

<https://doi.org/10.52326/csd2022.04>

INCREASING THE INVESTMENT ATTRACTIVENESS OF THE AGRICULTURAL SECTOR OF UKRAINE

Zoia TITENKO¹, *PhD., Assist.lect.*

ORCID: 0000-0001-5816-5519

Alina BURIK², *PhD., Assoc.prof.*

¹*National University of Life and Environmental Sciences of Ukraine, Ukraine*

²*National University of Life and Environmental Sciences of Ukraine, Ukraine*

Abstract: The agricultural sector occupies an important place in the economy of Ukraine. Effective functioning of the entire national economy as a whole depends on its development. Investments play a crucial role in ensuring the effective development of agriculture. The problem of attracting and financing investments, their rational use is especially important in the conditions of today's difficult economic situation. The current state of market transformations in Ukraine requires such conditions that would guarantee economic security for investors and ensure innovative development of the domestic economy.

The purpose of the article is to study trends and the state of capital investments in agriculture and to justify proposals for their increase. The article analyzes the state of capital investments in the agriculture of Ukraine and the dynamics of the sectoral structure of the utilized funds in the agricultural sector. The impact of capital investments on the economic efficiency of enterprises is analyzed. The main factors restraining the development of investment activities in the regions have been determined

In the conditions of the economic crisis, the investment activity in the agrarian sector of the economy deteriorates, as evidenced by the index of capital investments, which reflects the change in capital investments. Thus, despite the increase in the volume of capital investments, the heterogeneity of the index of capital investments is observed.

It was established that stimulation of investment processes in agriculture is one of the priority tasks, which requires solving a number of problems at all levels of management. The investment strategy of Ukraine's development should be systematically aimed at agricultural production.

Keywords: *agriculture, grouping, investments, capital investments, efficiency, financial security*

JEL Classification: *E22, G30.*

Introduction. To date, many countries are characterized by significant experience in attracting investments. For Ukraine, this experience is a potential example that reduces obstacles that arise in the direction of attracting investments. These obstacles include the lack of an investment climate in the country, the instability of the political situation in the country, the low level of interest of the population in investments, ineffective investment projects and the insufficient number of professional entrepreneurs and investors. Also, the fact that the country has a less developed tax system and an unstable banking system, the excess of monopolization of the economy has a significant impact.

Today, the agro-industrial complex in the economy of Ukraine occupies a key place, with the help of which ecological, food and economic security is formed, the development of industries and their technologies and the development of agriculture are ensured. In its activities, Ukraine aims to attract investment resources to the territory of the country at the expense of its own funds and funds raised by national and foreign investors.

The agricultural sector of Ukraine, with a production potential that significantly exceeds the needs of the domestic market, is a link that, on the one hand, can become a path to the development of the national economy and its effective integration into the world economic space, and on the other hand, increasing the incomes of the rural population can have a multiplier effect impact on the development of other branches of the national economy [1].

The agrarian sector of the economy of Ukraine in modern conditions is able not only to satisfy internal needs, but also to take a leading position in the foreign market. However, it is necessary to develop a strategy for the development of agricultural enterprises, which should be organized on the basis of the consolidation of their financial resources, which will contribute to strengthening financial security, as one of the components of the economic security of enterprises. One of the conditions for attracting additional resources is the presence of favorable conditions for attracting investments.

One of the important features of the attractiveness of agricultural enterprises of Ukraine for foreign investors is that the level of return on invested capital is significantly higher than in countries with developed economies⁶, as well as the availability of highly qualified and cheap labor force, high-quality and inexpensive agricultural resources.

In addition, Ukraine has a powerful production potential, a fairly developed infrastructure and a favorable geographical location. As for macroeconomic factors, the stabilization of the national currency and controllability of inflationary processes have a positive effect. In terms of the level of economic potential, as evidenced by expert assessments, Ukraine is among the first ten countries in Europe, and in terms of the efficiency of its use, it is in the second hundred countries in the world. That is, it is necessary to improve the efficiency of using the existing potential.

Results and discussion.

Own funds include depreciation deductions, profits from financial and operational activities, and others. Involved resources include bank loans, foreign investments, enterprise investments, and international agricultural development programs [1, p.14].

For enterprises, investments are the biggest deficit, which are determined in the process of innovative development, product quality, and product competitiveness. These resources significantly affect the external environment of the enterprise.

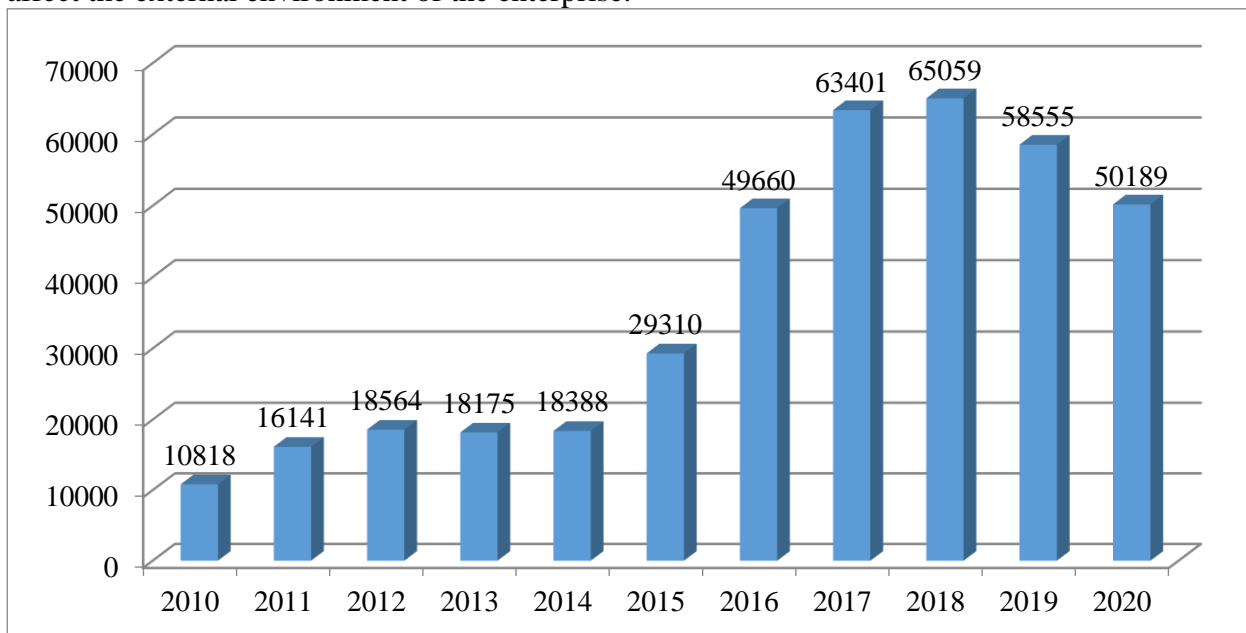


Figure 1. Dynamics of capital investments in the agriculture of Ukraine in million hryvnias.
Source: created by the author:[2]

If the resources involved prevail in the overall structure of investment resources, then the general possibilities of the enterprise regarding the further management of the policy of the involved capital decrease. This is caused by an increase in credit risks for borrowers and enterprises and an increase in the value of the invested investment resources.

The dynamics of capital investments in the agriculture of Ukraine shows the heterogeneity of investment volumes during the analyzed period (Fig. 1). Thus, from 2013 to 2018, their volume increased 4 times, and their total volume in 2018 was UAH 65,901.0 million. The total volume of capital investments in 2019-2020 had a tendency to decrease, in 2020 their volume amounted to 50,189 million hryvnias, which is 22.8% less compared to 2018.

During the period of economic crisis, the investment activity in the agrarian sector of the economy deteriorates significantly, as evidenced by the indices of capital investments, which reflect their changes. Regardless of their growth, an oscillating process is followed. According to the indices, the lowest indicator is observed in 2013 - 97.9%, and in 2016 there is a sharp increase to 167.4%, but starting from 2017, a tendency to its gradual decrease is observed, and in 2020 the index was 90.6. Also, it is worth noting that starting from 2019, the index of capital investments in food production began to decrease compared to previous years, so in 2019 the indicated indicator was 90.0%, while in 2018 its value was 159.6%.

In Ukraine, the agricultural sector occupies an important strategic place for the entire Ukrainian economy. Mostly, it forms 60% of the population's consumption fund, which ensures a normal level of employment in rural areas and ensures normal functioning during a crisis of approximately 15% of GDP [3, p.32].

In the period of any political and economic crisis in the middle of the country, which significantly affects the investment attractiveness of the state, as a result of which agricultural commodity producers are faced with the question of finding sources of financing for production and economic activities and reserves for the renewal of material and technical support. Economic entities have a significant lack of financial resources in this field.

The conducted analysis of the volumes of investments in fixed capital shows that there is no uniform trend in the growth of investments during the studied period. So, in general, investments increased by 40% in 2020 compared to 2016, but compared to the previous year, their decrease is observed. As for agriculture, a rapid growth of investments was observed until 2018, but in the following years their decline was observed and in 2020 they were at the level of 2016. As for the specific weight of investments in agriculture in the total amount, its decrease is observed from year to year and in 2020 was only 9.88%, while in 2016 their share was 13.82%.

Table 1. The dynamics of investment volumes in the fixed capital of agricultural industry in Ukraine

Indicators	2016	2017	2018	2019	2020	Deviation 2020 to 2016
Total investments in the country's economy, million hryvnias	359216	448462	578726	623979	508217	149001,0
Including agriculture, hunting and related services	49660	63400,7	65059	58555	50189	529,0
The specific weight of investments in agriculture in their total volume, %	13,82	14,14	11,24	9,38	9,88	-3,9
GDP (in actual prices) total, UAH billion	2385,4	2981,2	3560,3	3977,2	4222,0	1836,7
GDP (in actual prices) of agriculture, UAH billion	655,6	727,4	872,0	866,1	915,8	260,2
The specific weight of all investments in the GDP of the country, %	15,06	15,04	16,25	15,69	12,04	-3,0
Specific weight of investments in agriculture in GDP, %	7,58	8,72	7,46	6,76	5,48	-2,1

Source: created by the author:[2]

When analyzing the investment attractiveness of the industry, it is advisable to analyze the share of investments in the value of gross production. Thus, it is worth noting that the growth rate of gross output significantly outpaces the growth rate of investment, as a result of which the share of

investment in GDP is decreasing. The value of the produced gross products as a whole increased by more than 70%, and in the field of agriculture by almost 40%, which is evidence of positive dynamics. In general, the share of all investments in GDP during 2016-2019 had relatively stable dynamics, the decline was observed only in 2020. Whereas, the specific weight of investments in agriculture in GDP, the specified indicator in 2020 was 5.48%, which is the lowest indicator during the studied period (Table 1).

The investment climate of the agricultural sector is formed under the influence of positive and negative factors. Positive factors include: favorable natural and climatic conditions; favorable transport and geographical location; high potential for increasing productivity; availability of labor force. Negative factors include: imperfect regulatory and legal framework, spread of corruption, shadow economy; instability of tax and customs policy in relation to agricultural industry; high level of inflation and unstable exchange rate of the national currency, availability of export quotas [4,5].

Therefore, the volume of capital investments in the agricultural sector depends on various factors, most of which cannot be evaluated in quantitative terms, but which directly have a great importance in macroeconomic indicators.

Conclusion.

The investment attractiveness of agriculture is influenced by a large number of various factors. Their influence is not the same and static, but on the contrary, in different periods of time, this or that set of factors affects to one degree or another. Proceeding from the fact that in the conditions of a stable economy, the efficiency of the activity of agricultural enterprises determines their investment attractiveness, which determines the further ability to expand their creativity in the conditions of the late complexity of the child economy and the total economic supply as a whole.

Objectively, the radical increase in investment resources of the industry depends on active measures to ensure business efficiency. Finding mechanisms for increasing the volume of investment resources will really contribute to the development of business processes at the industry and regional levels and increase the efficiency of enterprises.

Therefore, in order to effectively develop the agricultural sector, significant investment income and ensuring the formation of a favorable investment climate are needed. Therefore, the state should provide an investment strategy for the development of Ukraine, which should be systematically aimed at agricultural production, which will ensure the country's security and the effective development of processing industries.

References:

1. Korovko O. A. (2018). Foreign investments in the economy of Ukraine. *Business newspaper*, № 5 (120), Pp12-18
2. State Statistics Service of Ukraine. [Electronic resource]. Access mode: <http://www.ukrstat.gov.ua/>
3. Spassky G.V. (2018) Investment attractiveness of agriculture. *Economy of agro-industrial complex*. №. 2. Pp. 30–36.
4. Tarasyuk M.V., Malyarchuk O.V. (2017) The current state of implementation of Ukraine's innovative policy and its financial support. *Economy and the state*. №o. 1. Pp. 19-24.
5. Zharun, O. V. (2018) Factors for revitalizing the investment climate in the agricultural sector. *Materials Vseukr. Science. conf. of young scientists of Uman*, Pp. 59–61.