

**ANALYSIS OF FACTORS INFLUENCING FOREIGN DIRECT INVESTMENT IN UKRAINE****Ryabushka L.,***Ph.D., Associate Professor,**Department of Financial Technologies and Entrepreneurship,**Education and Research Institute of Business, Economics and Management**Sumy State University,**l.riabushka@biem.sumdu.edu.ua***Yusiuk A.,***Student,**Education and Research Institute of Business, Economics and Management**Sumy State University,**mr.yusiuk@gmail.com*

*In today's world, FDI plays an important role for developing economies, as it not only transfers technology and capital, but also determines the dynamics and depth of economic growth and shows the speed of the process of transformation of the economic ecosystem at the national and global levels. Despite the above advantages, the inflow of FDI into Ukraine is not as great as in other countries of the region.*

*The purpose of this article is to analyze the factors influencing foreign direct investment in Ukraine. In this article, based on foreign experience, economic, institutional and other factors influencing FDI were analyzed. Also, the dependence of the inflow of foreign direct investment in the context of Ukraine was assessed, and the prospects and forecast of future investment income were described.*

*The results of the analysis carried out during the writing of this article made it possible to determine the factors that affect the inflow of FDI into the country's economy in order to assess their impact in the context of Ukraine. These include: market size measured by GDP, exchange rate, average wage, indicators of human potential, ease of doing business, level of corruption, tax burden, rule of law index, as well as the impact of regional trade agreements, in particular the free trade zone between Ukraine and EU, established in 2016.*

*Some factors influencing the inflow of FDI to Ukraine over the past 10 years were graphically analyzed, which allowed systematizing a large volume of researched data and became the basis for further analysis of Ukraine's investment situation. After that, regression equations were constructed for each of the influence factors and coefficients of determination were determined. Thus, it can be concluded that in the context of Ukraine, the following factors were statistically significant: institutional indicators, nominal GDP, which measured market potential, the exchange rate of the US dollar, as well as the regional trade agreement factor, which was measured by the volume of trade between Ukraine and the EU. While others show no significant effect or are not supported by the relevant theory. At the end of the article, forecasts of future FDI inflows to Ukraine after the end of the war were formed and described.*

*Regarding recommendations for further research on this topic, it would be useful to analyze the influence of corruption indicators on the inflow of foreign direct investment to Ukraine, as well as the influence of human development of Ukrainians on the attractiveness of investments in the state, as well as to conduct a study of how important labor costs are strength in attracting FDI to Ukraine.*

**Keywords:** *foreign direct investment, factors influencing FDI, investing in Ukraine.*

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**INTRODUCTION**

Before the start of a full-scale war with the Russian Federation, Ukraine was in a phase of transformation and had a chance to gradually become a competitive state on the European continent. Despite the war, the citizens of Ukraine and the authorities must make further plans for the country's development and recovery. In order for this intention to be successfully implemented, one of the factors will be, in particular, attractiveness for foreign direct investment.

In today's world, FDI plays an important role for developing economies, as it not only transfers technology and capital, but also determines the dynamics and depth of economic growth and shows the speed of the process of transformation of the economic ecosystem at the national and global levels.

On the other hand, not only the receiving party has a positive effect from FDI, but foreign investment countries in Ukraine also gain a great potential to increase their

incomes, since Ukraine is a country with a huge territory and a diverse market, access to the sea, a favorable climate and lies at the intersection of transnational routes, and also has a high level of qualified specialists with the lowest minimum wage rates among other countries of the continent.

A significant contribution to the study of foreign direct investment was made by scientists such as Blonigen B. [1], Moosa I. [2], Apergis N. [3], Azman-Saini W., Baharumshah A., and Law S. [4], Ivashko O., and Tsybaliuk I. [5] and many others.

However, despite the research of scientists and the above-mentioned advantages, the inflow of FDI in Ukraine is not as great as in other countries of the region. Also, after analyzing the literature, it became clear that in the context of Ukraine there are few studies on various factors influencing the inflow of FDI.

#### ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS

Foreign direct investment (FDI) is a category of cross-border investment in which an investor-resident of one economy shows a long-term interest and a significant degree of influence on an enterprise (institutional unit) in the financial or non-financial sectors of the economy, which is located in another economy. "Long-term interest" means the presence of a long-term relationship between a direct investor and a direct investment company and a significant degree of influence on the management of the latter. Evidence of such relations is ownership of 10 percent or more of the company's voting rights or other equivalent assets, if the company operates in a different legal structure [6].

Foreign direct investment is a key element of international economic integration, as it creates stable and long-term ties between economies, and FDI is an important channel of technology transfer between countries [7].

According to Lyulov O. and Moskalenko B. A., since the state is attractive for investments, it also creates a positive image on the world stage, which not only affects the growth of global awareness and increases the inflow of investments, but also has a positive effect on the overall improvement business environment, which positively affects the competitiveness of the state [8, p. 212-217].

Despite the positive impact, foreign direct investment has a certain negative impact on host countries. The geographic distribution of direct foreign investments is often uneven, as they are concentrated mainly in large and developed cities and centers. This indicates that FDI contributes to the increase of regional disparities [9, p. 33-40]. FDI is also often a means of displacing domestic savings and depleting the wealth of developing countries, as their use to increase the added value of goods produced in developed countries widens the gap between developed and developing economies [3, p. 24].

However, in general, the prevailing opinion is that FDI has a positive effect on the economy. For this reason, it is important to examine how countries can increase FDI inflows and exploit the associated positive effects.

The inflow of FDI into a country is influenced by many variables. However, a small number of studies were found that investigated the influence of various factors on the attraction of foreign direct investment specifically in the context of Ukraine. Taking into account the importance of foreign direct investment for our state, as well as the fact that Ukraine has not only high potential, but also serious shortcomings in its attractiveness for foreign investors, it is proposed, based on international experience and scientific research, to analyze the influence of various factors on attracting direct foreign investments, on the example of other countries of the world. On the basis of which it will be possible to further analyze the inflow of foreign direct investments to Ukraine.

Given the multitude of influencing factors, it is not possible to examine the effect of only one group of variables, such as taxes, on total FDI inflows (or other FDI-related variables), as the results of this group of variables may be statistically significant, while the effects may be related not only to taxes, but also to other variables, so it would be a mistake to focus only on the impact of taxes or other individual factors on FDI inflows and consider them as a single or main indicator.

Also, it should be emphasized that some factors cannot be changed (for example, the distance between states, common state borders or a common language) or are difficult to change (the level of education in the state, the level of corruption, the level of security or GDP), because the decision to change becomes a dilemma for states and their governments, whether they focus on the influence of a factor whose magnitude will change only in the medium or long term, or focus on parameters that change easily [10, p. 13-19].

A statistical study of the interdependence of the determinants and the volume of foreign direct investment confirmed the importance of market volume factors and regional trade agreements in the US economy since 1969. It was also found that GDP can measure the size of the market - the larger the indicator, the more effective investments were made to one or another state [11]. Every company tries to enter markets that open up new opportunities, because in this case, new companies have a great potential for high profits and less competition in the industry, which is also related to the size of the market.

As for regional trade agreements, on the one hand, the example of Vietnam has shown that a free trade agreement has a positive effect on the country's investment climate and builds investor confidence in the state [12], which in turn has a significant impact on FDI inflows. In addition, countries with more trading relationships tend to experience greater inflows of foreign direct investment because they always have to meet their treaty obligations. This fact has a positive effect on investors, as it creates prerequisites for trust in the state and they can be sure of the safety of their investments.

On the other hand, a panel analysis of the dependence of foreign direct investment on the signing of new trade agreements showed that in some countries, despite the signing of a regional trade agreement, the inflow of FDI does not increase, because investors often do not see the state's potential for investment [13]. In addition, newly created free trade zones can sometimes have negative consequences in terms of attracting investment. The main reason for this situation is that the new international trade relations lead to an increase in trade due to comparative advantages and an increase in cross-border investments, but to a decrease in the inflow of foreign direct investments between the countries participating in the agreement.

The next important factor when choosing an investor country for FDI is the tax conditions in the investment recipient state. In general, there are several articles on the impact of income tax on FDI inflow, and all of them proved a negative relationship between the level of corporate taxation and the volume of FDI inflow [14, p. 677-682]. The impact of other taxes is no longer considered in such detail, but there is work on the impact of labor taxation on FDI decisions. According to Hansson and Olofsdotter [15], there is also a negative correlation between the level of personal income tax and the inflow of FDI.

As for the labor cost factor, labor as one of the production factors affects the total (production) costs of the enterprise, so it is clear that it is profitable for an investor to have a skilled labor force at a low wage [16, p. 22-26].

Investors are also interested in the transparency of the rules of activity in the country in which they want to invest, so less regulation by the authorities, confidence in the protection of their rights and, in the event of a conflict, trust in an honest and fair court influence the investor's decision to invest in one or another economy [17, p. 536-540]. These factors affect the ease of doing business and economic freedom in the state, which is also later manifested in the change in the flow of foreign direct investment to the country [4].

Companies that have decided to invest in other countries want to have clear business rules that will not be distorted by corruption. Corruption increases the risk of unfair competition for coverage and leadership in the market to unnecessary costs, which are caused by the uncertainty of future functioning.

#### SETTING OBJECTIVES

The purpose of writing this article is to analyze the factors influencing foreign direct investment in Ukraine.

In accordance with the set goal, the following tasks were defined:

- analyze, on the basis of foreign experience, economic, institutional and other factors influencing FDI;
- assess the dependence of the inflow of foreign direct investments in the context of Ukraine and substantiate the prospects and forecast of future investment income.

The practical significance of this article lies in the assessment of the influence of various factors on the indicators of FDI inflow to Ukraine; forecasting future foreign investment inflows to Ukraine, respectively.

#### RESEARCH METHODS

The object of research of this article is foreign direct investment, and the subject of research, accordingly, is practical approaches and tools for analyzing factors influencing the inflow of FDI to Ukraine.

To achieve the set tasks the following research methods were used: abstract-logical, grouping and system-structural analysis in the systematization of modern scientific approaches to understanding the economic essence of FDI; calculation, deduction and an analytical methods for the analysis of FDI inflow in Ukraine, statistical methods for visualization of research results in tabular and graphical forms.

#### RESULTS OF THE RESEARCH

Researchers have different views on what factors affect the attractiveness of foreign direct investment. Some tend to focus on macroeconomic indicators, others on institutional analysis, and still others on political and other risks. In this article, the factors of FDI inflow will be analyzed taking into account most aspects, and therefore we will highlight the main ones, which are analyzed in and which will be evaluated in the context of the analysis of their impact on Ukraine in particular:

1. Market volume;
2. The impact of a regional trade agreement;
3. Exchange rate;
4. Tax conditions;
5. Labor cost;
6. Institutional component of the state;
7. Other factors (corruption component, standard of living and human potential).

In order to create a dependency models and analyze the impact of each of the factors, some of them need to be displayed in numerical format, for this it was necessary to install the following indicators that will display the numerical data of the established indicators (see Table 1).

*Table 1 – Factors influencing FDI inflow and their corresponding numerical indicators*

<b>Impact factor</b>	<b>The corresponding indicator</b>
Market volume	level of GDP of Ukraine
The impact of a regional trade agreement	change in the volume of trade between Ukraine and the EU after the creation of a free trade zone
Exchange rate	UAH/USD exchange rate
Tax conditions	Personal income tax and corporate income tax
Labor cost	average salary
Institutional component of the state	World Justice Project (WJP) rule of law index and ease of doing business index
The level of corruption	Transparency International corruption perception index
Indicator of standard of living and human potential	human development index

*Source: formed by the authors*

As for the WJP indicator, it reflects the effectiveness of the rule of law in countries according to a number of criteria, including: limitation of government powers, openness of government, fundamental rights, order and security, civil justice and criminal justice, while

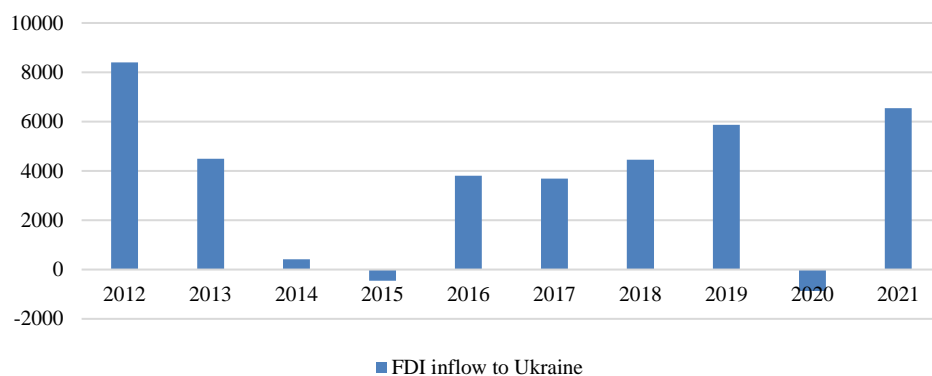
the ease of doing business index compares the relative ease of doing business and starting business between countries around the world.

The indicator of the standard of living and human potential is reflected by the index of human development, which demonstrates the standard of living, literacy, education and longevity as the main characteristics of the human potential of the studied territory.

With regard to tax conditions, during the analyzed time period, the income tax from legal entities, as well as the level of taxation of individuals, did not undergo significant changes, therefore this factor will not be analyzed in this article.

To analyze the influence of certain factors on the inflow of foreign direct investment to Ukraine, a graphic method of determining dynamics and trends will be used. Values are taken for the last 10 years.

After the complication and tension of the political situation in Ukraine at the end of 2013-2014, the European Union became a key partner of Ukraine, which, in particular, is evidenced by the total volume and flows of foreign direct investments. The majority of FDI in Ukraine comes from EU countries. In addition, this indicator in different years was from 73 to 78%, which is quite a significant part [18]. This fact is explained, among other things, by the factor of cultural differences, i.e. the smaller the difference in mentality, habits, business opportunities between investor countries and recipient countries, the easier it is for investors to communicate and adapt to new conditions. Therefore, the distance between the EU countries and Ukraine has an economically significant effect on FDI flows of transnational companies in attracting investments.



*Figure 1 – FDI inflow to Ukraine (million US dollars)*

*Source: [18]*

The analysis of FDI in Figure 1 shows that during 2012-2014, due to the unstable political situation, the refusal to sign the Association Agreement with the EU, the beginning of the armed conflict in Donbas and the occupation of Crimea, the inflow of FDI dropped sharply to almost zero, and in 2015 as a whole was negative due to the withdrawal of reinvested income. Since 2016, after the signing of the association agreement with the EU, the start of the implementation of structural reforms in all spheres, including judicial and financial, which led to an increase in the index of ease of doing business and the index of the rule of law, the inflow of foreign direct investments into Ukraine from year to year showed a positive trend, peaking in 2019 at more than \$5.8 billion annually.

In 2020, a negative inflow of FDI was recorded due to the withdrawal of reinvested income and part of the authorized capital from companies by foreign investors. Most likely, the reason for this was the Covid-19 pandemic and its economic consequences for states, companies and citizens of the world. In 2021, the inflow of FDI increased sharply again, exceeding 6.5 billion dollars.

Figure 2, which shows the dependence of the inflow of foreign direct investment into Ukraine and the average annual exchange rate of the US dollar, shows a direct dependence of the corresponding inflow of investments and the exchange rate. This is clearly seen in the time period adjacent to 2015-2021. Thus, there is a certain trend, which shows that the higher the exchange rate of the US dollar, the greater the inflow of FDI to Ukraine.

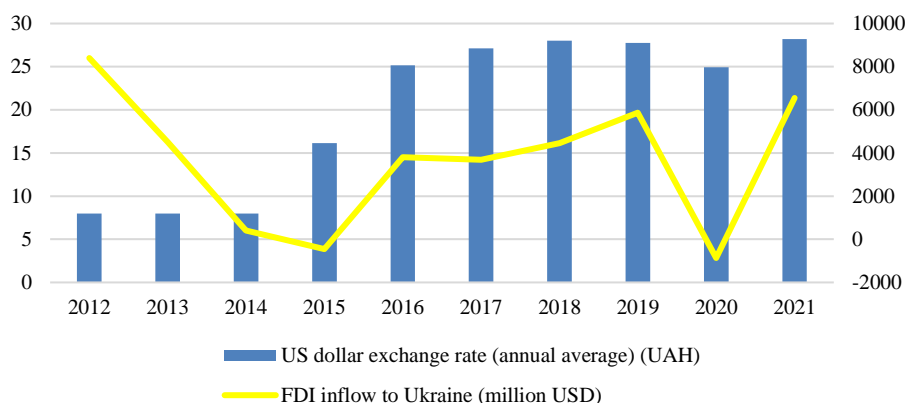


Figure 2 – FDI inflow to Ukraine and the average annual exchange rate of the US dollar during 2012-2021

Source: [18; 19]

Record highs were seen during 2021, as with the US dollar exchange rate of UAH 28.19, FDI inflows to Ukraine were the largest during 2012-2021 and amounted to 6549 million US dollars. This dependence also has the opposite effect, for example, in 2015, with the cost of one US dollar equal to UAH 16.16, the FDI inflow rate amounted to -458 million US dollars, respectively.

Fluctuations in the US dollar exchange rate on the territory of Ukraine are caused by emerging destabilizing factors. So, for example, during 2016-2019 a constant increase can be seen, but it was predictable and did not lead to negative consequences. In 2020, there was a slight decrease in value, but already in 2021, the price for one US dollar increased significantly, which was caused by the Covid-19 epidemic and the threat of a full-scale conflict on the territory of Ukraine, although this did not affect the inflow of investments and it became a record for the period since 2012.

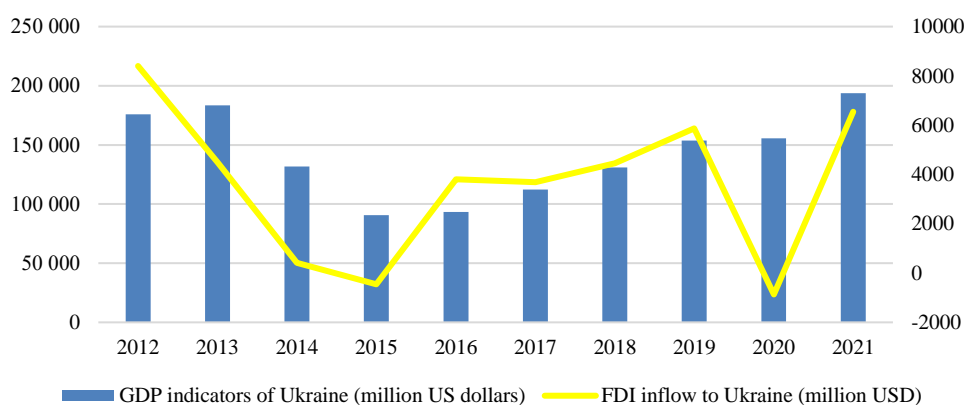


Figure 3 – FDI inflow to Ukraine and indicators of Ukraine's nominal GDP (million US dollars)

Source: [18; 20]

Analyzing Figure 3, which shows the indicators of foreign direct investment inflows to Ukraine during 2012-2021 and Ukraine's nominal GDP indicator as of December 31 of each year during the study period, one can also see a direct relationship between the indicators under consideration.

For example, both indicators reached record highs during 2021, when GDP was 193,671 million USD and FDI inflows were 6,549 million USD, respectively.

The only exception is the period from 2014 to 2015 associated with the armed conflict in Donbas and the occupation of Crimea. Thus, in 2015, the studied indicators were among the lowest for the period from 2012 to 2021. The country's GDP amounted respectively to 90615 million US dollars, and the inflow of foreign investment was -458 million US dollars per year. The break in trend in 2020 caused by the Covid-19 pandemic can also be seen. This suggests that FDI inflows increase along with the increase in GDP for each year and, accordingly, vice versa.

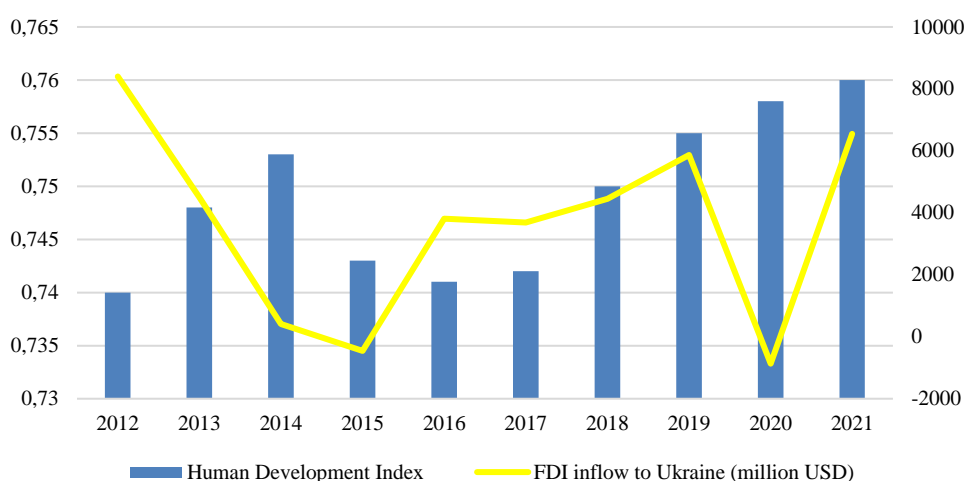


Figure 4 – FDI inflow to Ukraine and human development index (0-1, the higher the index, the higher the level of human development)

Source: [18; 21]

The Human Development Index reflects the average result among the population of Ukraine as of December 31 annually during the period from 2012 to 2021, respectively.

In Figure 4, one can see the dependence of the studied human development index and, directly, the inflow of foreign direct investment, that is, the greater the development indicator, the greater the inflow of foreign capital. This trend also works in reverse.

Thus, analyzing the graph, one can notice some deviations, for example, in 2020 the Human Development Index was 0.76, and FDI inflows had a record low of -868 million US dollars. This is, of course, the influence of external factors such as the Covid-19 epidemic. Also, a negative fluctuation can be seen during 2014-2015, falling at the time of the armed conflict in the east of Ukraine and the occupation of Crimea by the Russian troops.

The indices depicted in Figure 5, namely the easy of doing business index and the corresponding WJP rule of law index, should have a positive effect on the growth of foreign direct investment inflows to Ukraine.

Thus, this trend is confirmed by the data shown in the chart under consideration. This is especially evident during 2015-2019, when the indicators were stably equal to an average of 0.5, and the investment inflow had a constant corresponding growth.

Deviations that violate the trend under study are primarily associated with destabilizing factors of various types, for example, the conflict in the Donbass or the Covid-19 epidemic, which negatively affected not only the inflow of foreign investment, but also other

previously analyzed indicators. Also, the deviation of inflow indicators is affected by the nationwide level of corruption, problems in reforming the judiciary, growing distrust in government every year and relatively low average wages by the standards of EU countries.

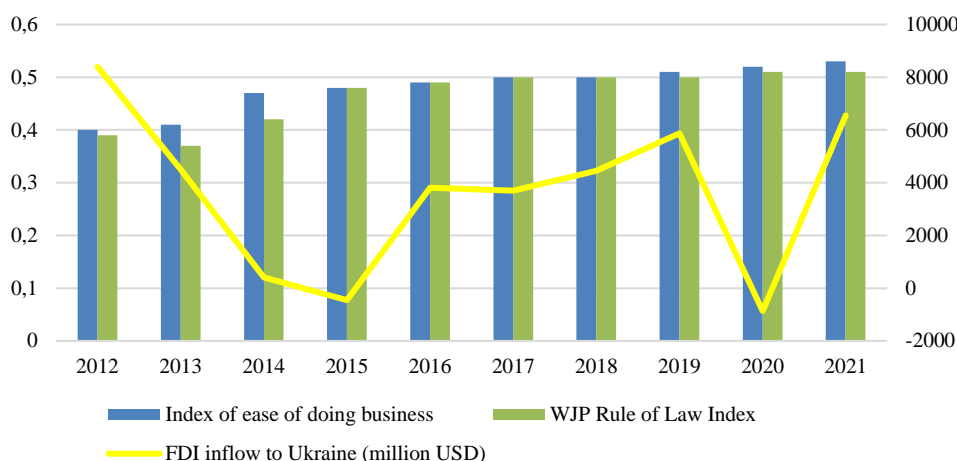


Figure 5 – FDI inflow to Ukraine and indices of ease of doing business, rule of law WJP in Ukraine (0-1, the higher the index, the easier doing business and the better level of the rule of law)

Source: [18;22]

To analyze the depth of influence of certain factors on the inflow of foreign direct investment in Ukraine, regression analysis will be used to determine the strength of the relationship between each indicator and the FDI inflows. After that, the prospects and forecast of the authors regarding future FDI flows to Ukraine after the end of the war with the Russian Federation will be described.

The study of economic indicators in Ukraine faces a number of problems and does not have a single standard solution. Since special economic processes took place in Ukraine, which were often not regulated by the principles of the economy, as a result of the occupation of Crimea and part of the Donbass by the Russian Federation on February 24 and a full-scale war, it becomes necessary to take into account the state of the economy at the moment and predict changes in short periods. These studies are difficult in estimating model parameters, requiring the use of lag variables for more accurate modeling of economic processes. We confine ourselves to classical studies of one-factor models (see Table 2).

According to the constructed models of the dependence of the FDI inflow on various influencing factors, it can be stated that in the context of Ukraine during the analyzed time period (2012-2021), the influence of the human development index and the corruption perception index were not confirmed by the theory of international investments, as their dependence was reversed, i.e. as the indices deteriorate, the inflow of FDI decreases, which does not seem logical.

As for the impact of average wages on FDI inflows, this indicator showed a slight direct relationship, confirmed by some theories of scientists.

The value of the coefficient of determination is above 50% for the following factors: the WJP rule of law index, GDP and the US dollar exchange rate. However, for these factors, the coefficients of determination range from 0.51 to 0.56, which indicates an average direct correlation between independent and dependent variables.

As for the factor of the volume of trade between Ukraine and the EU on the inflow of FDI to Ukraine, this dependence was the strongest, since the coefficient of determination is 0.64. It should be emphasized that the factor of trade volume negatively affects the inflow of FDI to Ukraine, that is, the more exports and imports between Ukraine and the states of



the European Union, the smaller the inflow of FDI between them, which is confirmed by one of the theories of international investment.

*Table 2 – Dependence of FDI inflow to Ukraine on influencing factors*

Factor	The corresponding indicator	Regression equation	Coefficient of determination	The influence of the factor on the inflow of FDI	Confirmation with theory
Institutional component	WJP Rule of Law Index	$Y = 2739,1255 + 4,0084 \cdot x$	56%	Positive	Yes
The impact of a regional trade agreement	The volume of trade with the EU	$Y = 5967,34 - 0,094 \cdot x$	64%	Negative	Yes
Exchange rate	US dollar exchange rate	$Y = 1648,88 + 27,1 \cdot x$	54%	Positive	Yes
Labor cost	Average salary	$Y = -0,323 + 1,84 \cdot x$	24%	Positive	No
Indicator of standard of living and human potential	Human Development Index	$Y = 194,58 - 228,9 \cdot x$	4%	Negative	No
Market volume	Nominal GDP	$Y = -2726,16 + 0,0448 \cdot x$	51%	Positive	Yes
The level of corruption	Index of perception of corruption	$Y = 4282,48 - 65,61 \cdot x$	5%	Negative	No

*Source: formed by the authors*

The objectivity of the results may have been affected by how accurately the indexes used to analyze the data reflect the causes of action. However, in our opinion, the possible inaccuracy of the indices is insignificant.

After analyzing some of the results, they turned out to be contradictory, so we will express an opinion why this happened.

Regarding the influence of the Corruption Perceptions Index and the Human Development Index, these two values did not confirm the theory, but rather showed a negative impact on FDI inflows. It can be assumed that this situation arose due to the fact that after the signing of the association agreement in 2014, more important indicators appeared for investors, such as the low cost of labor in Ukraine (a positive effect) and the unstable political situation, and the anti-terrorist operation in Donbas, which escalated into a full-scale war with the Russian Federation (negative factors). As for the level of corruption and its impact on investors, in our opinion, given that Ukraine is the most corrupt state in Europe and the fact that this indicator has not changed dynamically over the past 10 years, it is difficult to assess how changes in the level of perception corruption affect FDI inflows to Ukraine. Only a qualitative improvement in the perception of corruption can change the current situation and successfully investigate the influence of this factor.

To achieve a more accurate result, a detailed study of the impact of corruption indicators on the inflow of foreign direct investment into Ukraine, as well as the impact of the human development of Ukrainians on the attractiveness of investments in the state, is necessary.

From the point of view of the size of the average wage, the change in this indicator did not play a significant role in FDI inflows to the state, however, this can be explained by the fact that despite a small increase in the average wage, the income of Ukrainians still remains much lower than other European countries. Therefore, it would be useful to conduct a study on how important labor costs are in attracting investment to Ukraine.

For further research into the influence of various factors on the inflow of FDI into Ukraine, it makes sense to change the type of function of the model by selecting a different model (which will also correspond to reality and to the economic patterns known to us).

It is also obvious that with an increase in the number of observations, it is possible to obtain a better estimate of the model and improve the forecast.

As for the description of the prospects and forecast for the inflow of FDI to Ukraine after the end of the war with the Russian Federation, it is clear that during the Russian-Ukrainian war, which began on February 24, 2022, it is extremely difficult to predict the situation with a possible increase in foreign direct investment in Ukraine.

However, despite the critical situation in the country, the prospects for its development after the victory in the war and a further significant influx of foreign investment are quite optimistic.

Work to simplify logistics, strengthen economic ties, EU assistance to Ukraine in various areas, especially after granting Ukraine the status of an EU candidate, all this will accelerate European integration processes and have a positive impact on Ukraine's investment position. In turn, these factors will encourage an increase in foreign investment and the emergence of new foreign companies in the Ukrainian market, since competition is currently not at a high level due to the war. Also, in Ukraine there is a labor force that is ready to work for wages less than the European market, but, in turn, qualified and highly professional. All this will lead to the emergence of new production capacities, an increase in export potential and, in turn, the possible attraction of foreign currency into the country and further strengthening of the Ukrainian hryvnia, respectively [23].

After the end of the war, Ukraine will be able to jump over a generation of technologies - to make its energy system more "green", modernize transport and communications infrastructure, and update urban planning.

In 2020, after more than 20 years of a land trade moratorium, Ukraine introduced an open land market, but there are still many restrictions on who can own and buy land. Further liberalization of this market also plays a positive role in attracting FDI to Ukraine [24].

If the banking sector of Ukraine is analyzed, then it also needs further reform in order to attract FDI. The two largest banks in Ukraine (Privatbank and Oshadbank) are state-owned. The privatization of these state-owned banks by international financial groups would deepen Ukraine's integration into foreign capital markets and attract foreign investment, subject to compliance with safety and reliability standards. In this context, the NBU may coordinate its policy with the ECB, which will simplify the access of European banks to Ukraine.

It may be worth considering a system of subsidies, as at first investors will not be sure about the safety of their investments in Ukraine, so they may need stronger incentives. For example, governments and other international institutions (EIB, EBRD, WB, etc.) that will be involved in the post-war reconstruction of Ukraine can provide subsidies (tax cuts, subsidized loans, access to export-import loans) to firms investing in Ukraine [25].

Of course, the recovery after the Russian-Ukrainian war will be a long and difficult process, given not only the high level of destruction, but also the future implementation of timely reforms, such as economic liberalization, the creation of a large number of jobs, the improvement of the agricultural and industrial sectors, etc.

Also, one should not forget about the likelihood of further conflicts, which also needs to be taken into account in the development of both the economy as a whole and the investment sector, respectively. This includes logistics, the possibility of quick relocation, and government guarantees for infrastructure reimbursement.

In our opinion, if the war ends successfully, Ukraine has fairly high prospects for inevitable development and a large influx of foreign capital, all that is needed is expedient reform, internationally controlled assistance, the absence of corruption and a stable political situation in the country. It is in this case that we should expect the so-called "Economic Miracle".

## CONCLUSIONS

The results of the analysis carried out when writing this article made it possible to determine, based on foreign experience, economic, institutional and other factors influencing FDI, which gave an understanding of the general issues of FDI, and in the future to consolidate the studied theoretical material to find relevant factors of influence in practice. Thus, in this paper, the factors influencing the inflow of FDI into the country's economy were identified in order to assess their impact in the context of Ukraine. These include market size as measured by GDP, exchange rate, average wages, indicators of human potential, ease of doing business, corruption, tax burden, rule of law index, and the impact of a regional trade agreement, in particular a free trade area between Ukraine and the EU, created in 2016.

The factors influencing the inflow of FDI into Ukraine over the past 10 years were graphically analyzed, which made it possible to systematize a large amount of researched data and became the basis for further analysis of the investment situation in Ukraine. So, during 2012-2021 FDI inflows fluctuated from year to year. After 2014, FDI inflows grew as a result of the signing of the Association Agreement with the EU, despite high inflation, a sharp depreciation of the hryvnia, a fall in GDP and deterioration in other indicators. After that, certain factors of influence began to develop positively, which should have had a positive effect on FDI inflows as well, but already in 2017 there was a rapid decline in FDI inflows to Ukraine, associated with the newly free trade zone, which increased trade between Ukraine and the EU countries, but at the same time had a negative impact on FDI inflows.

According to the results of the graphical analysis, the corresponding conclusions were formed, which show that several factors are important for assessing the inflow of FDI to Ukraine, including GDP, the exchange rate, the regional trade agreement between Ukraine and the EU, and the average salary. While others do not have a significant impact or are not supported by the relevant theory.

Regression equations were constructed for each influence factor and determination coefficients were calculated. Thus, it can be summarized that in the context of Ukraine, the following factors turned out to be statistically significant: institutional indicators, nominal GDP, which measured the potential of the market, the exchange rate of the US dollar, as well as the regional trade agreement factor, measured by the volume of trade between Ukraine and the EU.

Regarding recommendations for further research on this topic, it would be useful to analyze the impact of corruption indicators on the inflow of foreign direct investment into Ukraine, as well as the impact of human development of Ukrainians on the attractiveness of investment in the state, as well as conduct a study on how important labor costs are in attracting FDI to Ukraine.

## АНОТАЦІЯ

**Рябушка Л.Б., Юсюк А.М. Аналіз факторів впливу на прямі іноземні інвестиції в Україні.**

*У сучасному світі ПІІ відіграють важливу роль для економік, що розвиваються, оскільки вони не тільки переносять технології та капітал, а й визначають динаміку, глибину економічного зростання і показують швидкість процесу трансформації економічної екосистеми на національному та глобальному рівнях. Незважаючи на вищенаведені переваги, притік ПІІ в Україну не такий великий, як в інших країнах регіону.*

*Метою даної статті є аналіз факторів впливу на прямі іноземні інвестиції в Україну. У даній статті були проаналізовані, на основі іноземного досвіду, економічні, інституціональні та інші фактори впливу на ПІІ. Також, була оцінена залежність притоку прямих іноземних інвестицій в контексті України та описані перспективи і прогноз майбутніх інвестиційних надходжень.*

*Результати аналізу, проведеного під час написання даної статті, дозволили визначити фактори, які впливають на притік ПІІ в економіку країни для оцінки їх впливу в контексті України. До них належать: розмір ринку, що вимірюється ВВП, обмінний курс, середня заробітна плата, показники людського потенціалу, легкості ведення бізнесу, рівня корупції, податкового навантаження, індексу верховенства права, а також вплив регіональної торгової угоди, зокрема зони вільної торгівлі між Україною та ЄС, створеної у 2016 році.*

Були графічно проаналізовані фактори впливу на притік ПІІ до України за період останніх 10 років, що дозволило систематизувати великий об'єм досліджуваних даних та стало підґрунтям до подальшого аналізу інвестиційного становища України. Після чого, були побудовані рівняння регресії для кожного з факторів впливу та визначені коефіцієнти детермінації. Так, можна підсумувати, що в контексті України статистично значимими виявилися наступні фактори: інституціональні показники, номінальний ВВП, яким вимірювався потенціал ринку, обмінний курс долара США, а також фактор регіональної торгівельної угоди, який вимірювався об'ємом торгівлі між Україною та ЄС. Тоді як інші не виявляють значного впливу або ж не підтверджуються відповідною теорією. У кінці статті були сформувані прогнози майбутніх надходжень ПІІ до України після закінчення війни.

З приводу рекомендацій над подальшими дослідженнями на дану тему, то було би корисним проаналізувати вплив показників корупції на приплив прямих іноземних інвестицій до України, а також вплив людського розвитку українців на привабливість інвестицій в державу, а також провести дослідження того, наскільки важливими є витрати на робочу силу у залученні ПІІ в Україну.

**Ключові слова:** прями іноземні інвестиції, фактори впливу на притік ПІІ, інвестування в Україну.

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