

**Iryna Yasinovska**

Ivan Franko National University of Lviv

**Sofia Smolinska**

Ivan Franko National University of Lviv

DOI: 10.23734/23.18.045

## Improvement of investment activity of enterprises

### Abstract

The article substantiates the main ways of activating investment activity of enterprises. The ways of formation of investment resources of enterprises are presented. The estimation of state regulation of investment activity is given. It is determined that state regulation of investment activity of enterprises should be based on three groups of methods: economic, organizational and legal. The peculiarities of formation of investment policy at enterprises are explained. The main methods of financing investment projects are described. The emphasis is placed on project financing as one of the most important types of financing of investment activity of enterprises.

### Keywords

investment activity, state regulation, enterprises, activation, financing, financial resources

## Introduction

The country's investment potential, as well as financial, is influenced by various factors and is characterized by a number of macroeconomic indicators such as economic growth, inflation, consumer demand, employment rate, profit margin, credit rates, and the presence and structure of factors of production, the level of infrastructure development, the competitive advantages of the state, its role in world trade and the international division of labor, etc. The investment priorities of reform and development can provide the further dynamics and competitiveness of the entire economy. The main problem of investment development – the sources of investment<sup>1</sup>.

Active investment activity of enterprises is a guarantee of their stable development and achievement of high results. The volume of investments depends on the material and technical state of enterprises, the availability of resources, the qualitative composition of labor resources, the quantity of products, as well as the level of profitability.

---

<sup>1</sup> I. Yasinovska, K. Sytnyk, *Actual problems of improving the investment attractiveness of Ukraine's economy*, Naukovyi visnyk NLTU Ukrainy, Lviv 2011, Vol. 21.12, pp. 303–308.

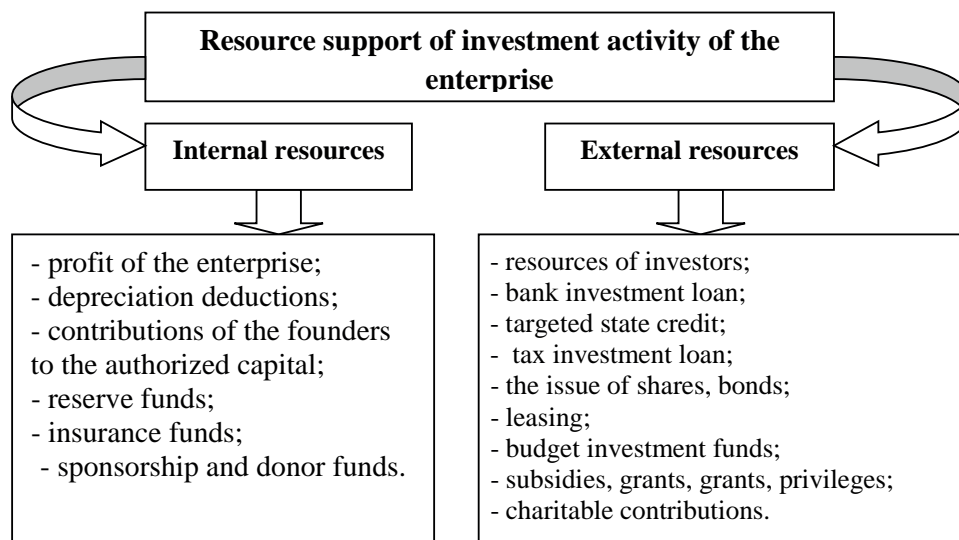
It is profitable enterprises that can be active participants in the investment process and the most attractive subjects of credit relations. Active investment activity of enterprises allows accelerating the rate of reproduction of production facilities. In turn, this process depends on the adoption of investment decisions by business entities, which are based on information on the attractiveness of investment objects. Investment activity of enterprises depends on various natural-climatic, social, economic, financial and other factors. In the conditions of reforming the national economy, there is an urgent need to study the investment climate of the functioning of enterprises taking into account regional peculiarities. All this testifies to the need to increase attention to the development of theoretical and methodological approaches and practical recommendations for the intensification of investment activity of enterprises.

### **Investment resources as an important factor of investment activities of enterprises**

Effective investment activity in any industry is determined by the rational use of investment resources. Formation of investment resources is an important component of the investment and general financial strategy of the enterprise, as well as the initial condition for the implementation of the investment process at all its stages. The main purpose of forming investment resources of an enterprise is to meet the needs for the acquisition of necessary investment assets and to optimize their structure from the point of view of ensuring the effective results of investment activity. Increasing the efficiency of managing investment activities of enterprises is limited by a number of factors, in particular, the conditions of the social and political environment, the level of qualification, etc. Eliminating the negative impact of various factors is a prerequisite for improving the efficiency of investment management and investment attractiveness of the industry. Taking into account the reasons for low investment attractiveness of enterprises allows to objectively evaluate their investment activity. There is no rigid linear sequence of stages of investment activity, caused by the peculiarities of the structure of enterprise management, the size of projects, the limited information.

Investing in the business process is necessary. The main methods of financing investment activities are self-financing, corporatization, debt financing, subsidy financing, mixed financing.

**Figure 1. Resource support of investment activity of the enterprise**



Source: based on <http://dspace.tneu.edu.ua/bitstream/316497/10442/1/%D0%96%D1%83%D1%80%D0%B0%D0%B2%D0%B5%D0%BB%D1%8C%20%D0%AE..pdf>, p. 94 [access 25.06.2018].

Ways to increase the investment resources of enterprises:

- the increase of profitability of enterprises and possibilities of self-financing, that is, the realization of own investments;
- creation of sectoral and inter-sector depreciation funds on the basis of economically sound standards of depreciation;
- Issuance of securities for specific projects for the broad attraction of funds of enterprises and population;
- expansion of mortgage lending;
- the attraction of funds from extrabudgetary and innovative funds, insurance companies, commercial banks, domestic investment loans;
- use of foreign investments, credit lines, and loans from international financial institutions, etc.

The development of the securities market is of paramount importance for increasing the innovation potential of the economy, as the activation of the stock market creates additional opportunities for attracting investment capital through the additional issue of shares. In addition, the possibility of attracting a bank loan depends on the exchange rate of the company's shares, that is, the development of the stock market. Conversely, lowering quotes in the stock market slows production development, reduces the ability for companies to raise funds with a new share issue<sup>2</sup>.

<sup>2</sup> O. Hnatkovich, S. Smolinska, *Ways of activating entrepreneurship in the securities market of Ukraine*, Naukovyi visnyk NLTU Ukrainy, Lviv 2010, Vol. 20.5, pp. 169–173.

The most attractive method of financing investment projects is self-financing, which is carried out solely at the expense of the company's own internal funds, which include: net profit, depreciation deductions, insurance indemnities, immobilized surpluses of fixed and working capital, intangible assets, etc. Such a method of financing includes the possibility of an enterprise to reimburse costs, to make material incentives for employees at the expense of the received income, to solve social development issues and to provide for expanded reproduction and development of the enterprise.

The process of revitalization of investment activity of enterprises is determined by their willingness to make investments. This readiness is expressed in the perfection of economic relations in enterprises, proper organization, payment and motivation of labor, qualifications of employees, an acceptable period of return on investment.

## **State regulation of investment activity**

Importance in the investment activity of enterprises belongs to the regulatory policy of the state.

Recognizing the important role of the state in the transitional (transit) economy, it is important to find the optimal combination of direct and indirect regulatory methods that would, on the one hand, stimulate priority areas (spheres, industries, production) and, on the other hand, minimally harm competition<sup>3</sup>.

Experience of other countries shows that one of the most important areas to improve the financial mechanism of investing innovation in times of crisis is, above all, increased regulation of capital investment on the part of the state, which is accompanied by a re-prioritization of public investment and improving procedures requires the allocation of budget funds to implement certain strategic priorities, creating conditions of economic restructuring on the basis of innovation based on existing scientific, technological and innovation capabilities<sup>4</sup>.

State regulation of investment activity of enterprises is implemented through the application of economic, organizational and legal instruments. Under economic methods, we understand the combination of tax, credit, depreciation, innovation, pricing policies, as well as policies for the formation of human capital. Ensuring reproduction of fixed assets at enterprises is the main function of depreciation policy. The amortization policy should be directed at restoring the material-resource base of the enterprise, technological re-equipment by introducing the results of scientific and technological progress. In our

---

<sup>3</sup> I. Pasinovych, O. Sych, *Modernization of mechanisms of state regulation of economy of Ukraine*, <http://fkd.org.ua/article/view/128472/124964> [access 25.06.2018].

<sup>4</sup> S. Paranchuk, A. Korbutyak, *Problems investment support innovative development of the national economy and solutions*, "Econtechmod an international quarterly journal" 2013, Vol. 2. No. 4, pp. 53–60.

opinion, it is expedient to implement amortization policy by the proportional growth of depreciation rates to increase the market value of depreciated facilities. Enterprises should independently form a depreciation policy taking into account the specifics of their own activities.

The tax policy of the state is realized by using different types and forms of tax incentives for improving investment activity. It is often effective to provide enterprises with a tax investment loan when enterprises are exempted from paying a profit tax on that part of their income, which is aimed at expanding and improving their own production. The amount of income tax paid must depend on the effectiveness of the investment. Tax cuts should be accompanied by a diversification of tax rates, and the discounts themselves should be provided for targeted results.

Quite often, enterprises due to lack of own funds have to hope for state support. This necessitates the lending of their activities since successful operations without credit resources in the modern conditions is practically impossible. This is due to the specifics of the production process when there is a situation of lack of available financial resources.

In the economically developed countries of the European Union, there is a well-developed credit system that stimulates the effective development of credit relations and credit provision. The situation in agriculture is indicative. Thus, the countries with the highest share of debt in the agrarian capital include England and Germany – about 50%, France – more than 40, Italy and Belgium – more than 30%. In EU countries, 40% of farms depend entirely on attracting borrowed funds and only 25% of farms do not have bank loans<sup>5</sup>.

In order to improve the credit policy and improve the financial security situation, long-term loans should be granted to producers on a preferential basis. At the expense of loans received at reduced interest rates, they will be able to carry out technical and technological re-equipment of production and significantly increase the volume of competitive products.

In particular, in order to intensify the investment activity of enterprises at the state level, it is necessary to implement the following measures: to support individual bank programs with low interest rates on long-term loans; with the help of state regulatory policy, to help terminate the start of repayment of such loans for the third or fourth year of their use.

Along with the long-term need to promote the development and short-term bank lending. Long-term and short-term bank lending should contribute to the development of investment activities of enterprises. It should be noted that production mainly requires

---

<sup>5</sup> O. Ihnatenko, *Investment lending for the agro-industrial complex: theory and practice*, <http://www.msu.edu.ua/visn/wp-content/uploads/2018/01/2-8-2-2017-3.pdf> [access 25.06.2018].

the attraction of long-term bank loans, but the use of short-term bank loans is more affordable, which can not but affect the overall economic situation in one or another industry. In this regard, it is necessary at the state level to implement a policy of cheapening loans. Release due to the mechanism of cheapening short-and long-term lending by partial compensation by the state of the rate on a producer loan part of the funds, along with other investments, should be aimed at improving the conditions of production.

Thus, the issue of lending to producers, which is the source of their investment activity, is always open, and an important role in its solution belongs to the state. After all, the provision of substantiated loans to enterprises allows not only to upgrade the material and technical base but also to stimulate the process of innovation.

The state of the country's economy as a whole and the investment climate, in particular, well reflects the country's place in international ratings (Fig. 1). From Figure 1 it is clear that Ukraine is considerably inferior to the countries of the European Union in a place in international ratings, indicating the problems of creating an effective investment climate in the country.

**Fig. 1 The ranking of individual countries in international ratings in 2017**

	The Global Innovation Index	Doing Business	Index of Economic Freedom	Corruption Perceptions Index
Bulgaria	36	39	47	71
Estonia	25	12	7	21
Germany	9	17	25	12
Latvia	33	14	28	40
Lithuania	40	21	19	38
Poland	38	24	45	36
Slovakia	34	33	59	54
Czech Republic	24	27	24	42
Ukraine	50	80	150	130

Source: based on [www.globalinnovationindex.org](http://www.globalinnovationindex.org), <http://www.doingbusiness.org>, <https://www.heritage.org>, <https://www.transparency.org> [access 24.06.2018].

The efficiency of enterprise investments is substantially increased as a result of the implementation of innovative projects. In many cases, such projects related to the updating of the material and technical base can effectively be financed only by large enterprises. Therefore, small and medium enterprises usually need state credit support for innovative projects. Simplification and cheapening of access of enterprises to innovation are facilitated by their participation in cooperative forms of joint use of technical means,

supply and sale cooperatives, commodity associations, cooperation with research institutions, advisory services, etc.

In many countries, there is no single common mechanism for investing in innovation. There are situations when not one state program and concept was adopted, but this did not lead to the active introduction of innovative developments in the production process of enterprises. Often, the reason that constrains private investors to invest their entire capital in innovation is the lack of legal safeguards for the return of their own savings. Therefore, there is a need for practical recommendations on increasing the investment attractiveness of innovative enterprises.

The greatest asset of the real economy is a skilled and healthy worker. An independent director of the regulatory policy of the state should be a policy of formation of human capital. This sphere of state regulation should be implemented through the creation of conditions for the use of knowledge, skills, work experience and creative potential of persons who are directly related to the activities of the enterprise.

An important direction in stimulating economic development is the disorderly flow of information flows. It is worth paying particular attention to the formation of an information system for each branch of the economy, the data of which will be constantly updated. It is advisable to create and operate regional and local advisory centers that are closely interconnected by a single information network.

## **Formation of investment policy at enterprises**

Along with the state regulation of investment activity of producers, effective implementation of investment policy at the enterprises is necessary. In this context, it is important to focus on applying a strategic approach to decision making, which involves the development of an investment strategy based on a specially designed investment policy of the enterprise.

In order to improve investment activity and increase its efficiency, enterprises, depending on their economic situation, should form different types of investment strategies. Thus, for enterprises with unsatisfactory financial condition and insufficient level of solvency, where up to 60% of the assessed indicators correspond to the normative values, it is proposed to form an investment strategy for conservation, which involves supporting the existing resource potential of the enterprise and preparing the basis for ensuring future enhanced capital reproduction.

For enterprises with a satisfactory financial condition, where 61-80% of the estimated indicators correspond to normative values, it is expedient to develop an investment

strategy of moderate growth, the main purpose of which is the gradual increase of production volumes and ensuring its efficiency.

Companies with high financial sustainability, in which 81–90% of the estimated indicators correspond to normative values, it is necessary to form an investment strategy of accelerated growth, which allows obtaining long-term competitive advantages through complex technical re-equipment and modernization, improvement of the system of investment management, training of personnel and formation of human capital.

Formation of an effective investment strategy requires the development of an investment management system. In small enterprises with a small amount of investment management of investment activity must be performed by its manager or owner. In the middle, these functions can be executed by managers and specialists, and in the big ones, where investments are most actively invested, an investment manager is needed and, if necessary, an investment unit.

The new tasks of strategy require new requirements of the company to the competencies and competencies of the staff. It is about strategic vision, statement of current tasks, development of strategic alternatives, strategic analysis, etc. They have to provide the results of preliminary training in general and formulate typical tasks of professional activity. It is said that the results of the preliminary training form the basic level of competence of the managerial staff that will carry out the strategy at the enterprise, and the typical tasks of professional activity indicate additional competencies that can be divided into groups according to: innovative management on theoretical understanding and application of tools in the directions: innovation, innovation renewal, innovation activity, innovation process and its elements, innovation development, innovation activity, innovative solutions, innovation products, innovation cycle, functions of innovations, psychogenetic laws of innovation development, innovation, innovative, active and innovation-oriented enterprise; investment management on theoretical understanding and application of tools in the areas: investments, and their types of investment activity (its forms, objects and subject), investment, investor, participant in investment activity, investment market, investment cycle, investment cycle phases, investment process, investment complex<sup>6</sup>.

The global movement of financial capital, increased competition between financial and credit institutions, the emergence of new opportunities in the development of the financial market, crisis situations – the main reasons for the need to invest in those areas that require investment resources. Accordingly, in the presence of scarce resources,

---

<sup>6</sup> L.M. Karpenko, *Structural content of manager's professional competences in the strategy coordinates of enterprise development: innovative approach*, "Economics and management organization" 2017, №3(27), pp. 39-50.



investors should pay attention to such methods of financing investment projects as project financing. This should be taken into account in the strategy of enterprise development.

Project financing is a system of financial, credit and contractual relations of project participants using elements of financial engineering that differs from other methods of financing by a set of features related to the nature of the projects for which it is used, provided that sources of debt repayment are exclusively monetary project flows<sup>7</sup>.

Identify several features of project financing that make it possible to distinguish it as a type of investment activity:

- Investment risk is distributed among all actors involved in the project implementation (ie, it risks not only the bank that provided the funds but also the entrepreneur who plans to raise funds for the developing business);
- Availability of a detailed business plan backed up by a package of financial assessments, on the basis of which the investor makes a decision on the provision of funds.

Project financing has a number of advantages compared to other investment project financing schemes. The main advantages of project financing for enterprises are: the main condition for project financing is the project itself; in the main, the terms of lending to investment projects exceed the typical banking products, and the interest rate is lower; the project is the main source of financing for project financing.

The use of project financing allows to reduce the costs of repayment of debts in the implementation of investment projects, establish long-term relationships with suppliers of raw materials and materials, reduce the risks associated with the supply of equipment, the introduction of objects in operation, provide sponsored facilities to support international financial organizations.

Project financing provides ample opportunities for the development of export-import operations, such as those related to lending for future products. It is from such schemes that the project financing takes its beginning. The first mechanisms of this kind were involved in the development of oil fields in the United States. Thus, the funds necessary for the development of oil fields were provided by the bank for credit for oil reserves. The loan was repaid from income received from sales<sup>8</sup>. The Ukrainian project finance market in the future will move towards convergence with its Western counterparts. From these positions, one can expect an increase in the scale of projects funded under

---

<sup>7</sup> T.V. Maiorova, O.O. Liakhova and other, *Project financing*, Kiev 2017, 434 p.

<sup>8</sup> O.O. Smirnova, *Project financing in Ukraine: the current state and possibilities of applying foreign experience*, [http://nbuv.gov.ua/UJRN/Foa\\_2013\\_2\\_17](http://nbuv.gov.ua/UJRN/Foa_2013_2_17) [access 16.06.2018].

this scheme, an increase in borrowings, an increase in the share of debt capital and the use of new schemes<sup>9</sup>.

The mechanism of management of innovation and investment activities aimed to improve the economic, organizational, technical and scientific processes. The result of the activities of a managed object is dependent on the accuracy and consistency of these processes. Any process, any activities you want to manage. Continuity of management is provided at the junction of the processes that, in turn, gives the opportunity to achieve the planned results. The result of the innovative-investment activity of the enterprise is to develop a mechanism for the management of this business. Entrepreneurial activity requires funds – investment. Investment opportunities for companies define innovation. Innovation today brings together scientific and technical development, management and economics. Enterprises that innovate, gain competitive advantage, thereby displace competitors from the market and win the competition<sup>10</sup>.

## Conclusion

Thus, activation of investment activity of enterprises is possible provided that a favorable investment climate in the industry is created, that is, an environment formed by the influence of political, economic, social and other factors that determine the conditions of investment activity in the state and the degree of risk of investing in the industry. Support for investment processes of enterprises should become one of the priorities of state policy in order to increase the efficiency and competitiveness of domestic production of goods (works, services). Applying different mechanisms of state regulation of investment activity, one should take into account the level of development of the national economy, the state of the scientific and technical sphere, the legal basis, the level of risk and objectives, interests and requirements of investors, flexibly combining the above components among themselves.

---

<sup>9</sup> O.S. Kobychева, *Problems and prospects for development of banking project financing in Ukraine*, [http://essuir.sumdu.edu.ua/bitstream/123456789/54628/5/Kobycheva\\_Proektne\\_finansuvannia.pdf](http://essuir.sumdu.edu.ua/bitstream/123456789/54628/5/Kobycheva_Proektne_finansuvannia.pdf) [access 16.06.2018].

<sup>10</sup> V.V. Kandeeva, *Formation mechanism of innovation and investment activities of industrial enterprise*, „Theory and practical aspects of economics and industrial enterprises management”, <http://economics.opu.ua/files/archive/2015/No3/76-82.pdf> [access 15.06.2018].

## References

### Literature

- Hnatkovich O., Smolinska S., *Ways of activating entrepreneurship in the securities market of Ukraine*, Naukovyi visnyk NLTU Ukrainy, Lviv 2010, Vol. 20.5, pp. 169–173.
- Honcharov Y.V., *Managing project financing of a commercial bank*, “Actual problems of the economy” 2009, № 9 (99), pp. 196–209.
- Karpenko L.M., *Structural content of manager’s professional competences in the strategy coordinates of enterprise development: innovative approach*, “Economics and management organization” 2017, №3(27), pp. 39-50.
- Maiorova T. V., Liakhova O. O. and other, *Project financing*, Kiev 2017, 434 p.
- Paranchuk S., Korbutyak A., *Problems investment support innovative development of the national economy and solutions*, “Econtechmod an international quarterly journal” 2013, Vol. 2. No. 4, pp. 53–60.
- Yasinovska I., Sytnyk K., *Actual problems of improving the investment attractiveness of Ukraine’s economy*, Naukovyi visnyk NLTU Ukrainy, Lviv 2011, Vol. 21.12, pp. 303–308.

### Internet

- Andriichuk F.Y., *Project financing of foreign economic activity in a crisis*, [http://nbuv.gov.ua/UJRN/ecde\\_2010\\_4\\_22](http://nbuv.gov.ua/UJRN/ecde_2010_4_22) [access 11.06.2018].
- Corruption Perceptions Index 2017, [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2017#table](https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table) [access 24.06.2018].
- Doing Business 2017, <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2017-Full-Report.pdf> [access 24.06.2018].
- Ihnatenko O., *Investment lending for the agro-industrial complex: theory and practice*, <http://www.msu.edu.ua/visn/wp-content/uploads/2018/01/2-8-2-2017-3.pdf> [access 25.06.2018].
- Index of Economic Freedom 2017, <https://www.heritage.org/index/ranking> [access 24.06.2018].
- Kandeeva V.V., *Formation mechanism of innovation and investment activities of industrial enterprise*. Theory and practical aspects of economics and industrial enterprises management, <http://economics.opu.ua/files/archive/2015/No3/76-82.pdf> [access 15.06.2018].
- Kobycheva O.S., *Problems and prospects for development of banking project financing in Ukraine*, [http://essuir.sumdu.edu.ua/bitstream/123456789/54628/5/Kobycheva\\_Proektne\\_finansuvannia.pdf](http://essuir.sumdu.edu.ua/bitstream/123456789/54628/5/Kobycheva_Proektne_finansuvannia.pdf) [access 16.06.2018].
- Pasinovych, I., Sych O., *Modernization of mechanisms of state regulation of economy of Ukraine*, <http://fkd.org.ua/article/view/128472/124964> [access 25.06.2018].

Smirnova O.O., *Project financing in Ukraine: the current state and possibilities of applying foreign experience*, [http://nbuv.gov.ua/UJRN/Foa\\_2013\\_2\\_17](http://nbuv.gov.ua/UJRN/Foa_2013_2_17) [access 16.06.2018].

The Global Innovation Index 2017, <https://www.globalinnovationindex.org/> [access 24.06.2018].

Zhuravel Y, *Investment resources for modernization of the national economy*, <http://dspace.tneu.edu.ua/bitstream/316497/10442/1/%D0%96%D1%83%D1%80%D0%B0%D0%B2%D0%B5%D0%BB%D1%8C%20%D0%AE..pdf> [access 25.06.2018].