolution of investment activity theory shows a wide range of existing domestic and foreign literature approaches to the investment process on mega-, meso- and micro levels. However, many problems concerning the formation and use of investment potential, the optimal structure of investment, analysis of mechanism for attracting investment resources and iden-tification of directions of investment growth from the perspective of the organizational, legal and institutional support, remain controversial.

Analysis of recent research

The complexity of the regional challenges of investment activity and research of the mechanism of regional factors' influence on the investment process investigated M. P. Butko, O. V. Gavrylyuk, M. M. Nedashkivs'kyi, Y. V. Orlovs'ka and other scientists. We share methodological approaches to assessment of the impact of regional factors of the investment process realization formed by them, which helps to build more efficient state invest-ment policy.

Statement of research objectives

– to define a system of principles of state influence on the implementation of the investment process;

– to analyze the interrelationship of investment policy at the macro-, meso- and micro-levels;

– to justify the ways of activation of investment activity in regional economic systems to ensure economic growth and the increase of the population's welfare.

Results

Under conditions prevailing in the domestic economy, it is advisable to change the existing regulatory and legal framework and provide the subjects of economic activity with such opportunities, under which: firstly, loss-making enterpris-es will depreciate at levels that ensure reproduc-tion of the means of production on the minimum required level; secondly, profitable enterprises, which make an active investment activity, will reliably reflect the reality without increasing pro-duction costs and raising prices simultaneously with the targeted use of tax incentives for renovation of fixed assets; thirdly, all enterprises will be free to choose and use the most winning method of depreciation that should become the base of their gradual financial recovery and growth of invest-ment activity [1, c. 35].

In our opinion, the review of legislation on the procedure for calculating depreciation will give an additional impetus for the domestic businesses to enhance investment activity. Using along with the existing methods the policy of accelerated depreciation, providing target direction of using the acquired assets, depreciation funds can be considered as a real source of financing the investment programs aimed at restoring the existing means of production.

Unlike depreciation deductions, which provide basically only the current depreciation of fixed assets, refinancing of profits should facilitate the processes for expansion of reproduction. How-ever, the research of the enterprises in various sec-tors of the Ukrainian economy, namely industry, demonstrates the low income and the set of factors that had caused it, namely, inefficient tax system, an inadequate regulatory legislation and corruption, which, on the one hand, distort incentives, and on the other – lead to concealment of income.

An important source of increasing investment resources in the region, which is also now little used, is the savings of the population. However, under current law framework in Ukraine savings of the population do not have a clearly defined investment focus, and therefore there are no effective incentives to attract these resources for the investment purposes at the regional level [5]. To solve this problem, modification of the tax and customs system, change of some rules of customer services in banks, savings mobilization of the population by creating a system of state guarantees for popu-lation savings in banks and financial institutions, long-term savings (pension and insurance funds). Banks and financial institutions that express their desire to enter this system should take the obliga-tion to ensure reliability of population's savings (requirements for the structure of assets, reliability of auditing, etc.). In addition, it is needed to legal-ly remove all obstacles on legalization of foreign currency deposits of non-criminal origin.

A significant source of additional financial resources could have become the stock market. However, sub-optimal ratio of open and closed joint-stock companies, insufficient protection of shareholders, undeveloped infrastructure and understated value of assets are the main obstacles to the revival of investment activity through the securities market.

One of the potentially significant sources of investment may become the development of tolling, which is a processing of the raw materials, supplied by domestic companies in return for finished products, including in investment content.

Centralized financial means, such as state, lo-cal budgets and special extra-budgetary funds oc-cupy a special role in the investment process. It should be noted that Ukraine's current practice of investment programs' formation on the bases of budget sources requires substantial methodologi-cal and practical improvement. This means that the investment programs are formed within the State Budget depending on the political objectives of the Government, and direct financing is usually done at the end of the year, which leads to gaps in the technology works and coordination of work of design, contracting, assembly companies as well as suppliers of equipment, materials and structures [1, c. 36].

Increasing the investment consumption is possible also by funding raised internally, namely the creation of private pension funds (PPF), collective investment institutions (CII), industrial and financial groups (IFG), and consortia. These fundamental changes in creation of capital are caused by transformation of the institutional character and stimulation of domestic investment processes that would speed up economic development and improve well-being of society. The law of Ukraine created favorable conditions for entities to invest in venture funds.

Since 2001 the Ukrainian state at the legislative level had received an effective mechanism for accumulating populations' savings and directing them to the development of national economy in the form of collective investment institutions. The system of private pensions in Ukraine was cre-ated in 2003, which was perceived as an effective system that meets international standards in this sphere. However, the total amount of investment borrowed from the population by these institutional investors is less than 100 million UAH with the operation of over 200 professional participants of the joint investment market, which is almost 1000 times less than was attracted by the banking system of Ukraine.

Conducting the survey on the topic «Evaluation of the Ukrainian public's attitude towards the stock market and collective investment institu-tions and private pension funds» by the Razumkov Center of Sociological Service on the order of the Ukrainian Association of Investment Business (Investment Business) helped to identify the causes of this limited use of the population of joint investment system's potential.

The main reasons for slow raising of the population's savings under sociological study of the Razumkov Center of Sociological Service are the lack of public awareness about the collective investment market, low incomes of the population of Ukraine and low level of confidence of Ukraini-ans in the institutional investors due to the uncer-tainty of this activity and no guarantees in the re-turn of publics' investment. Distrust of Ukrainian population in joint investment system is based on not regulated questions of corporate governance at the legislative level, low corporate culture, imperfect and discriminatory taxation system in the area of collective investment; lack of effective instruments for targeted investment of borrowed funds; limited infrastructure of stock market, especially in the part of reliability of recording ownership of securities' system and the concentration of sales on the civilized market of securities.

In developed countries the bank lending is an important source of investment resources' formation because borrowing enables subjects of invest-ment activity to implement their investment plans within set deadlines with minimal distraction of their own finances from the process of production and market positioning.

Insufficient provision of investment projects with necessary amounts of financial resources, poor state of the economy in lending and investment amounts in fixed assets can be explained by a number of aspects: firstly, minor economic potential of Ukraine's banking system; secondly, volumes and growth rates of credit resources; and thirdly, state of public finances, goals and methods of monetary and fiscal policies.

External funding may be presented in the form of foreign direct investment and investment from other regions. In recent years there has been a tendency of the increasing volumes of foreign investment and aggressive competition between countries for attracting foreign investment. However, for the countries with economies in transition, including for Ukraine, it is difficult to rely on activation of the inflow of foreign investment due to domination of an unstable investment market in these countries. In addition to the abovementioned, a balanced approach to attracting foreign investment should be taken in the countries with economies in transition, because often foreign investment comes to the domestic market with the goal of exclusion of competitors from its own competition environment. Foreign investors weakly consider technological backwardness in the countries with economies in transition, and of-ten they even consciously laying the technological backwardness which is contrary to the interests of national production. Quite often domestic enterprises, trying to refrain from bankruptcy, transmit the construction works, installation and adjust-ment of equipment, technology transfer to the for-eign enterprises. This activity of the domestic enterprises reduces the possibility of full operation of the domestic market. However, such negative consequences can be avoided by effective actions of government institutions in the process of attracting foreign investment [5, c. 101].

There are different ways of attracting foreign investments. These include such forms: tax incentives, legal protection, bilateral agreements with countries – donors of investment resources; giving an opportunity to form a flexible scheme of financing of investment projects; protectionist tariffs on goods that compete with those goods that are produced by the foreign investor; introduction of «currency corridor»; information and incentive activities in terms of some regions and industries.

Each region has its own peculiarities which greatly affect its economic development, and hence they also greatly affect increasing or slowing down the investment activity. Therefore, the primary valued goal should be the determination of the size of domestic investment potential and gross domestic investment potential of the region as well as its level of use.

Increasing volumes of investment resources in the economy of the Chernihiv region of Ukraine, the discrepancy of the actual state of the investments attracted with the available investment demand, involves solving the following priorities:

1. Creation of conditions for economic interest of enterprises and territories in increasing volumes of investment.

2. Functioning of the proper market environment and paternalism towards increasing investment attractiveness of the region.

3. Formation of a favorable investment climate to attract investments to long-term investment projects.

4. Flexible use of joint capabilities that may be obtained through increasing funding from state

and local budgets and financial resources of business entities in the region.

5. Improvement of fiscal and depreciation policy of the state.

6. Providing preferences for the most effective investment projects.

7. Reducing levels of investment risks of eco-nomic and social nature.

For solving the abovementioned priori-ties the state should create an investment bank data, to which all the regions can be involved on a competitive basis in order to offer real projects aimed at efficient use of existing potential and for-mation of the regional segments of the national economy.

Obligatory aspect in solving of the problem stated above is the definition of the principles and objectives of investment policy for managing the investment process and, consequently, the directions of state regulation of the investment activity's conditions.

Investment policy in Ukraine is carried out by realization of investment activities through ensuring compliance with the legal requirements, systematic control over the use of investment funded from the state budget, profits of state enterprises, emission of government securities.

Economic and legal framework of Ukraine on the regulation and legal protection of investments actually started to be formed in the Verkhovna Rada of the Ukrainian Soviet Socialist Republic with the adoption of the Declaration of State Sov-ereignty of Ukraine on the 16th of July, 1990 and the proclamation of the Act of Independence of Ukraine on the 24th of August, 1991 [6, p. 78].

One of the first legal acts in regulation and legal protection of investments were the Law of Ukraine «On Protection of Foreign Investments in Ukraine» [3] and the Law of Ukraine «On Invest-ment Activity». This was connected with the for-mation of the legal framework in the investment business and legislative regulation of legal rela-tions between business entities (between business entities and the state too).

However, because of the absence of legal principles of formation and realization of regional policy in Ukraine, regional authorities have no respective rights and powers to help economic systems to achieve optimal economic independence. Also there is no clear division of powers in the system of hierarchy of public administration in Ukraine in respect of management of socio-economic development of the regions [1, p. 326].

Two opposing concepts of investment development are known, which vary by the state role in shaping investment policy.

The first concept of investment development denies government involvement in the development of investment processes, believing that only the market can optimally adjust the economic pro-cesses.

The second concept of investment development gives great importance to the active state role in the management of investment activities in order to implement economic, scientific, technical and social policy.

We believe the state's role in shaping and implementing effective investment policy should be strengthened, especially given the state's means of production, technical and technological backwardness, expenses of production, the low competitiveness of national economy.

The system approach in the implementa-tion of state influence on the investment activ-ity is based on the use of such general principles as: efficiency, justice, stability, consistency, adequacy, optimal convergence of administrative, legal and economic instruments; continuity and stages, ensuring the unity of strategic and current state regulation [2, p. 120-122] as well as the com-plexity, proportionality, balancing of the devel-opment, and social orientation of the investment activity.

The principle of efficiency of state influence on the investment activity leads to elimination of cyclic of the investment activity and monopoly by the means of state regulation and promotion of tax policy to achieve economic efficiency.

The principle of fairness of state influence on the investment process aims to correct the inequalities redistribution by progressive taxation, by the implementation of the policy of income support (assistance to the elderly, the disabled, large families), ensuring proper motivation of active behavior in the labor market (continuation of employment beyond retirement age).

The principle of social orientation of state influence on the investment process is about respect for social justice (effective work should be paid properly), creation of social structure of the European type (with level of poverty and material stratification), and presence of full-scale social in-surance system.

The principle of consistency of state influence on the investment process allows using a comprehensive approach to the issues of investment activity concerning economic, social, environmental, and external economic direction.

Under the principle of stability of state influence on the investment process the alignment of upturns and downturns of the business cycle, curb of unemployment, support of social and economic growth by improving state financial, tax, customs and external economic policy are understood.

Ensuring the unity of strategic and current state regulation of state influence on the investment process is made by the radical changes in the system of state support for research in the techni-cal sphere, investment and innovation programs to accumulate new investments of innovative char-acter.

The principle of adequacy of state influence on the investment process provides not the government intervention, but the market regulation only in those areas where business entities can not work effectively.

The principle of convergence of administrative, legal and economic incentives is aimed at maximizing the efficiency of economic system particularly in the period of transition.

Administrative methods of state influence on the investment process on the phase of economic transformation to a liberal economic model are aimed at encouraging efficient use of resources, production and investment infrastructure, a comprehensive solution of ecological and social problems.

The principle of continuity and stages of state influence on the investment process takes into ac-count the time factor for large-scale government regulation in addressing national, regional, and sectoral problems.

There are different definitions of investment policy. For example, investment policy is seen as a «strategic action plan on the investment market of the region», «implementation instrument of strategic objectives of economic development, which provides financial, and resource base», «purpose-ful and scientifically grounded activity of regional authorities and management activity with attrac-tion and efficient use of investment resources» [4; 7], «complexity of targeted events held by the state to create a supportive environment for all business entities with the aim to ensure steady economic growth, improvement of production efficiency and solution of social problems» [6, p. 92]. Taking into account different definitions of investment policy, we under a regional investment policy understand one of the main components of social and economic policy in the region that can create conditions for effective and dynamic economic growth, investment in the medium and in the long term perspective both domestic and foreign direct investments.

The mechanism of investment policy implementation includes the following components: definition of the deadlines and selection of the authority bodies responsible for implementing investment policy; creating the necessary legal framework for the functioning of the investment market; creating a favorable investment climate and a positive investment image of the country; the choice of reliable resources and methods of in-vestment financing.

The state investment policy, which is closely related to economic, regional and investment policies of individual business entities, should contribute to activation of the investment activity. We agree with the definition of M. M. Turiyanska [6] concerning the relationship between the investment policies at the micro-, meso- and macro-levels, which can be represented schematically.

Regional investment policy should be based on clear national economic policy and be directed at increasing the investment activity in the region, at the maximum mobilization of all possible resources for the development of the region through:

• orientation on the implementation of region-al priorities and strategic plans of business enti-ties;

• involvement of the direct state investments on the basis of studies of demand for products of the particular industry as the current period, as for the distant future;

• targeting investments to the promising high-technological productions, territorial and indus-trial clusters, which will ensure the development of related industries by providing the output of in-novative products;

• the sequence of projects' realization based on regional interests and available resources;

• minimizing investment risks, which are formed and may occur just at the regional level.

The investment policy includes: the forma-tion of separate directions of investment activity in accordance with the development strategy and implementation of investment programs; ensur-ing high efficiency of investment activity; ensur-ing real investment resources and optimization of their structure; assessment of the investment portfolio of business entities in the region; protec-tion of investment activity and minimization of bureaucratic influence on these processes from the local supervisory authorities.

As to the staged research, on the first phase of a regional investment policy's formation the so-cial, environmental and economic problems of the region are determined; the solutions of these prob-lems are not possible without a certain amount of investment. Also use the SWOT – analysis for complex assessments of strengths and weakness-es of eco-, social-, and economic systems of the regions, variant opportunities and threats to their sustainable development do not require additional studies.

In the second stage the economic policy guidelines are determined and the investment priorities are clarified. However, in our opinion, these actions are not enough, because to develop a regional investment strategy, the regional invest-ment climate and factors of its formation, it is nec-essary to determine the parameters of the invest-ment attractiveness of the regions and factors of its formation.

Conclusions

Regional investment policy should be direct-ed at creating a favorable economic climate for the promotion of innovative processes and priority financing of high-technological industries. It should include establishing national and regional priorities, and also organizational and structural reorientation of the system of research, planning and design development; and creation of new domes-tic structures of scientific and technological con-tent as well as their regional branches, attracting investment potential to the investment process. Formation, reproduction, and realization of a favorable economic climate to enhance innovation processes take place through market self-regulation in combination with government regulation.

The implementation of practical measures of state investment policy based on the provisions of the proposed methodology and methodological approaches would facilitate further investment activity in regional economic systems to ensure rising of living standards and economic growth.

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