

Problems and prospects of management of investment attractiveness of subjects of business

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Abstract. On the basis of the analysis of the scientific views of researchers, the essential characteristics of the category of “investment attractiveness” as an object of management are specified. According to the results of the study of macroeconomic indicators (GDP, gross fixed capital formation, financing of capital investments, financing of innovations, direct foreign investments), the current problems of investment attractiveness in the country are determined. The investment attractiveness of Ukraine is analysed in accordance with the international indices. The sequence of investment attractiveness management of business entities is proposed, where priority is given to the strategies of the financial regulation by the development of business entities. The urgency of the formation of a financial regulation strategy based on an estimation of investment attractiveness is substantiated. The priority directions of increase of investment attractiveness in the framework of realization of the strategy of financial regulation by development of the business entities, which stipulate the choice of sources of financing, optimization of the structure of capital, asset restructuring and financing of innovations are determined.

1 Introduction

Investment attractiveness of business entities plays a significant role in ensuring sustainable growth of the national economy. Attraction of investment resources creates opportunities for the strategic development of enterprises, financing innovative activity, and increasing the competitiveness of the business entities. Investment attractiveness is an indicator of the expediency of investing for the potential investors. Solving a complex of problems in the investment activity of the enterprise is connected with the substantiation of the perspective directions of development of enterprises and their financial support. Therefore, the investment attractiveness of business entities is an instrument for forming a financial regulation strategy for the development of business entities. The prerequisites that determine the relevance of building

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a financial regulation strategy based on the assessment of investment attractiveness include increasing the impact of globalization on financial security; lack of reasonable methods for making strategic decisions on financial management of enterprises; necessity of analysis of factors influencing investment attractiveness of business entities.

Problems of improving the efficiency of investment attractiveness management were investigated by many scholars, among them T.V. Mayorova, L.M. Aleksieienko, I.A. Blank, N.Yu. Bryukhovetska, Yu.V. Budnikova, I.M. Vakhovich, I.V. Alexandrenko, M.S. Zabedyuk, A.O. Yepifanov, H.A. Dehtyar, T.M. Melnik, I.O. Shkolnik, Ya.Ye. Zadorozhna, L. P. Diadechko, G.V. Kozachenko, O.M. Antipov, O.M. Lyashenko, G.I. Dibnis, N.P. Makarii, O.G. Melnyk, Yu.L. Logvinenko, S.D. Suprun, S.V. Yuchymchuk, L.O. Chorna, L. Ye. Furdychko [1-13]. Main attention in the research papers is devoted to the problems of analysis and evaluation of investment attractiveness of enterprises. However, there are a number of unresolved issues related to the need to explore tools for managing investment attractiveness, discussion of approaches to the formation of an investment strategy. This necessitates the formation of an investment attractiveness management system in the context of the strategy of financial regulation of the development of the business entities.

The main purpose of the research is to determine the theoretical basis for managing investment attractiveness of business entities, analysis of external factors of the country on the investment attractiveness of enterprises and the justification of investment attractiveness management tools for business entities.

2 The Main Part

To organize the management of investment attractiveness, it is necessary to investigate the scientific approaches to the interpretation of the essence of the concept of "investment attractiveness". Investment attractiveness at different levels of the economy remains an actual object for scientific research. Investigating the genesis of the category of "investment attractiveness", we can conclude that there are various dominant approaches [1-13]. Most scholars consider investment attractiveness as a set of indicators of enterprises, which determine for the investor the most desired values of investment behaviour. However, it is not possible to ignore such important issues as the impact of external factors at the country and region level. The analysis of scientific approaches to the essence of the category "investment attractiveness" [1-13] allowed to single out the essential features inherent in the investment attractiveness of the business entities:

1. Set of factors of external and internal environment of the business entities, taking into account the investment attractiveness of the country and the region of operation, affecting the possibility of attracting investment resources. From the investor's point of view - these are the terms of investment that affect the choice of the investment object.

2. Integral characteristics of resource efficiency, asset liquidity, solvency and financial sustainability, as well as the value of a number of qualitative indicators.

3. Ability to develop on the basis of increase of profitability of invested capital and technological level of production. That is a dynamic category that characterizes a certain vector (or system of vectors) of enterprise investment development.

The indicated intrinsic features are the basis for building an investment attractiveness management system for business entities.

Management of investment attractiveness of business entities is a system of instruments and measures of purposeful influence on the factors of enterprises activity in order to ensure investment attractiveness in the long-term.

Management of investment attractiveness of business entities as a system contains goals, objectives, criteria, constructed in such a way that factors of the macro level are taken into account.

The main internal factors influencing investment attractiveness are: corporate benefits; the availability of financial resources necessary for the development of production and increase sales; financial and economic condition; the pace of innovation development.

2.1 The External Factors of Investment Attractiveness Management of Business Entities

The external factors of investment attractiveness at the country level are: gross domestic product (GDP), gross fixed capital formation, level and sources of financing of capital investments and innovations, foreign direct investment.

An objective basis for the development of business entities and improvement of investment activity in the country should be an increase in GDP. According to the State Statistics Committee, a gradual decline in GDP in the period 2012-2015 and a slight increase in 2016 and 2017 are observed. Gross capital accumulation reflects investment in tangible and intangible assets of business entities and serves as the main source of implementation of the model of innovative economic development and should be implemented within certain limits at the level of 20-25% of GDP. In terms of accumulation rates below 10% of GDP, economic development is practically absent. The gross accumulation of fixed capital in the structure of GDP is low and there is a tendency towards a decline in the indicator in 2012-2015 from 18.9% to 13.6% [14]. In 2016-2017 there is a slight increase of 16% and 15.5%, respectively, which does not provide the need for modernization of the economy and leads to a reduction in the financial potential for future capital investments.

Investigating the dynamics of sources of financing for capital investment, it is appropriate to focus on financing the reproductive processes of the development of business entities. The main place in financing of capital investments during the years 2012-2017 is occupied by own funds of enterprises, the share of which varied in the range of 62.6-70.5%. The structure of capital investments by types of assets is characterized by a predominance of investments in tangible assets (93.3 to 96.7%); by types of economic activity - domination of investments in industry (35.3 to 36.3%); by types of industrial activity - in the processing industry (45.8 to 52.8%) [14]. Insignificant investments in intangible assets (3.3% to 6.7%) do not promote increase of business reputation and market capitalization of business entities. According to statistics, the main source of financing of innovation activity of business entities remains its own funds, the share of which in 2012 was 63.9%, in 2015 – 97.2% (maximum value), in 2017 – 84.5 % [14]. Financing of innovative projects at the expense of the state budget is insignificant and makes up 0.3-4.5% of the total investment, while foreign investors account for 0.1-13.1%.

In the economy of Ukraine, foreign investors from 76 countries of the world have invested \$ 1630.4 million direct investment (equity). Significant inflows of foreign direct investment in 2017 were directed to financial and insurance activities - 26.4% and industrial enterprises - 27.3%. The main types of economic activity according to the criterion of mastered capital investments are: industry – 33.2%, agriculture, forestry and fisheries – 16.1%, construction – 13.9% [15].

The study of the international practice shows that there are different methods of assessing the investment attractiveness of countries that are dependent on macro-factors: the state and development of the country's financial and economic system, represented by the main macro indicators; state investment policy: privileges and priorities in industrial and financial markets; development of foreign economic relations; loyalty of legislation on foreign investment resources; and state support of innovation and investment spheres.

In the international practice, the assessment of investment attractiveness is based on the use of the business index, BDO investment attractiveness, UNCTAD investment attractiveness and EBA investment attractiveness [16] (Table 1).

The results of the analysis of the international indices of Ukraine's investment attractiveness show a slight improvement in the investment climate. The slow pace of socio-economic reforms, the unstable political situation in Ukraine, high interest rates on loans, and the corruption of power lead to risky investments. The development of business entities in Ukraine has the prospect of attracting foreign investment resources and improving investment attractiveness.

Table 1. Investment attractiveness of Ukraine in the international assessments

Indicator	Organization	Maximum value	Value				
			2013	2014	2015	2016	2017
Ease of Doing Business Index	World Bank	190 (rating)	137	112	96	83	80
International Business Compass index	International consulting company BDO	174 (rating)	99	109	89	130	134
EBA Investment Attractiveness Index	European Business Association	5	1.81	2.5	2.57	2.85	3.15

Source: [17-19]

2.2 Process of Management of Investment Attractiveness of Business Entities

Management of investment attractiveness of business entities is represented by the following stages (Fig. 1). The main objective of the management is to provide investment attractiveness, which will help to increase the market value of business entities.

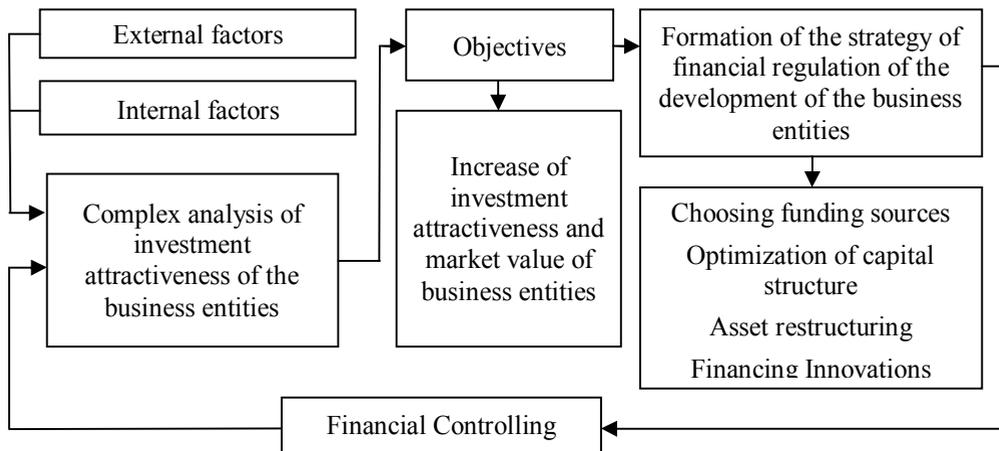


Fig. 1. The sequence of investment attractiveness management of business entities.

Source: compiled by the authors

The complex analysis of investment attractiveness is oriented on the formation of information for substantiation of the parameters of the strategy of financial regulation of the development of business entities. The basis for the formation of investment resources is the own and attracted capital of business entities. Potential opportunities to attract investment determine: gross capital accumulation, availability of free financial resources in the country and region,

financial position of the enterprise. The enterprises are more attractive to the investor, provided they have a stable financial position, growth of the rates of basic financial indicators, and business reputation. Therefore, the basis for a comprehensive analysis of investment attractiveness is the methods of index analysis and integrated assessment. The aggregate estimation of investment attractiveness of business entities is calculated on the basis of integral indicators of investment attractiveness at the level of the country, region, and business entities.

Ensuring investment attractiveness is possible provided that the strategy of financial regulation of the development of business entities is effectively implemented. The strategy of financial regulation of the development of business entities is a strategic plan for financing the development of the enterprise, which provides an opportunity to assess the investment attractiveness of business entities in the long run.

When forming a strategy of financial regulation of the development of business entities, it is necessary to take into account the following features of investment activity: the formation of a long-term investment plan and a long payback period of the investment project; a significant amount of both own and attracted investments, includes an innovative component. Such a strategy should be aimed at an optimal structure of the financial potential, reduction of investment risks and determination of key areas of development of business entities. The choice of the financial regulation strategy for the development of the business entities is carried out according to the criteria of economic added value and risk.

Within the framework of the strategy of financial regulation of the development of business entities, the directions of increasing the investment attractiveness of the enterprise are determined, taking into account changes in the external and internal environment. The activities are carried out in the following areas.

1. Choosing funding sources. In the process of selecting sources of funding, consideration should be given to: methods for attracting investment resources; methodology of evaluation and selection of investment projects, investment activity tools of the enterprise. The choice of funding sources is preceded by the definition of the need for short- and long-term capital, taking into account new projects and identifying possible changes in the composition of assets and capital.

2. Optimization of the structure of capital. The optimal ratio of own and borrowed capital and the form of attraction of these resources taking into account the influence on the investment attractiveness of the enterprise are determined. Such measures are: a change in the volume of borrowed funds, replacement of short-term resources in the long-term and vice versa, increase (reduction of authorized capital), reduction (increase in the number of shares), replacement of borrowed funds with its own resources. The main purpose of these measures is to fulfil the conditions of financial equilibrium, reduce the cost of raising capital, and increase the manageability of the owners of the enterprise.

3. Restructuring of assets is aimed at asset renewal, cost optimization, and increased return on investment capital. The measures are carried out for all components of the assets structure: non-current assets, current assets, cash and financial investments. The measures include acquisition and renewal of fixed assets, write-off (sale) of unused assets, outdated assets, reduction (increase) of stocks, optimization of receivables. Under conditions of optimization of the financial investments, their term, volume, profitability change.

4. Financing Innovations. These measures are aimed at increasing competitiveness and expanding the range of products through the introduction of innovative technologies, which ultimately leads to an increase in the investment attractiveness of the enterprise.

Realization of the strategy of financial regulation of the development of business entities allows attracting investments in the necessary volume, improving the efficiency of management, increasing the market value of the enterprise.

3 Conclusions

Investment attractiveness of business entities is the integral characteristic of the investment object from the standpoint of development prospects. As a result of the conducted research, the sequence of management of investment attractiveness of business entities was substantiated, where the strategy of financial regulation was determined by the development of business entities. A comprehensive analysis of the investment attractiveness of business entities is based on the integral indicators that characterize the investment attractiveness of the country, region, and enterprises. It is proved that the strategy of the financial regulation by the development of business entities should be formed and implemented in accordance with the vector of enterprise development and the possibility of attracting investment resources.

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