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## **SCIENTIFIC BASIS OF INVESTING AGRARIAN SPHERE**

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*The article deals with the scientific basis of investing agrarian economy of Ukraine. The emphasis is on the nature of the investment, the investment climate and the attractiveness of the agricultural sector. It is specified on the relevance of developing effective investment strategies for agricultural sector. It is proved that the creation of favorable conditions for investors improves the work of the financial system in the country. The factors that form and affect the investment climate are studied. Measures, aimed at disclosing and strengthening of investment potential of country are proposed.*

**Keywords:** *investment, investment climate, strategy, agricultural sector.*

**Introduction.** For economy of Ukraine agricultural sector is essential, due to its large size and vital importance. The subject of purchase and sale here is agricultural production and foodstuffs. State of agricultural market directly affects the well-being of every citizen and food security of the country. All this proves its relevance and importance to the economy of Ukraine. State of agricultural market directly affects the well-being of every citizen and food security of the country. All this proves its relevance and importance to the economy of Ukraine.

Problem solving of transition of the agricultural sector on the path of sustainable development in the context of globalization is limited by the ability of developing some sectors of agro industrial complex. Especially it concerns integration processes aimed at the development of innovations that can provide updates of technical, technological and organizational basis of agricultural production and obtaining new competitive products.

**Analysis of recent researches and publications.** Research problems and challenges of investing has always been the focus of economic science. Works of famous Ukrainian scientists are devoted to the issue of investing – Ermakov O. [1], Kisil M. [1], Chornodon V. [1], Pitel N.[2], Pavlenko I. [3], Sukhorukov A. [4], Varyanychenko O [3]. and others. Own views on the development of modern

investment theory have Castle E. [5], Becker M. [5], Nelson A. [5], Pisano G. [6], Shuen A. [6], Teece D. [6] and other foreign scholars.

**Previously unsettled problem constituent.** This is because investments affect the depths of basics of management, defining the process of economic development in general, but despite their popularity as a subject of research, a unified approach to determine the nature and economic content has not been defined yet. In modern literature their definitions are diverse: identified, do not have enough clear set of elements and characteristics by which are described and evaluated, or their interpretation is too narrow.

**Main purpose of the article.** Before we reveal the essence of the category of “investment” it is necessary to consider its basic elements.

**Results and discussions.** Investments – one of the most commonly used in the economic system of categories of both macro and micro levels.

Macroeconomics examines “investments” as part of expenses which include costs for new production facilities, housing and increase of stock that is investments – a share of GDP, which was not consumed in the current period, and provided growth of capital in the economy [6, 7].

At the micro level investments into the development of economic property are costs on: wages, improving pricing process, property management, issue of shares, payment of dividends, etc. From the perspective of microeconomics investments are “the process of creating a new capital (including both capital goods and human capital)” [5, 6].

We analyzed the scientific studies of the American scholars in the field of agribusiness E. Castle, M. Becker and A. Nelson which research the concepts of the nature of investments. They understand under investments additional investments in fixed and circulating assets in the process of business [5]. Moreover, economists of the agricultural sector share these investments into four categories:

- 1) replacement of physical or obsolete equipment;
- 2) introduction and development of new technologies and mechanization in order to reduce costs and increase revenues;
- 3) expansion of existing businesses and manufacturing facilities;
- 4) development of new industries.

We agree with this idea that in agribusiness including agriculture investing feature is that the effect of it is not felt immediately, as opposed to the current capital investment.

In turn, strategy of investment activity AIC is the sum of directions and measures to ensure agricultural sector with resources to fulfill determined tasks in the future. In other words, investment activity strategy of AIC is a blueprint for the rational use of national financial resources and attracting the optimal level of additional funding. We believe that, the management of investment activity aims to

the advantage of possible alternatives (selection, justification and decision-making) to:

- rational use of equity;
- additional investments;
- optimal ratio of own and borrowed funds to address specific investment objectives.

Taking into account that AIC performs its multifaceted activities, including investment in some external environment, a number of steps related to financing that is part of the investment strategy should be provided. Among them:

- involvement of various investment resources (financial, human, natural, capital). Thus, each farm enterprise shall enter into financial relationships, as in capital market and labor market, raw materials, goods, etc;
- return of financial resources;
- processing of payment, control and insurance relations with an investor through the budget;
- information support investment.

In view of that investment activity stages involve the use of different types of financial support, one of practical problems which requires proper theoretical study is calculation of optimal financing of investment process. Solution to this problem is possible when developing investment strategies based on indicators of investment attractiveness of the object.

Using economic category attractiveness is introduced by many authors for the estimation of properties of investment activity of an object, mainly at the analysis stage of its condition and prospects to some extent characterize them qualitatively and show the possibility of a successful investment.

This category can be seen at the level of a country, industry, region and enterprise. Enterprise in this system is the final link of applying funds in which specific projects are implemented. Attractiveness of each project is determined by the totality of all these components. In other words, for the strategic investor arguments of investing in any industry will not be enough convincing if its development in measures of national economy is in crisis. Despite financial benefits of the project, the risk of political and economic instability in the country will not attract foreign capital in the required amount.

In economic literature so far there is no determined unified approach to defining the essence of the concept of “attractiveness”.

Most economists almost equally interpret meaning of investment climate, investment attractiveness applying them to the economy, industry, region, company but specifying the structure of these concepts, methods and valuation techniques views of scholars are significantly different.

History of comparative assessments of investment attractiveness and investment climate has about a hundred years. One of the first in this field was a study carried out by the staff of Harvard Business School.

The basis for comparing countries by investment attractiveness was expert scale that included the following characteristics of each country: legal conditions for foreign and national investors, ability to export capital, stability of national currency, political situation, level of inflation, use of national capital.

This set of indicators was not sufficiently detailed for adequate display the entire set of conditions to be taken into account by investors. Therefore, further development of methods of comparative evaluation of investment attractiveness of different countries has been constructed by extension and complexity of the system, estimated parameters by experts and introducing quantitative indicators.

Investment attractiveness at the macro level is the conditions (economic, legal, political, social and so on) created by the state to all entities and foreign investors for profitable investment to develop the national economy. Investment attractiveness at the macro level is determined by such factors:

- political stability and its predictability;
- key macroeconomic indicators characterizing the state of the national economy (inflation level, GDP growth, volumes of major industrial production, refinancing rate of Central Bank of Ukraine, budget deficit, etc.) and their outlook for the future;
- presence and degree of validity of normative acts in the field of investments;
- degree of perfection of tax system in the country;
- social, including criminal situation in the country;
- degree of investment risk and so on.

Factors influencing the formation of investment attractiveness at the state level we are shown in Fig. 1.

Under investment attractiveness of economic sectors it is proposed to realize the integral characteristics of individual sectors of the economy from the standpoint of development prospects, return on investment and level of investment risk.

We think the improving of the economic situation in our country can be under condition not only the restoration of full agricultural investment process, but also ensuring the level of investment activity that would allow compensating the lack of investment of the last decade and covering current needs in the volume of financial resources [1, 2]. Accumulating entrepreneurial, public and hybrid capital, providing access to modern technologies and management, investments do not only contribute to the formation of national investment markets, but also enliven markets for goods and services.



**Fig. 1. Factors of forming investment attractiveness**  
 (developed by the author)

We think that the successful investing activities can be due to establishment of a favorable investment climate that is the environment in which there are processes of financing, namely the set of all macro and micro factors that influence the decision of investors regarding investing. Investment climate is shaped by political, economic, social and other factors that determine conditions of investment activity in the region and risk level [3]. In terms of reforming property relations and forms of management there is an urgent need to study the formation process of the investment climate of agricultural enterprises taking into account regional peculiarities.

Under investment climate in a general sense is called the situation in the region, in terms of national and foreign investors who invest money in the development of its

economy. Structurally, it can be defined as a set of investment potential and investment risk.

Investment potential (of a country, industry) is characterized by macroeconomic indicators. Risk indicates uncertainty of forecast, concerning obtaining profit from investments and includes a significant number of factors that are formed under the influence of external and internal conditions, situations and prospects.

For example, in Britain financial analysts use ten indicators that characterize investment climate, economic efficiency, political risk, debt level, availability of bank credit, availability of short-term financing, availability of long-term financing, probability of force majeure, solvency, default in payment of debt and integral indicator of reliability of the region.

Minimum requirements when forming an indicator a favorable investment climate can be defined: stable general economic and political situation; impeccable legal framework; presence of a developed financial infrastructure.

In the monograph “Investing Ukrainian economy” investment climate is defined as a set of political, economic, legal, social and other factors that determine, as a result, the risk of investment and their opportunities [4].

**Conclusions and further researches directions.** Having examined views and opinions of scientists we formulate a combined definition of investment climate of the state – a set of political, legal, economic and social conditions that contribute to attractiveness of the state for the investor and contribute to its bilateral relations with the recipient of investments.

We think, that the investment climate has a direct impact on key indicators of socio-economic development. A positive investment climate contributes to the solution of social problems, provides a high level of employment; allows you to update production, modernize and build core business, introduce new technologies and so on.

Therefore, the investment strategy development of agro industrial complex and its components must include additional financial resources for agricultural production through the creation of a favorable investment climate and advancing integration processes of all agricultural sector of Ukraine.

Indeed, in perspective agro industrial complex could become one of the key elements of development of territorial economic system, not only ensuring food safety, but also laying foundation for most economic processes. In modern conditions of development of Ukraine based on the changes of a global nature, we offer to develop new investment strategies that will allow the agricultural sector to achieve sustainable growth, improving competitiveness of agricultural products.

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### **НАУКОВІ ОСНОВИ ІНВЕСТУВАННЯ АГРАРНОЇ СФЕРИ**

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*У статті розглянуто наукові основи інвестування в аграрну економіку України. Акцент робиться на природі інвестицій, інвестиційного клімату та привабливості аграрного сектора. Вказується на актуальність розробки ефективних інвестиційних стратегій для сільськогосподарського сектора. Доведено, що створення сприятливих умов для інвесторів покращує роботу фінансової системи в країні. Досліджено фактори, що формують та впливають на інвестиційний клімат. Запропоновано заходи спрямовані на розкриття і зміцнення інвестиційного потенціалу країни.*

**Ключові слова:** *інвестиції, інвестиційний клімат, стратегія, аграрна галузь.*

### **НАУЧНЫЕ ОСНОВЫ ИНВЕСТИРОВАНИЯ В АГРАРНУЮ СФЕРУ**

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*В статье рассмотрены научные основы инвестирования в аграрную экономику Украины. Акцент делается на природе инвестиций, инвестиционного климата и привлекательности аграрного сектора. Указывается актуальность разработки эффективных инвестиционных стратегий для сельскохозяйственного сектора. Доказано, что создание благоприятных условий для инвесторов улучшает работу финансовой системы в стране. Исследованы факторы, формирующие и влияющие на инвестиционный климат. Предложены меры направленные на раскрытие и укрепление инвестиционного потенциала страны.*

**Ключевые слова:** *инвестиции, инвестиционный климат, стратегия, аграрная отрасль.*