

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE

SUMY STATE UNIVERSITY

Educational and Scientific Institute of Business, Economics and Management "BiEM"

Department of International Economic Relations

Ponomarova Yelyzaveta Dmutrivna

## **QUALIFICATION PAPER**

on the topic " FOREIGN INVESTMENT IN THE ECONOMY OF UKRAINE: SCALE,  
STRUCTURE, EFFICIENCY"

Speciality 292 "International Economic Relations"

Student \_\_\_\_\_ Ponomarova Y. D.

(signature)

group ME-71 an

It is submitted for the Bachelor's degree requirements fulfillment.

Qualifying Bachelor's paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source

\_\_\_\_\_ Ponomarova Y. D.

(signature)

(applicant's full name)

Research advisor \_\_\_\_\_ Shcherbachenko V. O.

(signature)

Sumy, 2021

## ABSTRACT

on bachelor's degree qualification paper on the topic  
«FOREIGN INVESTMENT IN THE ECONOMY OF UKRAINE: SCALE,  
STRUCTURE, EFFICIENCY»  
student Ponomaryova Yelyzaveta

The main content of the bachelor's degree qualification paper is presented on 50 pages, including references consisted of 30 used sources, which is placed on 3 pages. The paper contains 7 tables, 7 figures.

**Keywords:** FOREIGN INVESTMENT; FOREIGN DIRECT INVESTMENT; INVESTMENT ACTIVITY; INVESTMENT CLIMATE; ECONOMIC SPHERE; DEVELOPMENT; INVESTMENT RESOURCES; INVESTMENT POLICY; INVESTMENT ATTRACTIVENESS; INTERNATIONAL RATINGS.

The purpose of the bachelor's degree qualification paper is to identify the main problems and shortcomings in the management of foreign investments in the national economy of Ukraine and assessment of their effectiveness.

The object of research is the current state of foreign investments and their impact on the national economy of Ukraine.

The subject of the research is theoretical and practical principles of the current state of investment attractiveness and investment climate of Ukraine.

In the process of research depending on the goals and objectives, we used relevant methods of studying economic processes, including systematization and generalization, method of quantitative analysis, methods of induction and deduction, statistical methods, synthesis, analysis, methods of comparison and grouping.

The information base of the work is legislative and regulatory documents on the functioning of the regime of foreign investment of the Verkhovna Rada of Ukraine, the Cabinet of Ministers of Ukraine, the National Bank of Ukraine, the reporting data of the National Bank of Ukraine, the current data of State Statistics Committee of Ukrainian, analytical reviews and reports of international financial organizations, data of information and data from numerous international ratings, scientific publications of domestic and foreign scientists.

According to the results of the study, the following conclusions are formulated:

1. Foreign investments for Ukraine today are necessary, as they help to stimulate the national economy and, in turn, will help bring the country out of the economic crisis and reduce social tension in the country.

2. Foreign investment has both positive and negative impacts on the host country. The advantages include the modernization of production, the introduction of new technologies, the qualification of workers, an increase in the country's competitiveness in the world arena, a stabilization of the balance of payments and an increase in production. The disadvantages include the dependence of the national economy on foreign investment, an increase in social tension, a negative impact on the environment of the host country, the import of outdated technologies.

3. The largest amount of foreign investment falls on such economic spheres as financial, real estate and manufacturing, they invest in those areas that do not require long-term capital investments and the introduction of new technologies.

4. Today Ukraine has a low level of investment attractiveness. The main problems for improving the investment climate are a high level of corruption in Ukraine, a large influence of shadow business on the economy, a high level of bureaucracy, low quality of life of the population, the unreliability of the banking and judicial system of Ukraine.

5. The formation of an attractive investment climate in Ukraine should begin with a change in the political, economic and legal systems. The state should develop a strategy for attracting foreign investment into the country and for their effective use in all spheres of the economy to increase the level of competitiveness of the country's economy in the international market.

The obtained results can be used in the process of development of the strategies for increasing the investment attractiveness of Ukraine and assessing the effectiveness of the investment policy of Ukraine.

Results of approbation of the basic provisions of the qualification Bachelor work was considered at:

- 1) Conference SEC "Foreign direct investment in Ukraine" (2021).

The year of qualifying paper fulfilment is 2021

The year of paper defence is 2021

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SUMY STATE UNIVERSITY  
Educational and Scientific Institute of Business, Economics and Management "BiEM"  
Department of International Economic Relations

APPROVED BY  
Head of the Department  
Petrushenko Yuriy  
\_\_\_\_\_  
(signature)                      (full name)  
«\_\_» \_\_\_\_\_ 2021 .

TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(speciality 292 " International Economic Relations ")  
student 4 course, group ME-71 an

Ponomarova Yelyzaveta Dmutrivna

1. The theme of the paper is " Foreign investment in economy of Ukraine: scale, structure, efficiency" approved by the order of the university from «19» April 2021 №0193-VI.
2. The term of completed paper submission by the student is «11» June 2021.
3. The purpose of the qualification paper is identification of problems and shortcomings in the management of foreign investments in the national economy of Ukraine and assessment of their effectiveness.
4. The object of the research is current state of foreign investments and their impact on the national economy of Ukraine.
5. The subject of research is current state of investment attractiveness and investment climate of Ukraine.
6. The qualification paper is carried out on the materials of report data of State Statistics Service of Ukraine, legislative documents of the law of Ukraine on foreign investments and the Foreign Investment Regime, actual data of National Bank of Ukraine and Internet resource materials.

7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose is as follows:

Chapter 1. Theoretical and essence of foreign investment and their role in the development of the national economy.

Chapter 1 deals with characteristics of foreign investments and its role in the growth in the national economy.

Chapter 2. Analysis of attracting foreign investment into the economy of Ukraine.

Chapter 2 deals with analysis of scale and structure of foreign investment in national economy. Assessment of investment attractiveness and investment climate and assessment of efficiency of foreign investments in Ukraine's economy.

Chapter 3. Directions for improving the attraction of foreign investment and increasing their efficiency.

Chapter 3 deals with analysis of investment attractiveness of Ukraine and propositions to improve investment policy.

8. Supervision on work:

Chapter	Full name and position of the advisor	Date, signature	
		task issued by	task accepted by
1	Shcherbachenko V. O., Senior Lecturer	1 April	30 April
2	Shcherbachenko V. O., Senior Lecturer	1 May	24 May
3	Shcherbachenko V. O., Senior Lecturer	25 May	10 June

9. Date of issue of the task: 15.03.2021.

Research Advisor:

\_\_\_\_\_  
(signature)

Shcherbachenko V. O.

The tasks has been received:

\_\_\_\_\_  
(signature)

Ponomarova Y. D.

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## INTRODUCTION

**Relevance of research:** foreign investment is one of the most important factors in the development of the economy of any country. With the help of foreign investments, countries have the opportunity to enter the world market, raise the level of competitiveness, open access to new technologies, develop economic sectors.

By attracting foreign investment, Ukraine will be able to improve its financial, social and economic situation. Foreign investments contribute to the modernization of the economy and an increase in the level of production, the introduction of the latest innovative technologies, which in turn increase the level and quality of products and, as a consequence, the country's competitiveness in the world arena. In turn, foreign investors are introducing new management methods at enterprises, thereby improving their productivity and efficiency.

The topic of attracting foreign investment to Ukraine is especially relevant since the national economy needs additional funding due to the crisis. There is an investment policy in Ukraine, in which there have been several new positive shifts, but it remains ineffective. To stabilize the investment climate and increase the level of investment attractiveness of Ukraine, this policy should be reformed. To create suitable conditions for foreign investors, the country must solve problems that have hindered attracting investment for many years: instability of the political and economic situation, the level of corruption and inflation, the inefficiency of the judicial system, low living standards of the population. **degree of the studied problem:** the following foreign and domestic scientists have contributed to the study of foreign investment, especially their use and attracting them to the national economy of the country, the impact of foreign investment on the development of the economy, the study of the investment climate, effective methods in the management of foreign investment in the country. I. Blanco, V. V. Bocharova, B. V. Gubsky, J. I. Eleika, I. V. Lipsitsa, P. R. Krugman, A. A. Peresady, V. G. Fedorenko, B. M. Schukin, A. Alexander, J. Bailey, G. Macmillan, O. B. Gavrilyuk, V. G. Gerzanich, T. A. Govorushko, A. Y. EgoNov, J. Dunning, O. R. Kibenko, V. M.

Kosak, N. I. Obushna, O.P. Swider, S. M. Tesla, S. Highmeasure, N.A. Khrushchev, J. Van Horn, J. Hitman and others.

**Purpose** and objectives of the work: identification of problems and shortcomings in the management of foreign investments in the national economy of Ukraine and assessment of their effectiveness.

To achieve this purpose, the following **tasks** were set and solved:

- To determine the essence of foreign investment;
- To study the theoretical and methodological foundations of foreign investment;
- To deduce sources of investment resources in the national economy;
- To study the tendencies of attracting foreign investments to the Ukrainian economy.
- To analyze the investment attractiveness of Ukraine and factors which impact it;
- To identify factors that affect the investor's decision-making process to invest in Ukraine;
- To find out the investment potential of Ukraine's national economy based on an analysis of the state of the main sources of investment resources formation;
- To determine the processes of foreign investment in the economy of Ukraine;
- To study and analyse the scale, structure and prospects of foreign investment in Ukraine;
- To outline how foreign investment have an impact on the national economy of Ukraine;
- To evaluate the effectiveness of the investment policy of Ukraine;
- To identify ways to create an attractive investment climate in Ukraine;
- To suggest methods to increase the investment attractiveness and investment climate of Ukraine;

**The object of study:** current state of foreign investments and their impact on the national economy of Ukraine.

**The subject of study:** current state of investment attractiveness and investment climate.



**Research methods:** during the study, methods such as analysis, induction and deduction, formalization, abstraction, analogy, statistical methods, classification, comparison and graphic visualization were used.

**Information base of the research:** information base of the study mainly served to report data of State Statistics Service of Ukraine, legislative documents of the law of Ukraine on foreign investments and the Foreign Investment Regime, actual data of National Bank of Ukraine and Internet resource materials.

# CHAPTER 1. THEORETICAL APPROACHES TO THE STUDY OF THE ESSENCE OF FOREIGN INVESTMENT AND THEIR ROLE IN THE DEVELOPMENT OF THE NATIONAL ECONOMY

## **1.1. Essence, types and functions of investments and investment activities**

Development of investment activity, attraction and use of foreign investment is an important and urgent issue in the modern conditions of world integration. Many countries of the world are focused on raising investment attractiveness and increasing the volume of foreign investment in their national economy. First of all, is due to the fact that investments affect the economic activity of the country, contributing to the improvement of its economic activity.

For Ukraine's economy investments are an important condition for the restructuring of the national economy, improving the economic performance of the enterprise and ensuring technical progress.

According to the definition of the current legislation of Ukraine, the Law "On Investment Activity" states that investments mean all types of property and intellectual values that are invested in business and other activities that will bring profit (income) or provide social and environmental consequences [1].

Investments can be made in different forms, for example, depending on the type of investment resources, there are the following:

- a) funds, targeted bank deposits, shares and other valuable paper;
- b) property rights arising from copyright, experience and other intellectual values;
- c) movable and immovable property (buildings, structures, equipment and other material values);
- d) a set of technical, technological, commercial and other knowledge, formalized in the form of technological documentation, skills and manufacturing experience required to organize a particular production, but unpatented;

e) rights to use land, water, resources, buildings, equipment, as well as other property rights [2];

f) and other values.

According to the financial definition, investments are all types of assets (funds) that are invested in economic activities for the purpose of obtaining income. The economic definition of investment can be formulated as follows: investment is the cost of creation, expansion, reconstruction and technical re-equipment of fixed capital, as well as related changes in working capital, as changes in inventories largely depend on the movement of fixed capital expenditures capital [3, pg. 8].

Modern economic dictionary defines investments as long-term investments of private or public capital in their own country or abroad in order to generate income in enterprises of various industries, entrepreneurial projects, socioeconomic programs, innovation projects [4, pg. 111].

Based on the analysis and generalization of the results of theoretical research, methodological approaches of foreign and domestic scientists, the directions of development of these studies, the economic essence of investment can be expressed as investment in cash, tangible, intangible or part of income used to ensuring its growth in the future, obtaining current income and solving certain social problems.

Summarizing the existing approaches, can be distinguished the most significant signs of investment such as:

a) potential ability of investments to generate profit;

b) a purposeful way of investing capital in any tangible and intangible objects (instruments) or intangible assets;

c) capital in an alternative form of enterprise assets investment process;

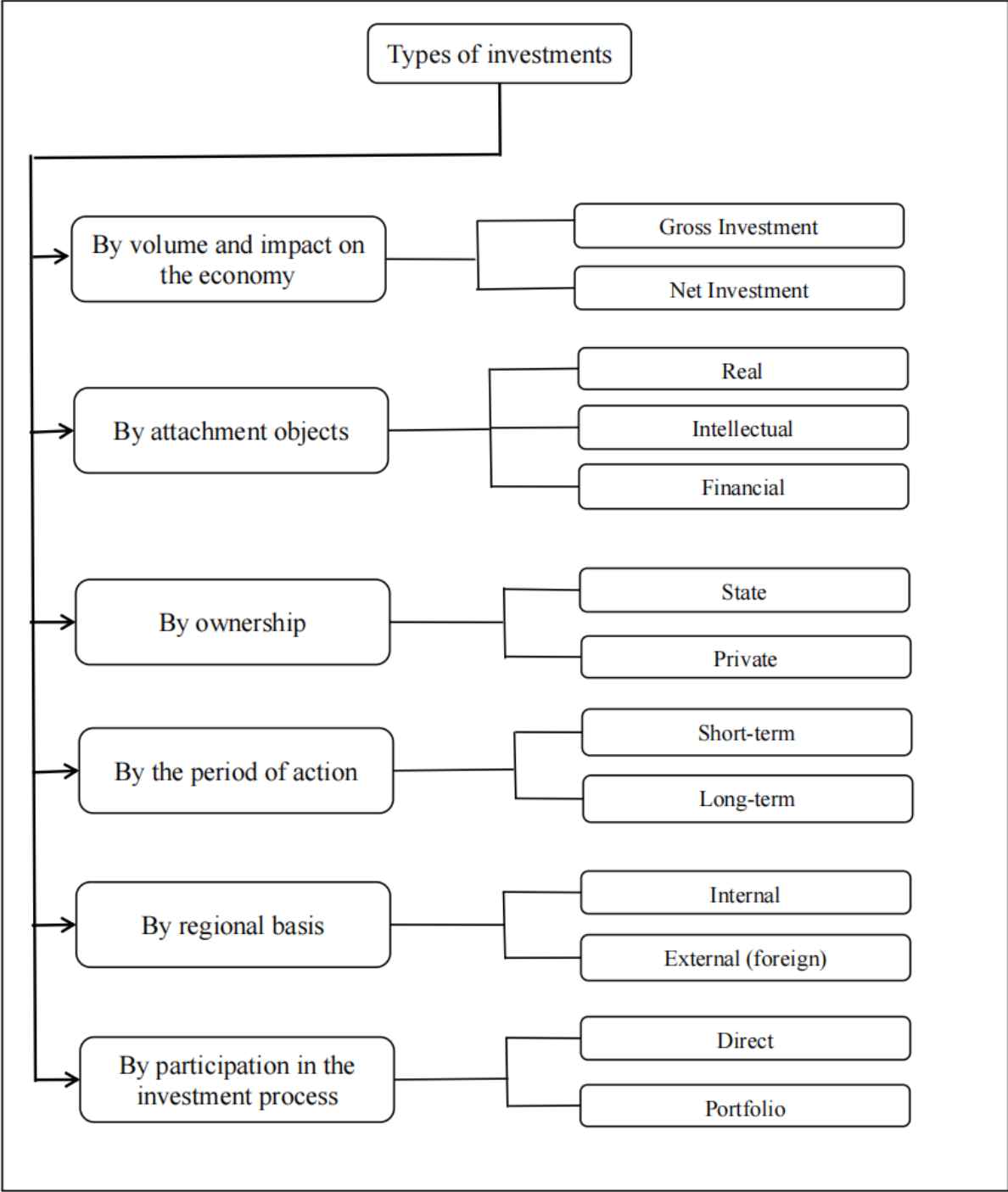
d) use of various investment resources, characterized by demand, supply and price;

e) an availability of investment term [5, pg. 11].

f) Time and risk determine the general nature of investing. Making a profit can be sequential, parallel or interval. Low-risk investments are safe to preserve invested

capital and generate income, while high-risk investments have a relative uncertainty in the timing and amount of income [5, pg. 12].

Investments represent a direct use of capital and therefore consider the next classification of Investment in Picture 1.1.



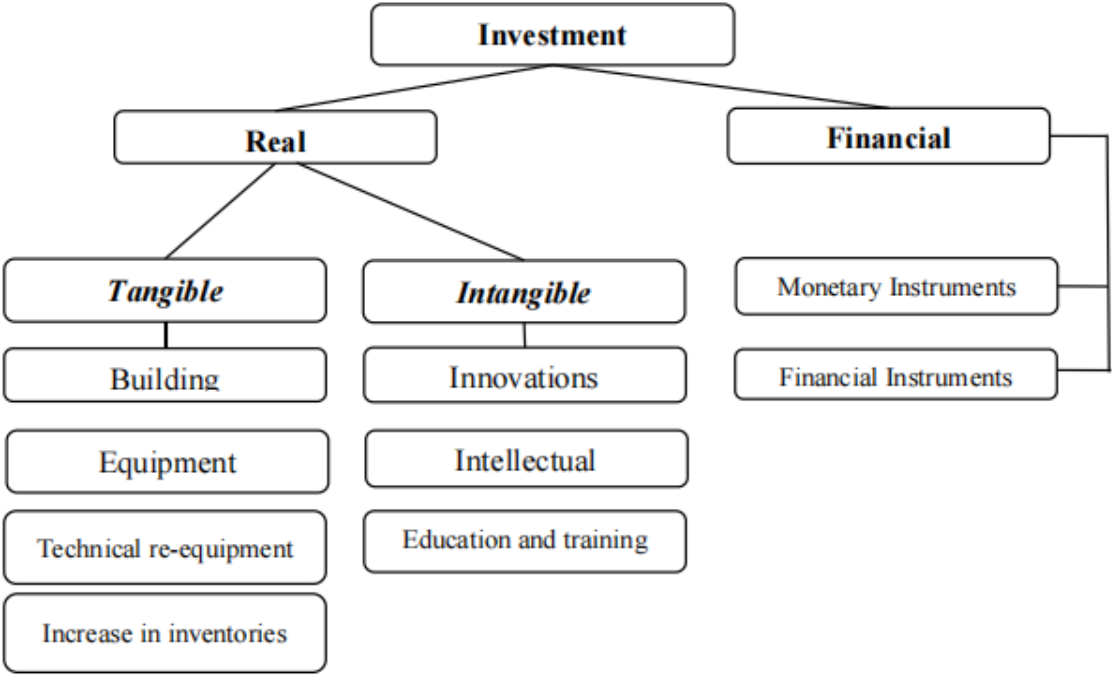
Picture 1.1. Types of investment

Source: [5, pg. 12-13]

As we can see from the Picture 1.2. depending on the investment object, there are two main types of investment: real and financial.

The term "real investments" is understood as investments in real assets, that is, in tangible (building, equipment, installations) and intangible (licenses, patents, rights to use natural resources). Also intangible investments include investments in scientific and their implementation.

Financial investments mean investing capital in various financial investment instruments, among which are securities, stocks and bonds. Frequently real and financial investments are considered as direct and portfolio investments. In that case, direct investment is understood as direct investment in production, and portfolio investment is the purchase of securities, that is, the characteristics of the investment object serve as the classification criterion [3, pg .14].



Picture 1.2. Real and financial investment

Source: [8]

By the nature of participation in investment, there are: direct and indirect investments. According to the Tax Code of Ukraine direct investment is an economic activity that involves the contribution of funds or property to the authorized capital (fund) of a legal entity in exchange for corporate rights issued by such legal entity. Direct

investments include such investments that form more than 10-25% of the company's capital and give the right to participate in the management of the enterprise [3, pg. 14].

Portfolio or indirect investments are made by investment and financial intermediaries. The main feature of such types of investments is that the investor has no right to participate in the management of the enterprise, and such investments involve only the receipt by the investor of dividends on shares of the enterprise or other securities.

According to the forms of ownership of investors, there are private, state and foreign. Individuals and legal entities with private capital make private investments, state investments are made by state and local authorities and foreign one are carried out by individuals and legal entities of foreign states.

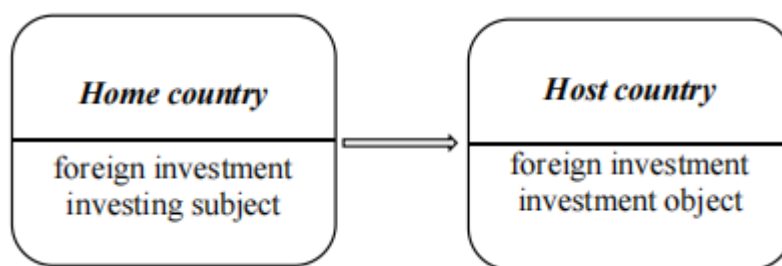
According to the investment period, investments are divided into short-term (investments are made for a period of up to 1 year) and long-term (carried out for a period of more than 1 year) [3, pg .14].

On a regional basis, there are investments within the country and abroad.

Domestic investment (internal investment) means investing in investment objects located on the territorial boundaries of the country. Investments abroad (foreign investments) mean the ownership of funds in investment objects located outside the territory of a given country [3, pg .15].

According to the level of risk there non-risky investments, low-risk investments, medium-risk investments, high-risk investments are distinguished. Aggressive investments are characterized by a high degree of risk, high profitability and low liquidity. Moderate investments differ from aggressive ones with an average degree of risk with sufficient profitability of the liquidity of investments. Conservative investments are low-risk investments characterized by reliability and liquidity [3, pg .15].

The concept of foreign investment means all types of property and intellectual values invested by foreign business entities in objects of investment activity in accordance with the legislation of Ukraine in order to make a profit or achieve other economic effects.



Picture 1.3. International investments

Source: [5, pg. 17]

The foreign investments are characterized by (more extended classification in table 1.1.):

- g) institutional nature (public, private, international organizations, mixed);
- h) sources (primary and reinvestment);
- i) the size and timing of investment;
- j) target orientation (direct and portfolio);
- k) types (foreign and national currencies, movable and immovable property, monetary claims, securities etc.) [5, pg. 16].

Table 1.1. Classification of foreign investment

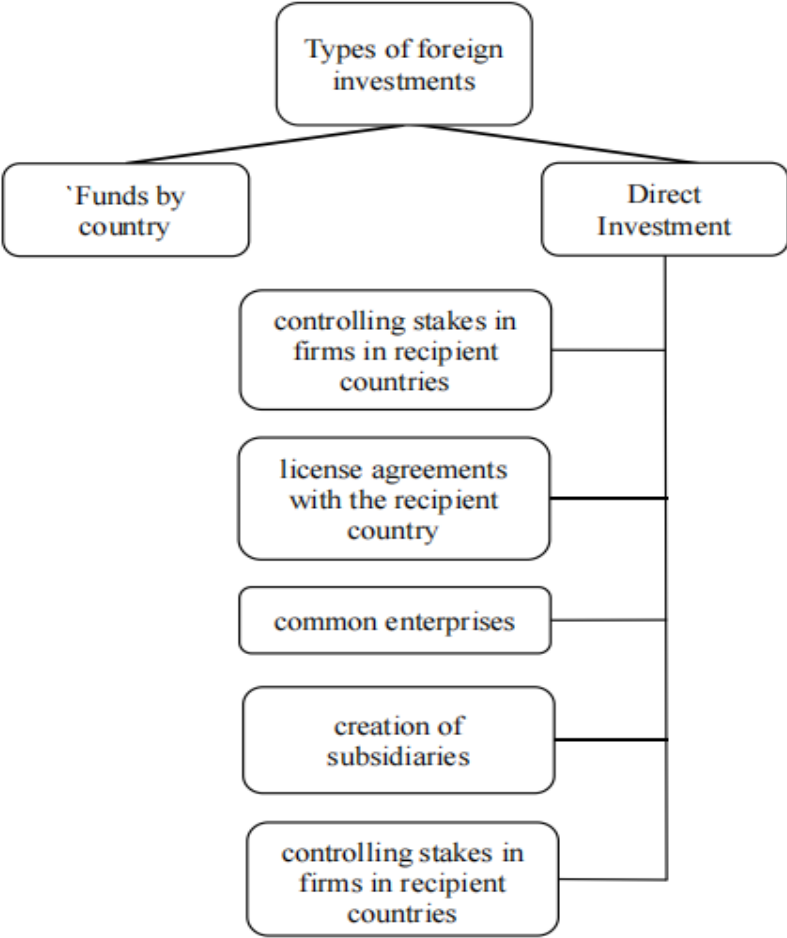
<b>Sign of classification</b>	<b>Types of foreign investment</b>
By form of ownership	Interstate; non-state; Government organizations
By investment period	long-term; short-term.
By types of investments	funds in foreign currency, Cash in the currency of Ukraine, monetary claims etc.
For the purpose of investing	Achievement of the financial goal; establishment of control; reorganization of interstate economic relations.
By investment objects	Capital; financial.
By comparing time to invest and time to make a profit	Consistent; parallel; interval;
By types of investment activity	Participation in enterprises of Ukraine; acquisition of operating enterprises; the creation of enterprises that are wholly owned by foreign investors

Source: [5, pg. 12-13]

The number of ways of foreign investment is growing thanks to the development of computer technology and communications, this contributed to the improvement of connections between financial markets around the world and allowed the introduction of new investment methods which are more in line with the requirements of the investor.

Funds by country. This method enables investors to operate on the stock markets of countries that are developing rapidly. Funds accumulate investment capital and invest it in shares of foreign companies available on the local stock market [6].

The flexibility of funds is the first reason for their attractiveness to investors, as it allows them to quickly penetrate new markets. Another reason is that in some countries, due to the ban on the purchase of direct shares, funds are the only way to enter the market Below is a classification of types of foreign investment that are actively used worldwide [6].



Picture 1.4. Types of foreign investment

Electronic resource: [6]



So, foreign investment activities have a significant impact on the economic development of the country. By attracting foreign funds to the economy of the country, production volumes increase and, as a result, the level of national income is growing, industries and enterprises are developing that become more competitive in the international market. Thanks to foreign investments, it is possible to implement and improve the economic policy of the state.

## **1.2.The role of foreign investment in the growth of the national economy**

Foreign investments play a significant role in the national economy of any country, because they not only compensate for the lack of their own investment resources, but also stimulate the transfer of the latest technologies, progressive management experience and contribute to the country's entry into international markets. The rapid growth of the economies of some countries of Central and Eastern Europe is associated precisely with the attraction of foreign capital [7].

There are two ways for obtaining a positive effect from the introduction of foreign investment into the economy. The first is the entry of foreign firms into the national market will lead to an increase in the average level of labor productivity and per capita income in the host country and the second one is an increase of competition in local markets at the expense of foreign companies, which activity encourages national firms to work more efficiently [7].

The economic meaning of attracting foreign capital is that along with it, new technologies and forms of organizing production and business come into the national economy, providing a fundamentally different and more significant economic effect compared to the possibilities of domestic entrepreneurship. This is the main fact that serves as the basis for deciding whether to open borders for mass inflows.

Foreign investments play an important role in the economy of any state, regardless of the level of its economic development, and contribute to the economic growth of the host economy based on the efficient use of national resources.

Host governments are responsible for creating an environment for foreign direct investment that fosters economic growth, not just the profits of foreign investors. Therefore, the impact of foreign direct investment on the host country depends on factors such as way of entering the market, sources of financing for FDI, the impact on the activities of companies in the host country.

Foreign investments have positive and negative sides for recipient and resident countries as shown in the table 1.2.1.

Table 1.2.1. Impact of foreign investment on the economies of exporting and importing countries

<b>Resident country-exporter</b>		<b>Resident country-importer</b>	
Advantages	Disadvantages	Advantages	Disadvantages
<ul style="list-style-type: none"> <li>- increase in exports of goods, equipment, technologies;</li> <li>- stimulating the innovation process;</li> <li>- growth in investment returns due to the redistribution of capital within the country to more profitable abroad.</li> </ul>	<ul style="list-style-type: none"> <li>- high degree of risk;</li> <li>- reducing the pace of domestic production;</li> <li>- labor migration.</li> </ul>	<ul style="list-style-type: none"> <li>- stimulating the growth rate of the national economy;</li> <li>- introduction of modern technologies;</li> <li>- creation of additional jobs;</li> <li>- emergence of stronger competition within the country.</li> </ul>	<ul style="list-style-type: none"> <li>- the emergence of used hardware;</li> <li>- dumping danger;</li> <li>- prohibition of the innovation process;</li> <li>- ruin of national producers.</li> </ul>

Source: [7, pg. 55]

The positive consequences of foreign investment include:

- attracting foreign innovative technologies, experience, research results to the country;
- increased competition, as well as a decrease in the level of market monopolization.
- an increase in the share of employment of the population, their qualifications and productivity;
- using local savings and capital to implement profitable projects;

- expansion of the range of manufactured products;
- attracting foreign innovative technologies, experience, research results to the country [7].

Along with the positive effects of foreign investment in the host country's economy, there are potential negative effects:

- declining government support for local manufacturers;
- possible deformation of the structure of the national economy;
- the possible decline of the branches of the economy traditional for the country's market;
- increased dependence of the country on foreign capital. The increase in foreign capital gradually leads to the fact that its owners can impose on the country not only economic but also a number of political decisions that run counter to the interests of the majority of the population;
- the level of competition in the market increases [7].

So, investments are an integral part of modern economic relations, which are constantly evolving. An important feature of investment activity can be considered the possibility of ensuring with its help sustainable development not only of various sectors of the economy, but also of the entire life of society - both for donor countries and recipient countries.

Investment activity is one of the key factors in the development of the economy, the implementation of structural changes and increased competition, including in world markets. Obviously, foreign investment alone cannot guarantee the prosperity of the national economy. Foreign investments of various sizes can quickly and effectively contribute to the development of the state, but they can also be completely useless.

By its influence on the national economy, foreign capital can cause controversial actions. On the one hand, with the correct use of foreign investments, the country overcomes the crisis faster, integrates into the world economy, on the other hand, attracting foreign capital imposes certain obligations, creating various forms of dependence of the borrowing country on the lender. For this reason, many countries prefer,

first of all, investments in the form of technical assistance aimed at deepening the use of their own resources, increasing qualifications of national personnel, and so on.

The restoration of investment activity in the country and the transition to economic growth is a complex, multifaceted problem that requires the combined efforts of all participants in this process, led by the state [7].

## CHAPTER 2. ANALYSIS OF ATTRACTING FOREIGN INVESTMENT INTO THE ECONOMY OF UKRAINE

### **2.1. Assessment of the investment climate in Ukraine**

To maintain and stimulate financial stability, any country strives to attract foreign investment, especially foreign direct investment, as they are sustainable investment sources. For Ukraine, they especially are important to be able to enter the world market and as a result of improving their production capital, raise the level of scientific and technical progress of the country, the ability to restructure from an outdated stage of economic development to a more balanced and structural one.

Due to the lack of internal sources, financing in the country Ukraine is working on the development of the investment climate, an increase in investment attractiveness for countries and is looking for ways to attract foreign investors.

Attracting foreign investments has always been one of the important and complex tasks for Ukraine and now because of the global crisis and the pandemic, it has been further aggravated. Another important difficulty is that the economy of Ukraine is for this period unfavourable for investment.

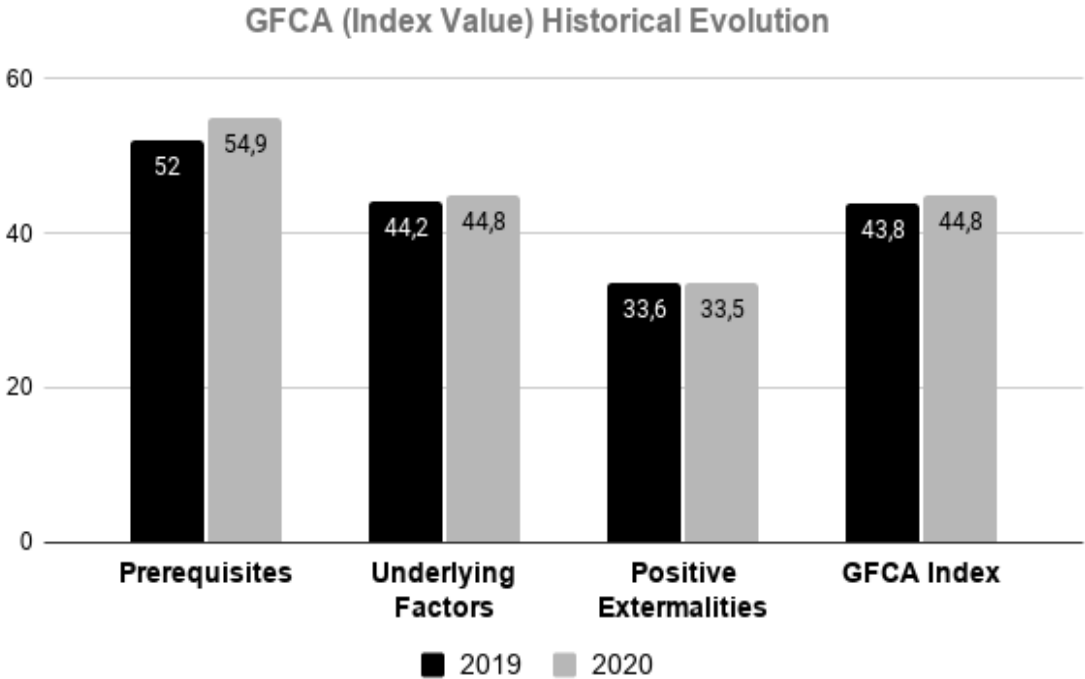
According to a Global Foreign Direct Investment Country Attractiveness Index (GFICA), Ukraine takes a rank in 58 with an index value of 44,8 in terms of foreign attractiveness of the 109 countries of the world.

When calculating this index, the focus is on such indicators as the macroeconomic and financial stability of the country, the level of development and conditions for the business environment.

Analyzing graph 2.1. we can see that Ukraine's prerequisites (it includes such components as Real Domestic Demand, trade performance, trading across borders etc.) have increased by 2,9 in 2020.

Considering underlying factors Ukraine has low rates in the agglomeration economy and the technological environment, as a result, the country has minor

improvements from 2019 it has increased only by 0,6. Positive externalities in 2020 have decreased by 0.1.



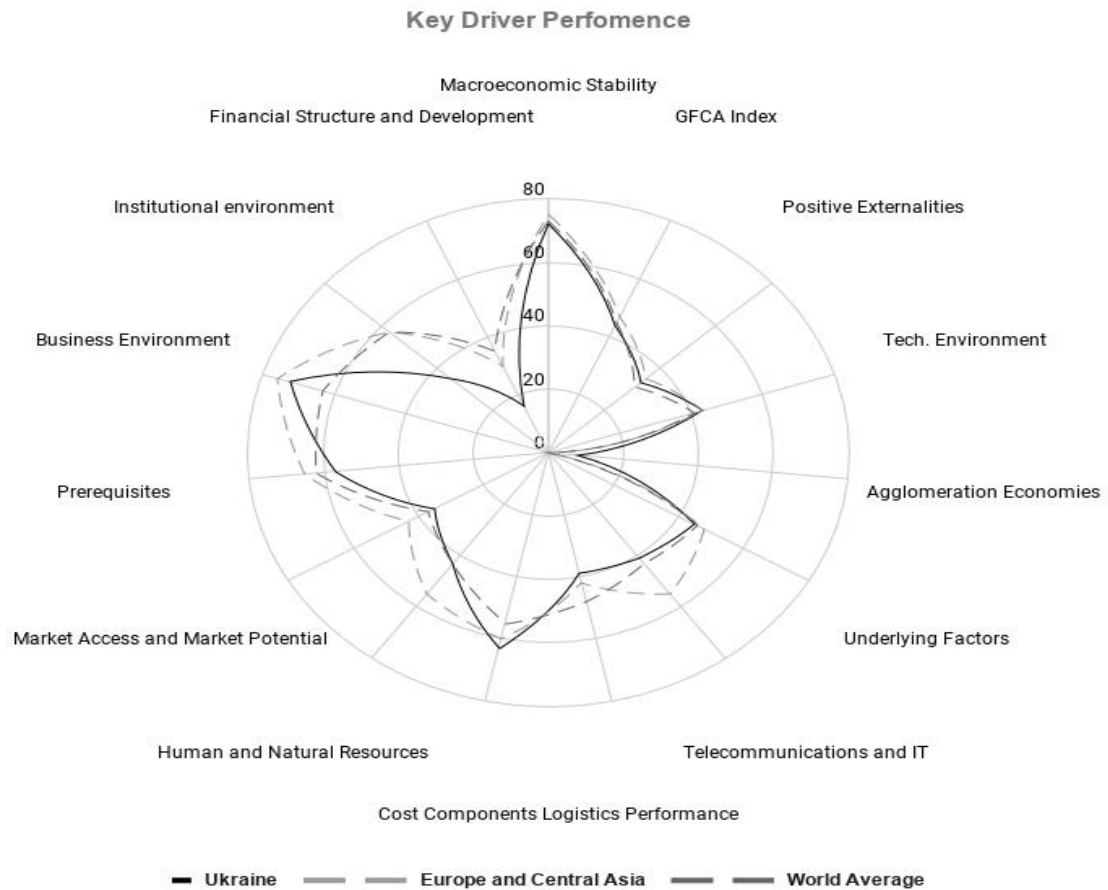
Graph 2.1. GFCA Index of Ukraine 2019-2020

Electronic resource: [9]

Ukraine’s GFCA index in 2020 compared to 2019 increased by 1, in the main country it has a not high rate index it is only 44,8, so investors consider the state as low attractive for FDI.

From graph 2.2. we can see that to improve the country's investment climate, it is necessary to develop such indicators as institutional environment, telecommunications and IT spheres, technological environment and concentrate the main attention on financial structure and development of the national economy.

According to official data of the index of investment attractiveness Ukraine in the first quarter of 2020 Ukraine has 2.51 scores from 5 possible due to the Likert Scale [10].The index is based on surveys of leading Ukrainian entrepreneurs in the main their assessments of investment attractiveness and investment climate of the country, prediction about foreign investment and its profitability.



Graph 2.2. Key Driver Performance for FDI 2020

Electronic resource: [9]

78 % of Ukrainian entrepreneurs think that Ukrainian’s investment environment could be considered unprofitable. Another 16 % of respondents esteemed it as indifferent. The last 6 % of respondents found the Ukrainian economy as advantageous, compared with the previous year this indicator has been increased by 2 % [10].

Ukrainian business environment also has negative assessment, 66 % of entrepreneurs estimated it tends to decline and see deterioration compared to the previous half-year. Another 29 % have not noticed significant changes and only 5 % see the improvement.

For the calculation Investment Attentiveness Index is customary to use the Likert Scale. When the country scores from 4 to 5 points the investment climate would be considered as highly attractive to investors, 3 points evaluated as neutral for foreign

investors, from 2 to 3 points that the country has potential to get FDI but still not enough for investors, and from 0 to 2 points that mean the country has negative attentiveness and the investment climate is not suitable for foreign investments.



Graph 2.3. Dynamic of Investment Attractiveness Index of Ukraine 2012-2020  
Electronic resource: [10]

From graph 2.3. we can see that the highest point Ukraine ever had was in 2017 - 3,15, and from 2017 to 2019 there was no noticeable improvement, on the contrary in 2020 indicator sharply fell to 2,51. In general, this drop is associated with pandemic and uneasy situations with restrictive measures through COVID-19. Also, there are political and economic unstable circumstances, nowadays Ukraine is in the process of changing tax legislation and that all have enormous influences on the investment attractiveness of the country.

Experts noticed some positive changes in the Ukrainian investment environment in the first half-year of 2020 [10]:

- 1) Introduction of the land market;
- 2) Development of the online services;



- 3) Stabilization of national currency;
- 4) Reduction of the discount rate of the National Bank of Ukraine.

Among the negative aspects that affect the positive development of investment attractiveness, the CEO of the largest Ukrainian companies, mainly the following:

- a) High level of corruption, slow work of the authorities to eradicate it;
- b) High-interest rates for loans from Ukrainian banks;
- c) Outdated ship system of Ukraine and lack of progress in its measurement;
- d) Increase in cases in the development of the shadow economy of Ukraine.

According to the survey results of respondents, 15 % think that the conditions for foreign investments will be improved, 44 % consider that situation will stay neutral, the last, quite a large figure, compared to the previous year, 41 % think the circumstances for foreign investments attractiveness will decrease [10]

## 2.2. The scale and structure of foreign investment in the economy of Ukraine

Foreign direct investment is the most desirable type of investment for any country that is at the stage of development. Thanks to them, it is possible to track the level of confidence of foreign investors and their willingness and desire to make investments in order to help the development of the national economy, organize the development of new technologies and telecommunications, introduce updated corporate governance practices and acquire equity capital.

Table 2.2.1. Rating of countries by investment level 2014-2019 in billion USD

Level of rate	2014	2015	2016	2017	2018	2019
1	China 347	USA 306	USA 279	USA 348	USA 258	USA 258
2	USA 294	China 242	UK 265	Netherlan ds 314	China 203	China 203

Continuation of table 2.2.1

3	Hong Kong 76	Ireland 235	Netherlands 185	China 168	Germany 105	Germany 105
4	Russia 70	Hong Kong 181	China 174	Hong Kong 122	Hong Kong 86	Brazil 88
	<b>Ukraine 42 4,5</b>	<b>Ukraine 56 3,05</b>	<b>Ukraine 54 3,4</b>	<b>Ukraine 57 2,4</b>	<b>Ukraine 60 2,4</b>	<b>Ukraine 62 2,4</b>

Electronic resource: [11]

If we take a look at the world rate of the level of FDI see the table 2.2.1 Ukraine occupies 62 place in 2019. The highest investment flow was in 2014 4,5 billion USD, but from 2017 the amount of FDI to Ukraine tends to decrease.

We can make a conclusion that investors do not consider Ukraine as a profitable country, particularly with the current world situation.

Below presented the table of dynamic inflows and outflows of foreign direct investments of Ukraine from period 2002 to 2020.

Table 2.2.2. FDI to and from Ukraine 2012-2020 (million USD)

Year	FDI to Ukraine		FDI from Ukraine		Balance	
2002	693		-5		+698	
2003	1424	+731	13	+18	+1411	+102,1 %
2004	1715	+291	4	-9	+1711	+21,3 %
2005	7808	+6093	275	+271	+7533	+340,3 %
2006	5604	-2204	-133	-408	+5737	-23,8 %
2007	9891	+4297	673	+806	+9218	+60,7 %
2008	10913	+1022	1010	+337	+9903	+7,4 %
2009	4816	<b>-6097</b>	162	<b>-848</b>	+4654	<b>-53,0 %</b>
2010	6495	+1679	736	+574	+5759	+23,7 %

Continuation of table 2.2.2

2011	7207	+712	192	-544	+7015	+21,8 %
2012	8401	+1194	1206	+1014	+7195	+2,6 %
2013	4499	<b>-3092</b>	420	<b>-786</b>	+4079	<b>-43,3 %</b>
2014	410	<b>-4089</b>	111	<b>-309</b>	+299	<b>-92,7 %</b>
2015	-458	<b>-868</b>	-51	<b>-162</b>	-407	<b>-236,1 %</b>
2016	3810	+4268	16	+67	+3794	+1032,2 %
2017	3692	-118	8	-8	+3684	-2,9 %
2018	4455	+763	-5	-13	+4460	+21,1 %
2019	5860	+1405	648	+653	+5212	+16,9 %
2020	-868	<b>-6728</b>	82	<b>-566</b>	-950	<b>-118,2 %</b>

Electronic resource: [12]

In 2009 Ukraine had a negative value of FDI - 6, 097 million USD this related to the world financial crisis. From 2010 to 2012 there was an increase in foreign capital and the economic situation has a little improved. But in 2013-2015 the amount of FDI sharply fell. Beginning with 2018 Ukraine has received 4,455 million of foreign investment and the country had a positive dynamic of FDI. If we follow the dynamics of the last 12 years the highest indicator of inflow investment was in 2008 - 10, 913 million USD. Over the past 8 years, Ukraine has not been able to approach the last maximum value. In 2020 the amount of FDI to Ukraine collapsed to - 8, 68 million USD. The reduction is mainly associated with the worldwide situation of COVID-19, the high level of corruption (in CPI list Ukraine occupies 117 rank from 180 possible) and also military conflict with Russia in Donbass all of the above circumstances create distrust of foreign investors.

Nowadays the European countries are favourable strategic partners for Ukraine. The amount of foreign investment of the EU to Ukraine in recent years tends to increase, that means the level of confidence in the Ukrainian economy continues to strengthen.

Below the list of top countries which invest in Ukraine. Analyze the dynamic of FDI by countries, Cyprus has been the leader in investment in recent year, but the amount of FDI has been unchanged lately.

Table 2.2.2. FDI from EU countries in the Ukrainian economy 2015-2019 (million USD)

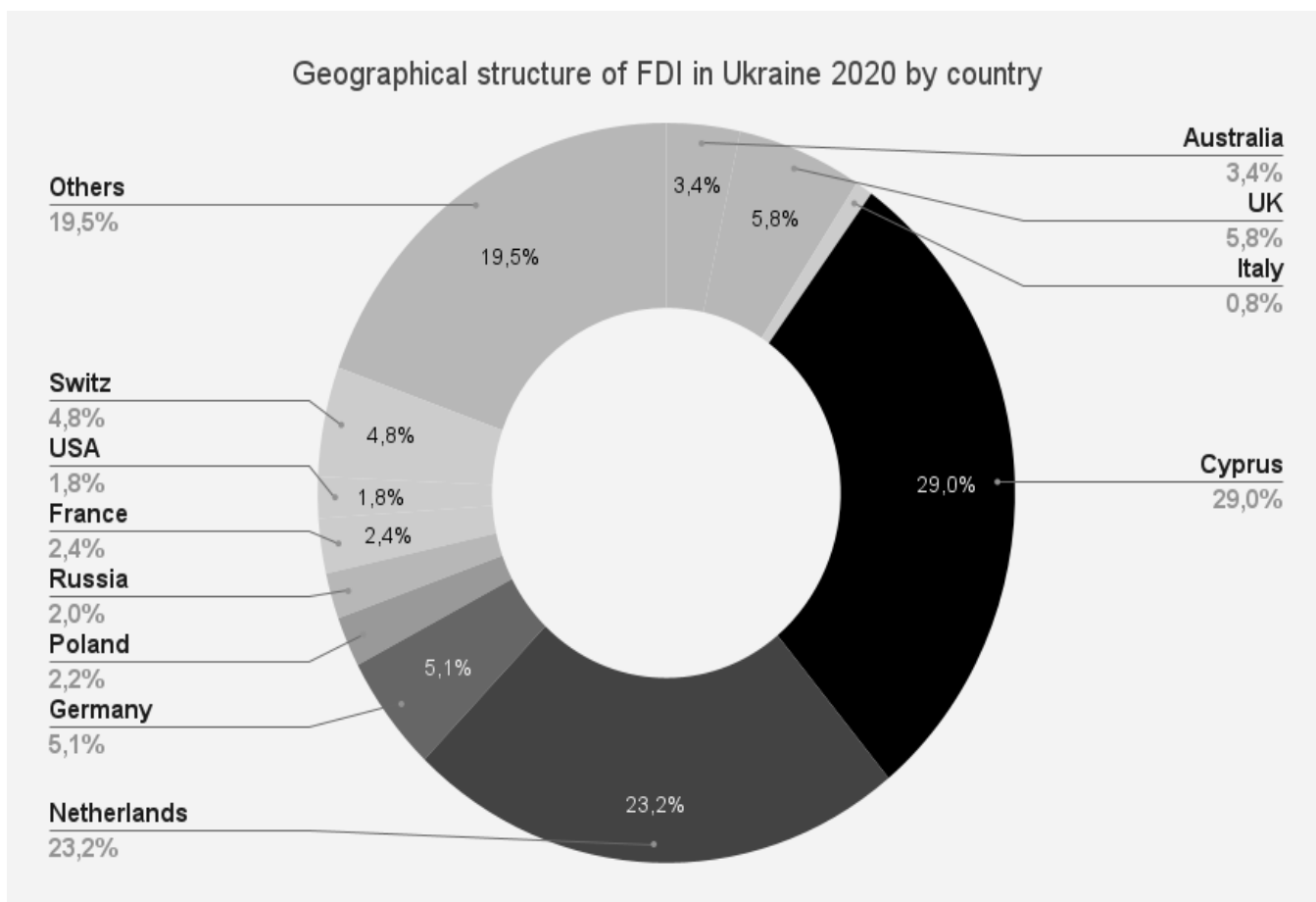
<b>Country</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>On December 31, 2019</b>
Total from EU countries	24,982	23,425	24,145	25,972	28,289
Austria	1,152	1,099	1,038	1,15	1,249
Netherlands	6,09	6,028	6,395	7,118	8,301
Germany	1,604	1,564	1,682	1,701	1,843
UK and Northern Ireland	1,785	1,947	1,944	2,131	2,060
France	1,299.1	615.6	723.4	744.4	845.5
Cyprus	9,894.8	8,785	8,932	9,544	10,368
Total in Ukraine	32,122	31,230	31,606	32,905	35,809
Total from the EU-15	13,347	12,936	13,400	14,475	16,029

Electronic resource: [13]

The second leading country is The Netherlands, their percent of investment increased from 2015 to 2018 by 20,0 %, in 2020 it has grown to 23,2 %. According to the State Statistics Committee of Ukraine on the 1<sup>st</sup> January 2020 Cyprus has invested 10,368 million USD and The Netherlands - 8,301 million USD.

According to the State Statistics Service Russia also took part in the investment of the national economy of Ukraine in 2019 the amount of its FDI was 220 million USD[29].

Although many countries are investing in Ukraine, mainly European countries lead in the share of foreign investment, their share is almost 80 % [19].



Graph 2.2.1 Geographical structure of FDI to Ukrainian economy by country 2020

Resource: [14]

From 2015 to 2020 the percent of investment of UK also increased by 0,2 %; Italy by 0,3 %, Switz by 1,2 %, Poland by 0,4 %.; the percent of foreign investment has decreased in the following countries France - 1,1 % USA - 0,2 %, Germany -0,4 %.

Table 2.2.3 FDI in the economy of Ukraine by type of economic activity 2015-2019 (million USD)

<b>Economic activity</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>On December 31, 2019</b>
Agriculture, forestry and fishery industry	502,2	586.2	578.6	542.1
Industry	9,893	9,667	10,543	11,595
Construction	1,104	1,043	919.5	1,036

Continuation of table 2.2.3

Wholesale and retail trade, repair of vehicles and motorcycles	5,247	5,106	4,957	5,662
Transport, warehouse, postal and courier activities	1,088	1,086	985.3	1,088
Information and telecommunications	2,089	2,075	2,100	2,939
Financial and insurance activities	4,350	3,627	3,526	4,557
Real estate transactions	3,882	3,764	3,796	4,495
Professional, scientific and technical activity	2,222	2,253	2,131	2,223

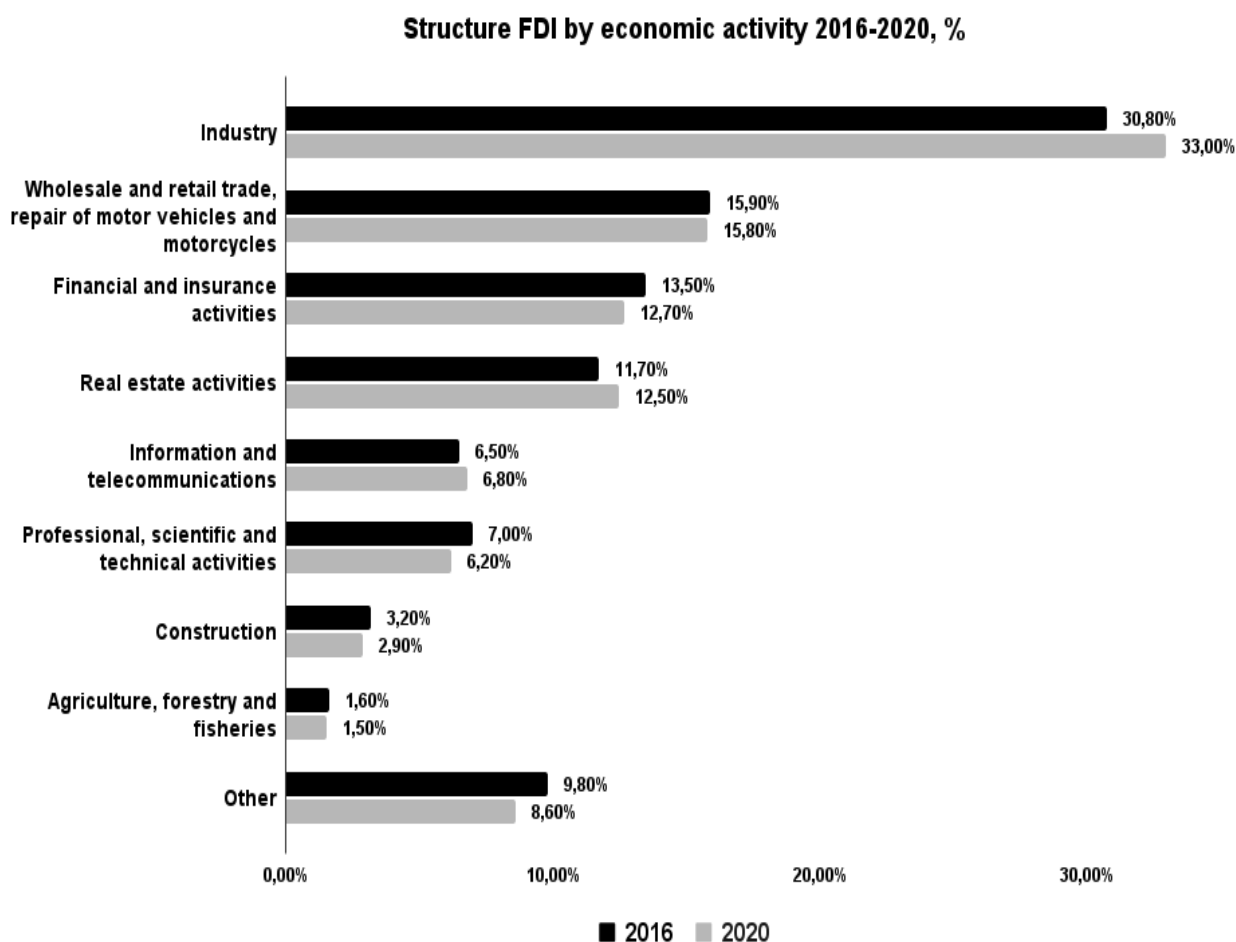
Electronic resource: [15]

From the table 2.2.3 we can find the most attractive economic spheres of Ukraine for investors. From 2016 to 2019 the amount of foreign direct investment has grown significantly in industry activity including engineering, processing and metallurgical industry, renewable energy. This suggests that this type of economic activity is a priority for investment. From the graph 2.2.2 we can see that percent of FDI in industry in 2020 increased almost by 3 % compared with 2016.

Also, the amount of foreign investment, noticeably, increased in real estate activities, wholesale and retail trade, repair of vehicles and motorcycles and professional scientific and technical activity.

From graph 2.2.2 we can notice minor decreases in investment flows in such Ukrainian economic activity as financial and insurance activities. If we follow the dynamics of the last 10 years, we can see that the percentage of investments from 2010 to 2020 fell from 23 % to 12,7 %.

In such important economic spheres as agriculture, forestry and fishery in 2020 was invested 1,5 % of FDI.



Graph 2.2.2 Structure FDI by economic activity 2016-2020, %

Resource: [14]

When analyzing the dynamics and structure of foreign direct investments of economic activity, we can make a conclusion that the main problem in Ukraine is that there is an unequal distribution of foreign direct investments.

Foreign investors are ready to invest only in those areas of the Ukrainian economy that tend to pay off quickly and from which investors can quickly get benefits and income. These industries mainly include processing, as well as wholesale and retail spheres.

Priority areas are also those that do not require long-term investment and the introduction of new types of technology. Basically, this can be attributed to the real estate and financial sectors. Too large investments in the last can lead to negative consequences, for example, to extinctive indicators of economic development.

According to statistics sectors such as health care and education receive the least amount of investment.

From the table 2.2.4 we can see in which regions of Ukraine the most amount of investments came. Dnipropetrovska, Donetska, Zaporizhzhya, Lviv, Odessa, Poltava and Kharkiv have the biggest inflows of FDI. So, we can make a conclusion that there are investments only in the most developed regions of Ukraine, which subsequently leads to a disproportion in the economic development of other regions.

Table 2.2.4 FDI in the Ukrainian economy by regions 2015-2019 (million USD)

The region	Volumes as of January 1				On December 31, 2019
	2016	2017	2018	2019	
Vinnitsa	187.8	180.0	198.9	222.5	236.7
Volynskaya	247.1	246.1	251.3	256.7	306.6
Dnipropetrovsk	<b>4,030</b>	<b>3,491</b>	<b>3,688</b>	<b>3,535</b>	<b>3,797</b>
Donetsk	<b>1,748</b>	<b>1,249</b>	<b>1,116</b>	<b>1,289</b>	<b>1,399</b>
Zhytomyr	222.7	216.3	226.8	234.2	246.3
Zakarpatska	311.8	317.0	325.1	343.3	360.9
Zaporizhzhya	<b>682.7</b>	<b>863.4</b>	<b>910.5</b>	<b>900.8</b>	<b>912.9</b>
Ivano-Frankivsk	<b>836.6</b>	<b>826.6</b>	<b>904.7</b>	<b>894.6</b>	<b>724.0</b>
Kyivskaya	<b>1,593</b>	<b>1,516</b>	<b>1,588</b>	<b>1,598</b>	<b>1,645</b>
Kirovograd	52.5	58.9	70.1	69.3	74.7
Luhansk	443.9	436.4	438.0	437.2	447.2
Lviv	<b>1,032</b>	<b>833.5</b>	<b>930.0</b>	<b>947.8</b>	<b>1,116</b>
Nikolaevskaya	212.8	213.5	206.1	220.6	305.4
Odessa	<b>1,320</b>	<b>1,228</b>	<b>1,202</b>	<b>1,251</b>	<b>1,279</b>
Poltava	<b>1,000</b>	<b>1,003</b>	<b>1,008</b>	<b>1,025</b>	<b>1,166</b>
Rivne	199.6	159.5	134.2	130.4	134.6
Sumy	199.1	190.0	181.5	184.5	198.0
Ternopil	49.2	48.2	45.0	100.6	49.5
Kharkiv	<b>1,519</b>	<b>642.5</b>	<b>638.3</b>	<b>652.5</b>	<b>762.5</b>
Kherson	211.0	201.3	218.5	204.8	245.4



Continuation of table 2.2.4

Khmelnitskaya	165.5	158.2	170.8	200.5	203.0
Cherkasy	348.0	334.4	335.7	329.8	357.2
Chernivtsi	59.1	57.1	42.6	45.6	53.0
Chernihiv	92.1	241.3	429.6	435.7	442.9
Kyiv	<b>15,356</b>	<b>16,516</b>	<b>16,343</b>	<b>17,393</b>	<b>19,344</b>
<b>Total</b>	<b>32,122</b>	<b>31,230</b>	<b>31,606</b>	<b>32,905</b>	<b>35,809</b>

Electronic resource: [15]

The leaders in the growth of amount of foreign investment in 2019 compared with 2018 were Dnipropetrovsk (+109 thousand USD), Donetsk (+283 thousand USD), Lviv (+186 thousand USD), Poltava (+158 thousand USD) and Kharkiv (+124,2 thousand USD).

Ivano-Frankivsk in 2019 had outflows of FDI compared with 2018 it reduced to 180,7 thousand USD.

From the table 2.2.4 we can make a conclusion that the numbers of foreign investment in the regions of Ukraine are heterogeneous. That means investment policy of Ukraine to attract FDI is ineffective and invalid.

In order to balance the level of foreign capital between the regions Ukraine should start working on the development of a new investment policy, which will provide for and take into account the economic opportunities and needs of each of the Ukrainian regions and thereby raise the level of foreign attractiveness.

### **2.3. Efficiency of foreign investments in the economy of Ukraine**

When attracting foreign investments in the country's economy, it is important to take into account not only their amount of implementation, and how many influence will

have to develop the country's economic and social activity, that is, the indicator and the level of their effectiveness.

First of all, foreign direct investment should help strengthen the national economy, so the investment policy of host countries should develop ways and contribute to their uniform distribution to raise the efficiency of their use.

In order to assess the level of efficiency of foreign investment in the country, it needs to look at the indicator of GDP and its dependence on the number of investments received. So for research it turned out that this indicator is 4 % [14]. Thus, it can be concluded that foreign investments have almost no effect on the development of the economy of Ukraine. Basically, this can be explained by the fact that Ukraine has a low level of development of macroeconomics, the level of scientific and technological progress, the insecurity of investors will nourish the political stability of Ukraine and so on[25].

Also, low indicators of the effectiveness of foreign investment are explained by the fact that investing in rapid projects are preferable. This means that the purpose of investors is mainly to receive profits, and not an interest in raising and developing the economic activity of Ukraine.

Due to the economic and political instability in Ukraine, foreign investors do not run the risk of starting a business in the country, on the contrary, intend to withdraw their income.

Therefore, we can observe large outflows of foreign direct investments from Ukraine. According to the National Bank of Ukraine in 2020, an outflow of FDI was 868,2 million USD for the first time since 2015 when the number of outflows was 458 million USD [15].

According to statistics of Doing Business 2020, Ukraine ranks 64 places in 2019 it ranked 71 places. Compared with 2019 Ukraine has improved the following main performances [16]:

- a) construction permits;
- b) getting electricity;
- c) property registration;

- d) simplification of obtaining a loan;
- e) improvement in protecting Minority Investors;
- f) cross-border trade: simplification of conformity certification requirements for some type of goods.

So, from the report we can make a conclusion Ukraine is taking steps to improve and simplify doing business, but at this time, the conditions for foreign investors are still unsuitable.

Another factor that influences the efficiency of foreign investments is the current level of corruption in Ukraine. According to Corruption Perceptions Index [17] compared with 2019 in 2020 the CPI has increased by 3 points, in 2020 Ukraine ranks in 117 place out of 180 possible and has a score 33 points of 100 possible, when 100 points means corruption is practically absent, 0 point - absolute level of corruption in country[30].

So, Ukraine has a fairly high level of corruption and if the country needs to increase the level of investment attractiveness and thereby increase their efficiency, a state should increase measures to combat corruption.

So, it is possible to identify the main problems that hinder the effectiveness of foreign investments [18]:

- 1) the high level of corruption in Ukraine;
- 2) ineffectiveness of tax policy for entrepreneurs;
- 3) the lack of an effective system for assessing the investment environment in Ukraine;
- 4) mistress and uncertainty of foreign investors in the Ukrainian banking system;
- 5) low living standards of Ukrainians;
- 6) poor level of infrastructure development;
- 7) problems with passing customs barriers.

So, we can make a conclusion that foreign investments have practically no affect an the national economy of Ukraine, in order to increase their efficiency, the country must create suitable conditions for attracting foreign capital.

## CHAPTER 3. DIRECTIONS FOR IMPROVING THE ATTRACTION OF FOREIGN INVESTMENT AND INCREASING THEIR EFFICIENCY

### **3.1. Find and analyze the main factors influencing the investment attractiveness of Ukraine**

Foreign investment is one of the most important facts for the development, strengthening and formation of the national economy of Ukraine. Thanks to their introduction, a large number of opportunities appear in the country, such as infrastructure development, the arrival of new highly advanced technologies and highly qualified workers, an increase in jobs, and so on. If a country has a well-developed and planned investment policy, then this also has a positive effect on macroeconomic indicators and enhances its competitiveness in the world arena. Due to the conducted research and statistics of investment attractiveness of Ukraine, rather low indicators are observed. This means that we can conclude that the investment policy of Ukraine needs to be reformed and carefully developed.

The level of investment attractiveness of a country mainly depends on macroeconomic indicators. By analyzing them, potential investors can conclude about the well-being of residents, their level and quality of life, find out at what stage of economic development the country is. Drawing conclusions from the data obtained, investors decide whether they should risk and invest their money.

From graph 3.3.1 we can make the following conclusions:

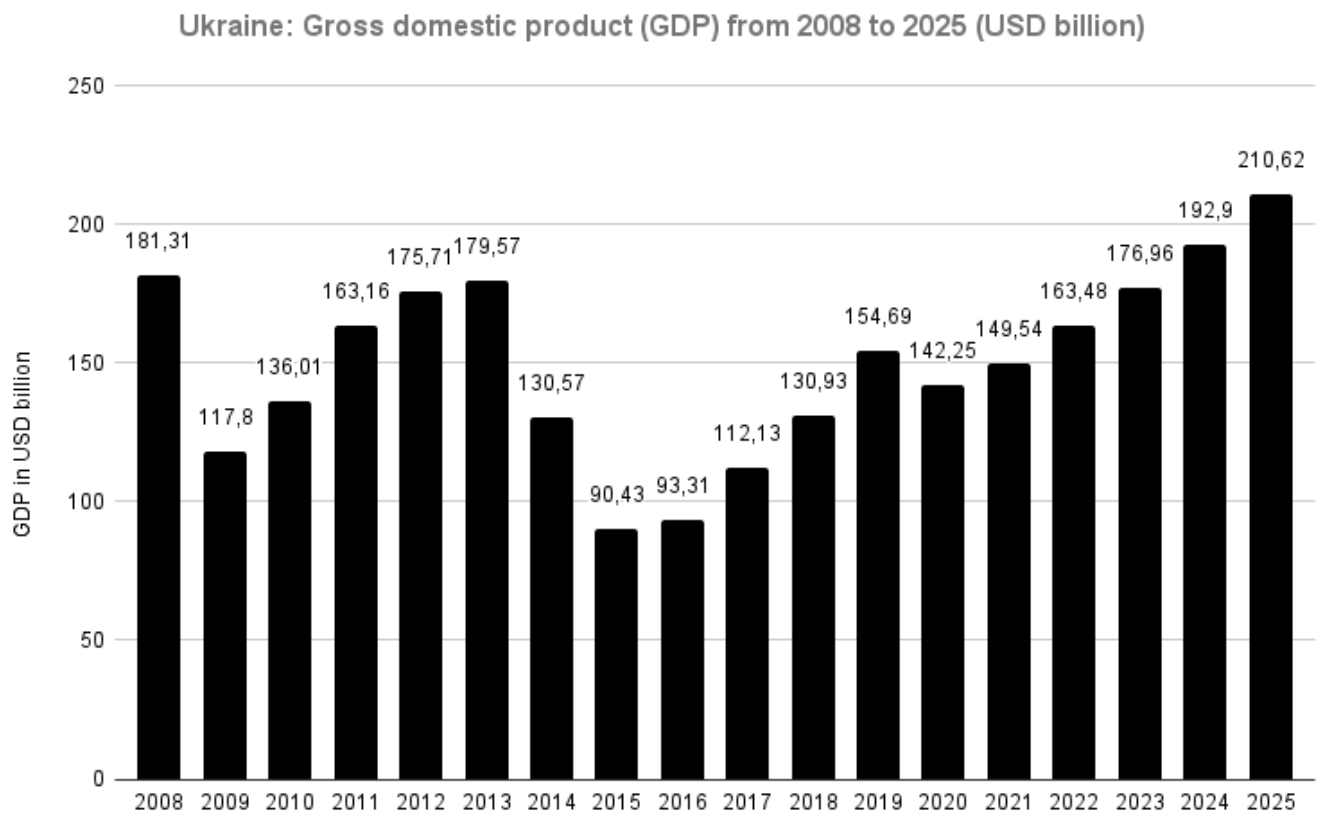
– The highest indicator of GDP was in 2008 - 181,31 USD billion and the closest indicator to this Ukraine reached 2013 – 179,57 USD billion.

From 2013 to 2015 the level of GDP has sharply fallen to 90,49 USD billion and this is the lowest indicator over the past decades

– After 2015 the economic situation was getting better and the level of GDP has increased.

– According to the graph, there are predictions that in the next 5 years the level of GDP tends to increase.

So, if the Ukrainian economy will improve that means the number of foreign investments will also increase.



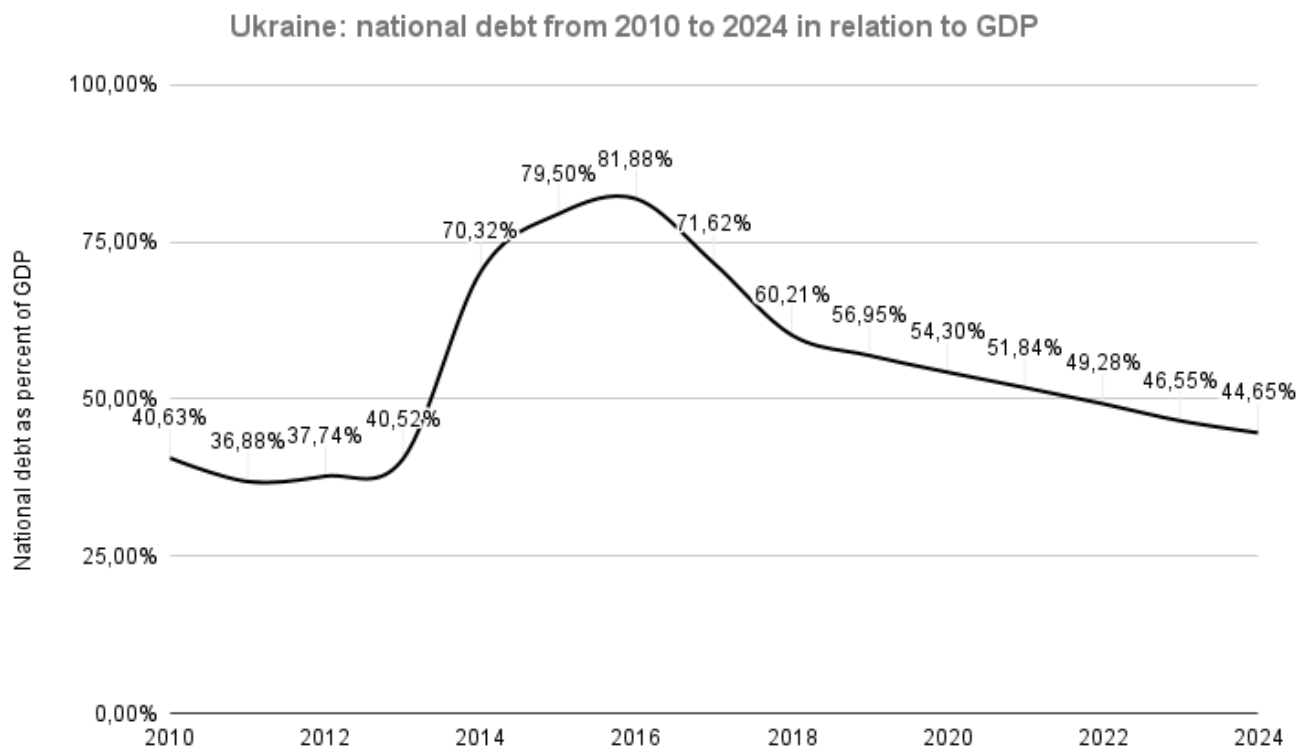
Graph 3.3.1 Ukraine: Gross domestic product (GDP) from 2008 to 2025 (USD billion)

Electronic resource: [21]

From graph 3.3.2 we can see the dynamics of the Ukrainian national debt and the following conclusions can be made:

– From 2013 to 2016 the national debt has increased from 40,52 % to 81,18 % respectively.

- In 2011 is fixed the lowest per cent of the national debt is 36,88 % and this indicator remains the lowest in recent decades.
- In 2016 Ukraine has the highest indicator of national debt about the gross domestic product.
- From 2016 to 2018 the national debt has decreased from 81,18 % to 60,21 % respectively.
- In the next 4 years, there are expectations that the national debt of Ukraine will decrease. According to Statista the debt from 2020 to 2024 potentially decreased by 9,65 %.



Graph 3.3.2. Ukraine: national debt from 2010 to 2024 about gross domestic product

Electronic resource: [22]

So, analyzing the national debt of Ukraine potential foreign investors can see that country can pay off the issued and outstanding debt obligations. If Ukraine actually can

do this it will have a positive effect on increasing the country's interest and attractiveness for investment.

Based on the data and statistics given above, we can conclude: to interest foreign investors, the country needs to balance the economy of Ukraine.

One of the negative factors that affects the investment attractiveness of the country is conducting shadow business on the territory of Ukraine. According to the National Bank of Ukraine the total value of shadow economy in 2020 was 23,8 % in relation to gross domestic product, in accordance with this, the Ukrainian economy lost 846 UAH billion. Due to the cash shadow economy Ukrainian economy lost 702 UAH billion, about GDP it consists of 19,7 %. Because of passive shadow economy has lost 512 UAH billion, 14,4 % of GDP[22].

The state should pay attention to the problem of shadow business since its level in Ukraine has approached 30% in 2020[23]. This is a rather extremely high percentage for the state. Due to the conduct of shadow business, the state budget of Ukraine does not receive taxes and, ultimately, the country loses a large amount of money, which could, in turn, be invested in the further development of the national economy of Ukraine.

Therefore, the country should formulate methods of struggle and take measures to determine Ukrainian business. One of the most effective mechanisms to combat shadow business is the introduction of non-cash electronic payments[28].

### **3.2. To offer the basic directions of reforming of increase of efficiency of attraction of foreign investments in economy of Ukraine**

From the conducted research it is possible to draw a conclusion and propose several proposals for increasing the investment climate in the country. It should be noted that Ukraine is already taking steps to improve the investment policy model, but today it remains correct and inconsistent, therefore it has a low level of confidence of foreign investors.

First of all, investment policy should be aimed at gradually reducing the number of risks and obstacles to the introduction of foreign investment. The following main tasks can be identified to improve the efficiency of the investment policy of Ukraine:

1) Encouraging the introduction of direct foreign investment not only in those areas of the Ukrainian economy that quickly pay off and that do not require long-term investment, but also stimulate other economic areas that are more strategically important for Ukraine. Prioritize foreign investment in the agricultural sector, high-tech industries and IT, energy and mechanical engineering. Special attention should also be paid to education and health care since the amount of investment in these industries remains minimal.

2) Foreign investors are very sceptical about the legislative system of Ukraine and question its work. Therefore, the country must form and establish a trusting relationship with potential investors. First of all, ensure the protection of their rights on the territory of the country and the development of an insurance model in case of risk in the investment process. Also, foreign investors should be able to access a clear and detailed information base of foreign investments in Ukraine[24].

3) Reducing and regulating social tension in the country.

4) Construction of joint firms and enterprises with foreign investment.

Formation of effective mechanisms for the management of foreign activities on the territory of Ukraine

Along with this, one should not forget about the creation of the country's investment climate. The following directions of development of investment attractiveness of Ukraine should be[14]:

1) Modernization of the infrastructure of Ukraine, the priority should be the transport system and the administrative, educational sphere, the sphere of high technologies and the industry of Ukraine.

2) Taking measures against the fight against corruption, since the level of corruption in Ukraine remains practically the highest among the European countries.

3) Implementation of structural reforms in Ukraine. Pay particular attention to the development of the tax system.



- 4) Decrease in interest rates.
- 5) Encouragement of the development of spheres of science and investment activity in Ukraine.
- 6) Taking part in international investment projects.
- 7) Providing support for the rights of foreign investors by adopting a law on the protection of their rights on the territory of Ukraine.
- 8) Conducting research in the investment field at the international level, to find out the supply and demand in the future ways of attracting foreign investment in the economy of Ukraine.
- 9) Development of strategies to attract foreign investors by inviting highly qualified specialists in this field.
- 10) Creation of an accessible and clear information base for conducting foreign activities on the territory of Ukraine for foreign investors.

Concluding the research done, one can come to the following conclusions that the state should develop a comprehensive strategy for attracting foreign investment to the territory of Ukraine. To improve the investment attractiveness of the country, it is necessary, first of all, to balance the economic and political situations in Ukraine. Create favourable conditions for the introduction of foreign investment that will contribute to the growth of foreign capital. With a properly organized investment policy in the future, Ukraine will be able to strengthen its position in the world market and increase the country's competitiveness.

## CONCLUSION

For any country, foreign investment is one of the most effective mechanisms for promoting economic development. Therefore, countries are faced with the task of how to attract foreign capital and how to use it effectively so that it stimulates the national economy, promotes the introduction of new high-tech products and improves the quality of the labor force.

Foreign investment is understood as the investment of foreign capital (property and intellectual) in objects of entrepreneurial or other activity with the aim of making a profit. There are the following types of foreign investments: foreign currency, movable and immovable property, stocks and bonds, as well as other types of securities, intellectual property rights and the right to conduct business and others by the legislation of Ukraine on investment activities[26].

Direct investments are the most desirable forms of foreign investment, since they are long-term, with their help new technologies are introduced, the qualifications of workers are improved and, as a result, they contribute to the development of the structure of the country's foreign capital. Namely, short-term investments are replaced by long-term ones. These changes contribute to the stabilization of the national economy, its balance of payments and financial stability.

While foreign investment has many benefits for the target country, it can also hurt the country's economy. Significant disadvantages include: dependence of the country's economy on foreign investment, a decrease in the development of the economy of the exporting country since the introduced investments are part of the GDP of the exporting country, a decrease in the rate of development of the innovation process in the country, a decrease in wages, and so on[27].

Ukraine can be called as an attractive investment country because of its economic potential. But at the same time, Ukraine needs improvement in the regulation of foreign investment and a change in the country's investment policy. Ukraine needs to develop a plan to change the investment attractiveness and raise the level of the country's investment climate so that potential investors feel confident investing their capital.

The positive changes in the investment environment include the stabilization of the exchange rate in Ukraine, the pursuit of European standards of living standards and the stimulation and improvement of the conditions for doing business in Ukraine.

The most attractive economic spheres for foreign investors throughout the years have been the financial and insurance activities, as well as, real estate transactions and industry. They are a priority because they are short-term and foreign investors can easily withdraw income from them.

Such industries as science, education, healthcare, implementation of modern technologies is necessary for Ukraine to raise the national economy, but the least amount of investments is invested in these areas. Ukraine should direct its forces and resources to the development of these particular sectors of the economy to be able to implement a successful investment management mechanism.

The structure of foreign investment in Ukrainian regions is uneven. Most of the investments are received by those areas that have a high level of economic development, this leads to a disproportion in the development of the regions and cities of Ukraine.

Foreign investment has practically no effect on the economy of Ukraine, low rates of foreign investment efficiency are influenced by the level of inflation and high rates of corruption in Ukraine, low macroeconomic indicators of the country, political instability, and so on.

As a result of the study, it turned out that for the effective conduct of foreign activities on the territory of Ukraine, the state must direct its efforts to change and develop the economic, political and legal situation in Ukraine. Particular attention should be paid to the following obstacles affecting the attraction of foreign investment:

- 1) High level of corruption;
- 2) The great influence of shadow business on the country's economy;
- 3) Lack of an effective mechanism for ensuring foreign investments;
- 4) High level of bureaucracy;
- 5) Low rates of privatization;
- 6) Insecurity of the rights of foreign investors on the territory of Ukraine;
- 7) Low living standards of the population.

As the practice of foreign countries shows, the creation of investment attractiveness requires a long time and active actions on the part of the state. Ukraine should formulate strategies to improve the investment climate. With the right investment policy, the flow of foreign investment will increase, which will entail the development of infrastructure, strengthening of the financial and credit system of Ukraine, stabilization of the national economy and an investment in the standard of living of the population.

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## SUMMARY

Ponomaryova E. D. Foreign investment in the economy of Ukraine: scale, structure, efficiency. - Bachelor's qualification paper. Sumy State University, Sumy, 2021.

The final paper is devoted to studying the essence of foreign investment. The analysis of the state and dynamics of foreign investment in the national economy of Ukraine. The importance of attracting investments into the country's economy is determined, the main problems on the way of introducing foreign capital investments into the national economy of Ukraine are considered, the prospects for development with the effective use of foreign investments are considered.

Keywords: foreign investment, foreign direct investment, geography of foreign direct investment, investment attractiveness, investment attractiveness index, indicator of doing business, competitiveness index, investment climate.

## АНОТАЦІЯ

Пономарьова Є. Д. Іноземні інвестиції в економіку України: масштаби, структура, ефективність. – Кваліфікаційна бакалаврська робота. Сумський державний університет, Суми, 2021.

Підсумкова робота присвячена вивченню сутності іноземних інвестицій. Аналізу їх стану та їх динаміки в національній економіці України. Визначено важливість залучення іноземних інвестицій в національну економіку України, розглянуто основні проблеми на шляху впровадження іноземного капіталу в національну економіку України, розглянуто перспективи розвитку економіки України при ефективному використанню іноземних інвестицій.

Ключові слова: іноземні інвестиції, прямі іноземні інвестиції, географія прямих іноземних інвестицій, інвестиційна привабливість, індекс інвестиційної привабливості, показник ведення бізнесу, індекс конкурентоспроможності, інвестиційний клімат.