UDC 339.727.22(477)-042.3:[332.146.2:477.87
DOI: 10.31339/2313-8114-2020-1(13)-147-151

Attracting Direct Investments in the Regions of Ukraine and Their Impact on the Economic Development of the Transcarpathian Region

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(Received: 13.01.2020, Revised: 15.02.2020, Accepted: 20.03.2020)

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Abstract. The relevance of the paper is conditioned upon the need to study the direct investment market, which is the basis for the socio-economic development of the country and its regions. The purpose of the paper is to study the scale of attracted direct investment (share capital) in the regions of Ukraine and the distribution of direct investment by type of economic activity in the Transcarpathian region, as well as to determine their impact on the development of the Transcarpathian region. To achieve this purpose, the author applied methods of analysing statistical data, comparing and summarising the results obtained. The paper examines the state and scale of attracted direct investment (share capital) in Transcarpathia and Ukraine in general. It has been established that increasing the volume and improving the efficiency of attracted direct investment are becoming the main factors of economic development. The paper considers the sectors of the Transcarpathian economy where investment revenues are directed, as well as the dynamics of changes in direct investment receipts for 2017-2019. The significance of attracted direct investments in the industrial sector of the Transcarpathian region, the volume of which is more than 80% of the total number of direct investments for each of the studied years, was confirmed. The author suggests increasing the volume of direct investment in the recreational industry of the region. Therewith, based on the geographical location of the Transcarpathian region, the importance of focusing on cooperation with countries bordering the region to increase the volume of attracted direct investment in the region's economy is substantiated. The results highlighted in the study show the importance of attracted direct investment for the development of the region's economy and the opportunities for their growth in the future are being reproduced, which is the practical value of a paper

Keywords: investment activity, investment attractiveness, socio-economic development, regional development, attracted investments

The Problem Statement

Attracting investment in the regional economy is one of the key factors for their socio-economic development since investment is a condition for creating new jobs, improving the standard of living of the population, improving infrastructure, etc. Based on this, it can be argued that for sustainable socio-economic development of the regions, it is necessary to increase investment revenues and improve investment activities in the regions. For the most part, it is the complete absence or insufficient volume of investment revenues that negatively affects the economic development of the regions. Different levels of investment income in the regions depend on many factors that potential investors may face.

Analysis of Recent Research and Publications

Considering the research of many Ukrainian scientists on attracting investment in the economy of the regions of Ukraine, it is worth noting that the chosen subject is relevant both at the state and regional levels. There are a number of scientists who were engaged in investment research, including O.R. Bakhmatiuk [1], H.V. Leshchuk [2], S.M. Tkach [3], K.L. Frolina [4]. Therewith, the achievements

Suggested Citation:
Hobrei, M.V. (2020). Attracting direct investments in the regions of Ukraine and their impact on the economic development of the Transcarpathian region. *Scientific Bulletin of Mukachevo State University. Series "Economics"*, 7(1), 147-151.

of J. Meisenbacher [5], M. Getzner, S. Moroz [6], K.M. Berezska, O.M. Berezsky, and V.V. Masliy [7] are important for the research. However, despite the research of many scientists, the issue of attracting direct investment to the regions of Ukraine and the Transcarpathian region in particular is relevant and requires in-depth study.

Purpose of the Study

The purpose of the paper is to analyse the volume of attracted direct investment (share capital) in the regions of Ukraine and the distribution of direct investment in accordance with the types of economic activity in Transcarpathia, as well as to study their impact on the development of the region in general.

Research Results

To minimise investment risks, Ukraine must diversify its investment portfolio, find ways to attract direct investment (share capital), provide potential investors with state guarantees and the freest conditions for doing business in the investment market. The investment attractiveness of regions is influenced by both socio-economic and political factors. To overcome the negative factors that affect attracting investment to the regions, it is necessary to minimise risks for potential investors, both internal and external (foreign). This will contribute to the socio-economic development of both the regions and the state in general [8]. For example, an investor who invests in enterprises by buying up their shares that are denominated in the hryvnia equivalent should expect a possible devaluation of the hryvnia against foreign currencies. Given the unstable political situation in the country, the financial crisis that begins on the world market due to falling oil prices and the pandemic caused by the COVID-19 virus infection, the risks of investing in almost all economic aspects are increasing not only for individual regions of Ukraine but also on the world market in general.

Considering each region as a separate economic unit, it should be considered that each of them builds its own investment policy to attract investment, which is aimed at those sectors of the economy that are dominant in the region. General Data for each of the regions regarding direct investment receipts (share capital) for 2017-2019 are shown in Table 1.

Table 1. Direct investment (share capital) in the regions of Ukraine for 2017-2019 (million USD)

Region	2017	2018	2019
Vinnytsia	198.9	222.5	236.7
Volyn	251.3	256.7	306.6
Dnipro	3 688.2	3 535.5	3 797.6
Donetsk	1 116.4	1 289.3	1 399.8
Zhytomyr	226.8	234.2	246.3
Transcarpathian	**325.1**	**343.3**	**360.9**
Zaporizhzhia	910.5	900.8	912.9
Ivano-Frankivsk	904.7	894.6	724.0
Kyiv	1 588.7	1 598.0	1 645.3
Kirovograd	70.1	69.3	74.7
Luhansk	438.0	437.2	447.2
Lviv	930.0	947.8	1 116.3
Mykolaiv	206.1	220.6	305.4
Odesa	1 202.6	1 251.7	1 279.3
Poltava	1 008.8	1 025.9	1 166.0
Rivne	134.2	130.4	134.6
Sumy	181.5	184.5	198.0
Ternopil	45.0	100.6	49.5
Kharkiv	638.3	652.5	762.5
Kherson	218.5	204.8	245.4
Khmelnytskyi	170.8	200.5	203.0
Cherkasy	335.7	329.8	357.2
Chernivtsi	42.6	45.6	53.0
Chernihiv	429.6	435.7	442.9
Kyiv region	16 343.9	17 393.1	19 344.3
Total	**31606.4**	**32905.1**	**35809.6**

Source: [9]

From the data shown in Table 1, it is evident that there is an increase in the indicators of direct investment in the region with each subsequent year in almost every region of Ukraine. The total amount of direct investment in Ukraine in 2017 was 31606.4 million USD, in 2018 – 32905.1 million USD, in 2019 – 35809.6 million USD [9]. This indicates an increase in direct investment with each subsequent year. Given this, the fact can be stated that the economy of Ukraine and its regions is becoming more attractive for investment every next year. As for the Transcarpathian region, the region's economy received 325.1 million USD in 2017, which is 1.03% of the total amount in Ukraine; in 2018 – 343.3 million USD, which is 1.04% of the total figure, and 360.9 million USD in 2019 – 1.01% of the amount of direct investment in the Ukrainian economy, respectively [9].

Ukraine and its regions have considerable investment potential. It is one of the largest potentially capacious markets in Europe and has rich natural resources; it has a high scientific and technical potential, as well as considerable agricultural potential [10]. To increase investment in economic sectors, it is necessary for the Ukrainian authorities to carry out coordinated work to improve Ukraine's reputation for direct investment, as well as create appropriate conditions for attracting them. A long-term investment promotion strategy is required. The main point here is to create an attractive investment climate and create an international image of the country as such, which provides investors with better opportunities than other countries [11].

At the regional level, attracting investment increasingly depends on the availability of production resources and developed infrastructure [12]. The implementation of measures to attract direct investment in the economy of the Transcarpathian region will contribute to the development of the economy, improve the investment climate of the region, and help to develop interregional and interethnic ties. The most favourable factor for improving the efficiency of attracting direct investment to the Transcarpathian region is that Transcarpathia is a border area. Common borders with the EU countries will improve cross-border cooperation, which will help to attract large amounts of investment in the regional economy [13].

For a larger overview of investment activity in the Transcarpathian region, the authors will consider attracting direct investment (share capital) in the economy of the Transcarpathian region by type of economic activity in 2017-2019. The largest direct investment receipts in the Transcarpathian region fall into the industrial sector, where revenues increased from 267001.5 thousand USD in 2017 up to 289499.1 thousand USD in 2019. Of the total amount of direct investment in the economy of the Transcarpathian region, the industrial sector accounts for more than 80% of each year studied. Direct investment in other economic activities is much smaller, which is shown in Table 2.

Table 2. Direct investment (share capital) in the economy of the Transcarpathian region by type of economic activity for 2017-2019 (thousand USD)

Type of economic activity	2017	2018	2019
Agriculture, forestry, and fisheries	2698.7	2721.9	2803.4
Manufacturing	267001.5	276370.7	289499.1
Construction	2137.3	1610.1	1661.8
Wholesale and retail trade, repair of motor vehicles and motorcycles	3280.7	8496.2	8527.0
Transport, warehousing, postal and courier services	20897.4	20954.9	21198.0
Temporary accommodation and catering services	6831.3	6627.2	6197.1
Information and telecommunications	12.6	13.0	14.0
Real estate operations	13813.3	16332.4	20752.9
Professional, scientific, and technical activities	313.8	1039.5	1228.7
Administrative and support service activities	7378.6	7118.3	6881.6
Health and social assistance	671.2	1035.0	1177.1
Arts, sports, entertainment, and recreation	10.7	11.0	12.3
Financial and insurance activities	*k*	*k*	*k*
Public administration and defence, compulsory social insurance	*k*	*k*	*k*
Education	–	–	–
Provision of other types of services	–	–	–
Total	**325053.7**	**343299.7**	**360883.2**

Notes: *k* – data is not published to ensure compliance with the requirements of the Law of Ukraine "On State Statistics" regarding the confidentiality of statistical information [14]

Source: [15]

For the sustainable economic growth of the Transcarpathian region, the existing recreational potential of the region can be separately highlighted, which needs to be developed and direct investment needs to be attracted there [16; 17]. In fact, the recreational sector is one of the most attractive for investors. It is necessary to fully use the recreational potential of the region, develop the tourism industry by opening new tourist routes, recreational facilities, and attract direct investment in this industry.

Conclusions

Given the current situation in the Transcarpathian region and in Ukraine in general, it can be concluded that it is advisable to increase the volume of attracted investments in the country's regions. The geographical location of the Transcarpathian region, which borders the EU countries, should be fully used. This will help to attract more direct investment in the region's economy, which, in turn, will help to saturate the labour market with new jobs and use the existing labour resources of the Transcarpathian region. In addition, it is essential to recall a rational regional and national policy in terms of investment activities, which should encourage foreign investors to invest in the regional economy as much as possible. Active implementation of investment activities with the right regional policy will help to develop an effective investment strategy for the region, which will allow creating a favourable investment climate to attract investment, in particular direct investment, which will ultimately improve the socio-economic situation in the Transcarpathian region.

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Залучення прямих інвестицій в регіони України та їхній вплив на економічний розвиток Закарпатської області

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Анотація. Актуальність статті визначається потребою в дослідженні ринку прямих інвестицій, які постають основою для соціально-економічного розвитку країни та її регіонів. Метою статті є вивчення масштабів залучених прямих інвестицій (акціонерного капіталу) в регіони України та розподілу прямих інвестицій за видами економічної діяльності в Закарпатській області, а також визначення їхнього впливу на розвиток Закарпатської області. Для досягнення поставленої мети автором було застосовано методи аналізу статистичних даних, порівняння та узагальнення отриманих результатів. У статті досліджено стан і масштаби залучених прямих інвестицій (акціонерного капіталу) в Закарпатті та Україні загалом. З'ясовано, що збільшення обсягів і покращення ефективності залучених прямих інвестицій стають головними чинниками економічного розвитку. Розглянуто сектори економіки Закарпаття, куди спрямовуються інвестиційні надходження, а також динаміку зміни надходжень прямих інвестицій за 2017–2019 роки. Підтверджено значущість залучених прямих інвестицій у сектор промисловості Закарпатської області, обсяг яких становить понад 80 % від загальної кількості прямих інвестицій за кожен із досліджуваних років. Автором запропоновано збільшувати обсяги прямих інвестицій у рекреаційну галузь регіону. Водночас на основі географічного розташування Закарпатської області обґрунтовано важливість зосередження уваги на співпраці з країнами, які межують з областю для збільшення обсягів залучених прямих інвестицій в економіку регіону. Результати, висвітлені в науковому дослідженні, показують значимість залучених прямих інвестицій для розвитку економіки регіону та відтворюються можливості їхнього зростання в майбутньому, що й становить практичну цінність наукової роботи

Ключові слова: інвестиційна діяльність, інвестиційна привабливість, соціально-економічний розвиток, регіональний розвиток, залучені інвестиції