

THE STRATEGY OF ATTRACTING FOREIGN DIRECT INVESTMENT IN UKRAINIAN ENTERPRISES

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Dobroskok I. B., Dron M. D. The Strategy of Attracting Foreign Direct Investment in Ukrainian Enterprises

The article provides an overview of current problems and opportunities associated with attracting foreign direct investment (FDI) to Ukraine. The purpose of the article is to determine the strategy of attracting foreign investments and to determine ways to increase the investment attractiveness of Ukrainian enterprises. The article also emphasizes the relevance of the study of factors of feasibility and efficiency of the involved investments, since these indicators determine the optimal approach to work with them. The article defines the essence of the concept of "foreign direct investment". Types of presentation of the investment activity of enterprises as a whole were determined and an overview of the main types of investments that can be involved in enterprises was carried out. A comparative analysis of real and financial investments was conducted, the advantages of these types of investments for enterprises were emphasized. Also, a comparative review of the main types of direct foreign investment was conducted. Various strategies and approaches that can be successful in attracting FDI and contributing to the economic growth of the country have been analyzed. The factors that contribute to the attraction of direct foreign investment in the State are highlighted. The research in the article focuses on the challenges that Ukrainian enterprises face when attracting FDI, such as corruption, political instability and uncertain legislation. References are used to the works of various researchers who studied investment activities and the importance of investments in the formation of the enterprise's capital. The importance of developing an investment strategy was determined and areas for increasing the investment attractiveness of the company were identified. At the end of the article, additional directions for increasing the investment attractiveness of companies are proposed, such as the development of an international brand, improvement of personnel qualifications, introduction of modern technologies, partnership with local and international structures. Development of a comprehensive investment strategy and implementation of recommended measures can increase the company's competitiveness, attract foreign investors, and ensure long-term stability and growth.

Keywords: foreign direct investments, investment climate, real investments, financial investments, horizontal FDI, vertical FDI, conglomerate FDI, investment strategy.

Fig.: 1. **Bibl.:** 9.

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Доброскок Ю. Б., Дронь М. Д. Стратегія залучення прямих іноземних інвестицій на українські підприємства

У статті наведено огляд поточних проблем і можливостей, пов'язаних із залученням прямих іноземних інвестицій (ПІІ) в Україну. Метою статті є визначення стратегії залучення іноземних інвестицій та визначення шляхів підвищення інвестиційної привабливості українських підприємств. Також наголошується на актуальності дослідження факторів доцільності та ефективності залучених інвестицій, оскільки ці показники визначають оптимальний підхід до роботи з ними. У статті визначено сутність поняття «прямі іноземні інвестиції». Наведено види представлення інвестиційної діяльності підприємств у цілому та проведено огляд основних видів інвестицій, які можуть бути залученими на підприємства. Проведено порівняльний аналіз реальних і фінансових інвестицій, підкреслено переваги цих видів інвестицій для підприємств. Також проведено порівняльний огляд основних видів прямих іноземних інвестицій. Проаналізовано різні стратегії та підходи, які можуть бути успішними в залученні ПІІ та сприятимуть економічному зростанню країни. Виділено фактори, які сприяють залученню прямих іноземних інвестицій в державу. Дослідження в статті зосереджено на викликах, з якими стикаються українські підприємства при залученні ПІІ, таких як корупція, політична нестабільність і невизначене законодавство. Використовуються посилання на праці різних дослідників, які вивчали інвестиційну діяльність і важливість інвестицій у формуванні капіталу підприємства. Визначено важливість розробки інвестиційної стратегії та виокремлено напрямки для підвищення інвестиційної привабливості компанії. На завершення статті пропонуються додаткові напрямки підвищення інвестиційної привабливості компанії, такі як розвиток міжнародного бренду, підвищення кваліфікації персоналу, впровадження сучасних технологій, партнерство з місцевими та міжнародними структурами. Розробка комплексної інвестиційної стратегії та реалізація рекомендованих заходів може підвищити конкурентоспроможність компанії, залучити іноземних інвесторів, забезпечити довгострокову стабільність і зростання.

Ключові слова: прямі іноземні інвестиції, інвестиційний клімат, реальні інвестиції, фінансові інвестиції, горизонтальні ПІІ, вертикальні ПІІ, конгломеративні ПІІ, інвестиційна стратегія.

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For any country, investments are an indicator of how the state functions, whether it respects the law and human rights. Respect for rights increases the number of investors and attracts more and more investments in national enterprises. Foreign direct investment is the most desirable form of capital investment for developing economies, as it allows the implementation of large projects; in addition, new technologies, new corporate management practices, etc. are coming to the country. The main source of meeting the investment needs of the Ukrainian economy is direct foreign investment. They help solve the problem of technological renewal of the fixed assets of enterprises, increase the export of products and services, ensure the import of new technologies, practical skills and new management experience, which contributes to the faster integration of the Ukrainian economy into the world economy. However, there are many factors that do not allow this to be done quickly, in particular, the violation of investors' interests, their rights and unstable legislation.

Many well-known scientists dealt with the problems of investment activities of enterprises. Among them are the works of O. Gamalii, M. Denysenko, M. Kisilya, O. Amoshi, O. Vakulich, M. Lapusti, and others. The researches of recent years are related to the study of the problems and opportunities of attracting foreign investments to the economy of Ukraine, as well as the importance of the investment factor in the formation of the capital of enterprises. Analytical attraction of foreign direct investments is devoted to the works of O. Vovchak, T. Maiorova, O. Danilova, V. Fedorenko, and others. However, the issue of creating a favorable investment climate in the economy of Ukraine remains relevant.

Therefore, the *purpose* of research is to determine strategies for attracting foreign investment and to identify directions for increasing the investment attractiveness of Ukrainian enterprises. Also, the question of researching the factors of feasibility and efficiency of involved investments remains relevant, as these indicators determine the optimality of working with them.

The investment activity of the enterprise can be represented as follows:

- ✦ *in a broad sense*, these are activities related to investing in investment objects in order to obtain a positive result (income or a certain effect);
- ✦ *in a narrow sense*, this is the process of converting investment resources into investments;
- ✦ *in general*, this is a combination of the process of investing investment resources and the process of obtaining positive results in the future.

According to the form of income, investments can be divided into those that bring material benefits (cash income, risk reduction, entering new sales markets) and those that bring social benefits (increasing the prestige of the enterprise, improving working conditions and the environment).

Depending on the direction of investments, two main forms of investment are distinguished: real and financial (*Fig. 1*).

Real investments are investments in fixed assets in various forms [8]. Real investment means investment in the creation, expansion or operation of real assets of the company, and if we look more closely at the phrase, it can be interpreted as follows:

- ✦ in the form of production capital – fixed and working capital of enterprises, construction and capital-intensive;
- ✦ land and other natural resources – development or acquisition of deposits for the purpose of mining;
- ✦ intangible assets – obtaining patents, trademarks, licenses;
- ✦ investments in research or education;
- ✦ investments for starting a new business.

In developed countries, the bulk of real investment is private investment. Real investment in the public sector is important. Based on the policy of economic coordination, loans and subsidies will be allocated, public capital investments will be balanced and real investments will be used.

Thus, real investments ensure the growth of real capital, that is, the means of production, the growth of material wealth. In other words, investments in securities are portfolio investments, investments in material assets are real investments that contribute to the development of material wealth.

Financial investments are considered as an active form of effective use of temporarily free capital or as a tool for achieving strategic goals related to the diversification of the company's operating activities.

Features of the implementation of financial investments:

1. Financial investments are an independent type of economic activity of enterprises in the real sector of the economy.
2. Financial investments are used by enterprises in the real sector of the economy mainly for two purposes: obtaining additional investment income in the process of using free cash and protecting them from inflation.

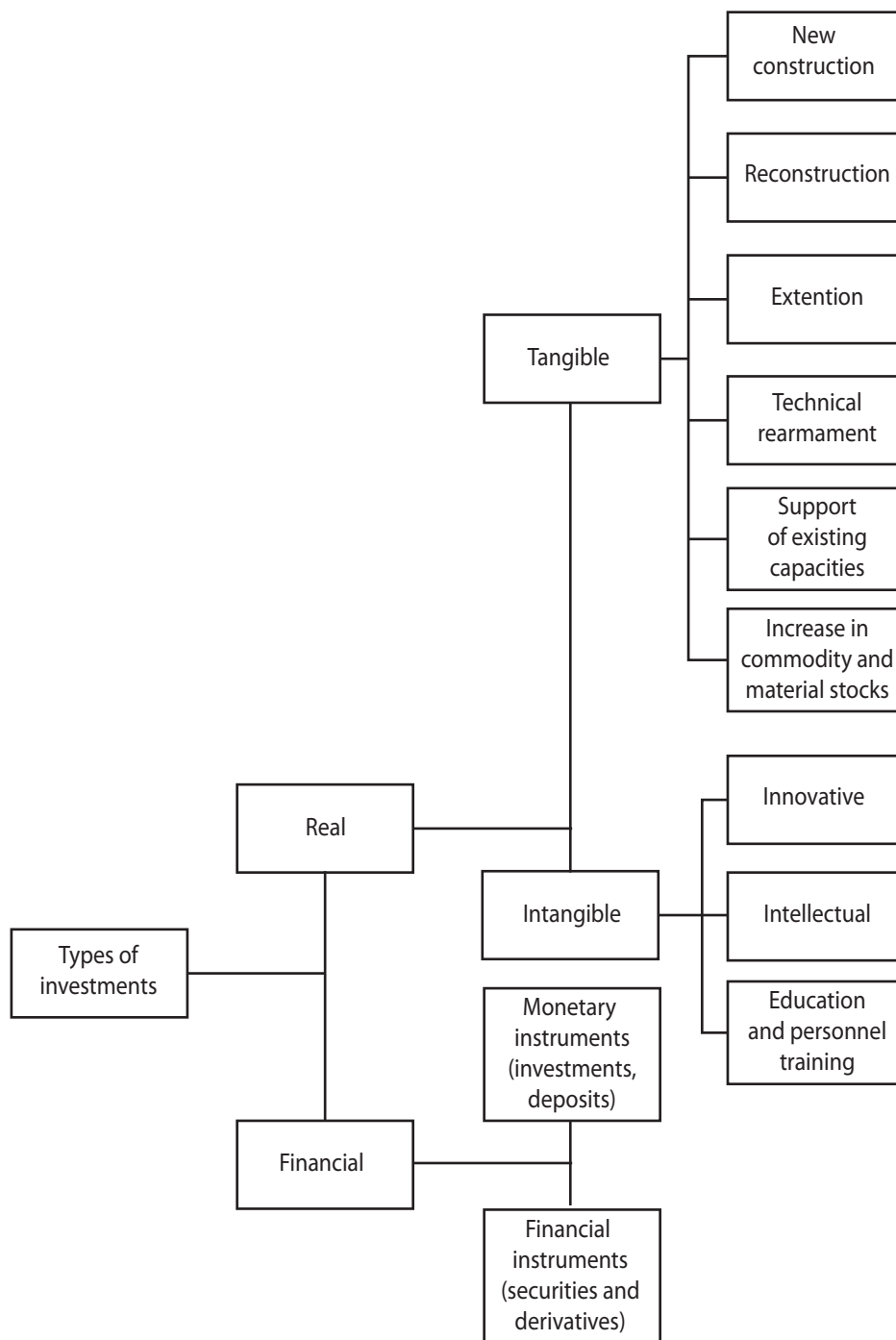


Fig. 1. Types of investments

Source: formed on base [6].

3. Financial investments provide the enterprise with the widest range of investment instruments on a "return-risk" scale.
4. Financial investments provide the enterprise with a fairly wide range of investment instruments and on the scale of "profitability and liquidity".
5. The process of substantiating management decisions related to the implementation of financial investments is simpler and less laborious.
6. The high volatility of the situation in the financial market compared to the commodity market

determines the need for more active control in the process of financial investment. Accordingly, management decisions related to the implementation of financial investments are of a more operational nature [7].

Financial investments are capital investments in various financial investment instruments, mainly in securities, in order to achieve the set goals of both a strategic and tactical nature.

Investments in financial assets are carried out in the course of the enterprise's investment activities, in-

cluding the setting of investment goals, the development and implementation of an investment program.

Setting investment goals is the first and determining factor for all subsequent stages of the financial investment process.

The main goal of the enterprise's investment activity is to use the most effective directions for the implementation of the investment strategy at certain stages of the life cycle and the formation of a promising organizational structure and investment culture. The purpose of the enterprise's investment activity, in addition to the economic one, may be to obtain a social, environmental and other effect, depending on what is the object of investment and what resources are used as investments. In the successful implementation of the goal of investment activity, an important place is occupied by its analysis, with the help of which the strategy and tactics of the development of the investment activity of the enterprise are developed, plans and basic management decisions are substantiated, reserves for increasing the efficiency of investments are determined, their implementation is monitored, and the results of investment projects are evaluated.

Foreign direct investment (FDI) is an investment of capital in an enterprise abroad, which ensures the acquisition of long-term economic interest through the investor's acquisition of control over the object of capital investment and provides for the receipt of entrepreneurial profit (income) and/or the achievement of social, innovative, environmental and other types of effect [1].

Foreign direct investment means an investment by one company or individual in another, provided that both parties are located in different countries. Attracting foreign investments has always been relevant both for domestic business entities of Ukraine and for representatives of small and medium-sized businesses.

For domestic economic entities, especially for representatives of small and medium-sized businesses, the attraction of foreign investment funds is relevant, but the very issue of forming an effective mechanism for their attraction requires more detailed consideration. It is important to understand that there are no standard solutions for attracting investments. In the first place is the factor of expediency and efficiency. Thus, for each specific company, under certain conditions, its unique set of mechanisms and sources of development financing will be optimal.

Foreign direct investments are very important for the economic development of the enterprise as a whole, not only because they bring much-needed additional capital and the prospect of increasing local budgets due to increased tax revenues, but also because they ensure the transfer of modern technologies and know-how, and at the same time open up new opportunities for export and access to international markets [9].

Attracting foreign investments to the enterprise also contributes to the growth of entrepreneurial activity

due to the involvement of local companies in global production chains. These are key assets for sustainable economic growth and more profitable integration of Ukraine into the world economy.

The authors conducted a comparative review of the main types of foreign direct investment.

Horizontal FDI is carried out with the aim of horizontally expanding the production of the same or similar product abroad in the host country, but within the same industry. Product differentiation is for them a defining element of the market structure. Such investments are made to take fuller advantage of monopolistic or oligopolistic advantages through patents or differentiated products, especially if domestic expansion is stopped by anti-trust laws. Horizontal foreign direct investment gives the foreign investor the opportunity to use its technological advantages.

Vertical FDI is direct investment in industries belonging to different stages of production of the same product. They allow the investor enterprise to replace individual parts of production and sales systems in inefficient markets within the enterprise itself. Vertical foreign direct investment is divided into reverse and direct. Reverse vertical FDI is carried out for the purpose of using raw materials, while direct vertical FDI should be closer to consumers through the acquisition of points of sale.

Conglomerate FDI combines features of both horizontal and vertical foreign direct investment.

The following *main factors of FDI*, which are part of the investment process and which are important for investors, can be distinguished:

- ✦ *Political and economic*, i. e.: political stability; degree of state intervention in the economy; relation to foreign investments; compliance with the provisions of international agreements; the level of trust of the population in the authorities; stability of the legislative framework; dependence of the judicial system; the presence of a transparent system of lobbying the interests of individual groups; the level of legislation in the field of property; availability of an effective investment protection system; the possibility of circumventing trade restrictions; factors stimulating economic growth;
- ✦ *Resource-economic*, namely: availability of natural resources; demographic situation; geographical location;
- ✦ *General economic*, i. e.: rates of economic growth; ratio of consumption and savings; loan interest rate; rate of net profit; level and dynamics of inflation; currency convertibility; balance of payments status; state of the country's economy; dynamics of GDP growth; the amount of internal and external debts; the level of the shadow economy.
- ✦ *Global*, which is understood as: state sovereignty; absence of military actions and the threat of de-

struction of the enterprise by missile strikes, or confiscation of business by the occupiers in the given territory;

- ✦ *Factors of international relations*, i. e.: international rating of the country; cooperation with international organizations; compliance with norms and rules of conventions and agreements;
- ✦ *Supply factors*, understood as: production costs; logistics; availability of resources; access to technology;
- ✦ *Demand factors*, i. e.: consumer access to the company's goods or services; marketing advantages; use of competitive advantages; mobility of customers [2].

We have reason to believe that the main factor in attracting foreign capital to any country is the pace of economic development, which creates economic conditions and infrastructure for high profitability of investments in the territory of the host country. In particular, Svider O. notes such a phenomenon as a "closed circle", when at the same time, in order to receive foreign investments, it is necessary for the economy to develop at a fast pace, and capital investments to be efficient and profitable. The development of the economy depends on the volume of foreign investments [3].

But it should be borne in mind that high rates of economic development in the state are not always a guarantee of effective attraction of FDI. When developing a strategy for attracting foreign investment to a specific enterprise, there is no standard approach that will necessarily lead to success. For each enterprise of the company, it is necessary to evaluate the unique conditions in which they are located. This will help to find the most optimal sources of financing and a set of alternatives that will help in development.

In order to form an understanding of the enterprise and its needs, it is necessary to keep in mind such parameters as the current state of the enterprise, namely the economic parameters of the business; the company's development strategy and the capital market situation [4].

Strategy development should begin with an understanding of what benefits the company can offer investors and how it differs from competitors. When assessing the competitiveness of companies that may be attractive to investors, it is necessary to decide on which countries to focus marketing activities.

The result of strategic planning should be a detailed plan that describes what will be the object of investment attraction measures, where and how these measures will be implemented. It is important to remember that strategy development and implementation are not necessarily a strictly sequential process. Such measures as the audit of the region and the identification of promising industries can be carried out simultaneously [5].

In addition to developing and implementing an investment strategy, the following areas can be singled out for increasing the company's investment attractiveness:

1. International brand development;
2. Improvement of staff qualifications;
3. Improvement of the management structure;
4. Implementation of modern technologies
5. Attracting foreign investors through the placement of shares on international exchanges;
6. Development of partnerships with local companies that can provide support in opening new markets and attracting foreign investors.

CONCLUSIONS

Development of a strategy for attracting foreign investment to an enterprise is a key element of its successful operation and development on the international market. Implementation of the proposed recommendations will allow the enterprise to compete more effectively on the international market, increase its attractiveness for foreign investors and ensure stable development for the long term. ■

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