

INVESTMENT ATTRACTIVENESS OF THE AGRARIAN ECONOMY
SECTOR OF UKRAINE

Zakharova Natalia

PhD, Associate Professor

Dmytro Motornyi Tavria State Agrotechnological University

Melitopol, Ukraine

Abstract: The article considers the importance of the agrarian sector for the economy of Ukraine and substantiates the necessity of attracting resources to upgrade the fixed assets of the industry. The author analyzes the main tendencies of investments into agricultural enterprises, identifies positive and negative factors affecting the investment attractiveness of the agricultural sector.

Keywords: agrarian sector of economy, investments, investment attractiveness, investment policy, agricultural enterprise, capital investments, foreign direct investments.

Agrarian sector is one of the industries that underpin sustainable development of Ukraine's economy in the current context. Despite the industry's riskiness, due to the direct dependence on the climatic conditions, in 2018 the net profit of agricultural enterprises reached UAH 66,9 billion. However, its size has fallen significantly compared to 2015-2016, when the figure was 101,9 and 89,8 billion UAH, respectively. These trends are confirmed by a change in the share of agriculture, forestry and fisheries in Ukraine's GDP, which increased to 10,2%. For comparison, in 2015 it was 12,1%, and in 2010 it was only 7,4%.

The potential of agriculture is confirmed by the calculations of World Bank experts, who found that a 30% increase in agricultural productivity could contribute to a 4% increase in Ukraine's gross domestic product over five years and 12,5% over 10 years [1].

Unstable environmental conditions have narrowed opportunities for attracting resources for agricultural enterprise development. The specificity of the latter's activities is connected with the necessity of investing a considerable amount of funds for the formation of a certain amount of current assets in a limited period of time (sowing). Due to the negative influence of a set of factors, among which inflation processes, hryvnia devaluation, etc., own financial resources are most often lacking even on current needs. Therefore, it has become impossible for many businesses to upgrade obsolete fixed assets. As a result, in recent years, it is possible to observe the formation of a rather high value of the wear factor, which ranges from 37-42% (Fig. 1), which requires detailed attention to increase the level of renewal of fixed assets of agricultural enterprises.

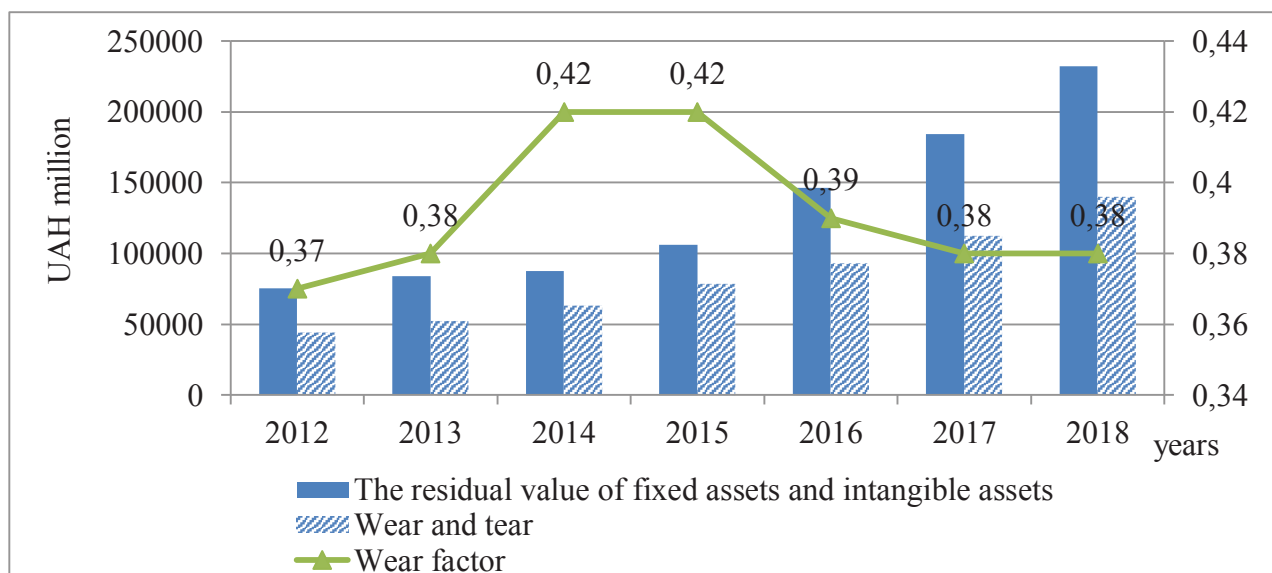


Fig. 1 Dynamics of depreciation of fixed assets of agricultural, forestry and fishery enterprises (end of year) [2]

It should be noted that attracting borrowed resources to upgrade fixed assets in most cases is unjustified in most cases, since the payment for their use far exceeds the efficiency of economic activity [3]. Thus, the level of profitability of agricultural enterprises in 2018 amounted to 13,5%, which is significantly less than the interest rate on the loan.

The upgrade of fixed assets is directly related to the amount of capital investments, which amounted to about UAH 66,6 billion in 2018 for agricultural, forestry and fisheries enterprises in Ukraine, which is 6,3 times more than in 2010. It should be

noted that 86,8% of these investments were made at the expense of own funds of enterprises, 12,7% - at the expense of bank loans and other loans, 0,2% - at the expense of the state budget, 0,1% - at the expense of local budgets, 0,1 % - funds of domestic investment companies.

It should be noted that 98% of capital investment was invested in tangible assets and 2% in intangible assets. The largest share of investments in tangible assets was in the renovation of machinery and equipment of the industry – 69,7%. In 2018, 1 ha of agricultural land accounted for UAH 1604,7 capital investments of enterprises of agriculture, forestry and fisheries of Ukraine, whereas in 2010 - only 253 UAH.

Despite the increase in capital investments, their volume does not satisfy the agrarians to date. This is confirmed by the availability of different types of machinery in Ukrainian agricultural enterprises. Note that since 2010 the number of tractors has decreased by 22 thousand units or by 14,5%, combine harvesters by 6 thousand units or 18,3%. In addition, there is a decrease in agricultural capacity and even energy capacity.

Foreign investment plays a significant role in the development of the economy of Ukraine, and of the agrarian sector in particular.

In general, direct investment (equity) in the Ukrainian economy has declined substantially in recent years due to hostilities in the Donbas. So, if in 2014 their amount was \$ 53704 million. In 2015, their size dropped to \$ 38356,8 million. That is, 28,6%. In the future, the situation has not changed significantly and in 2018, direct investments amounted to \$ 31606,4 million. USA. Similar trends are observed in the agricultural sector. Thus, direct investments (share capital) in the enterprises of agriculture, forestry and fisheries of Ukraine fell from USD 776,9 million. In 2014 to \$ 578,6 million USA in 2018. At the same time, the share of the industry in the country's economy is 1,8% [4].

The largest investors in Ukraine's agriculture in 2018 were Cyprus (24.5%), the British Virgin Islands (15,2%), Germany (14,4%) and Denmark (9,5%). The UK's top 10 investors include the United Kingdom, Poland, France, the United States, Slovakia and Sweden.

From all of the above, there is a need to increase the investment attractiveness of Ukraine, that is, to create conditions that will facilitate the process of investing in the national economy at macro, meso- and micro levels. In order to highlight the problems that cause a relatively low level of investment attractiveness of the country, let's review the position of Ukraine in one of the key international ratings of economic nature «Doing Business», which significantly influences the decision of foreign investors to make investments.

The Doing Business rating is based on the World Bank Group's annual survey, which assesses the ease of doing business in 190 countries. 10 indicators are used to analyze economic outcomes and identify successful reforms and evaluate their effectiveness. In the Doing Business 2020 ranking of ease of doing business, Ukraine ranked 64th out of 190 countries [5].

Over the last year, the country has improved its performance on 6 out of 10 indicators that are taken into account by World Bank experts in the ranking. Ukraine's greatest progress was demonstrated by the Minority Shareholder Protection component (+27 points) - through the discovery of information on final beneficiaries, the Construction Permit Component (+10 points) - by eliminating the requirements for hiring an independent designer and engineering engineer, and by introducing an online messaging system, as well as a reduction in the cost of construction permits within Kyiv and the Connecting to the Grids component (+ 7 points) - by simplifying the conditions for obtaining electricity by optimizing your launching of technical conditions and introduction of the geographical information system.

The degree of investment attractiveness of the agrarian sector is an indicator that gives the opportunity to draw conclusions to potential domestic as well as foreign investors about the need and feasibility of making investments. In doing so, they comprehensively evaluate both objective and subjective factors that determine the effectiveness of doing business. Among other things, the availability of fertile land, favorable natural and climatic conditions, the availability of cheap labor, a good geographical location are the most favorable factors for investing in the development of the agricultural sector. At the same time, political instability and military actions in

the east, corruption component, lack of agricultural land market, underdeveloped infrastructure, high level of deterioration of fixed assets, defective regulatory framework, imperfect tax, credit and investment factors contribute to the negative impact.

The resolution of the Cabinet of Ministers of Ukraine of July 5, 2019 proposes a strategy to promote private investment in agriculture for the period up to 2023, which aims to improve the organizational and economic and legal conditions to promote private investment in agriculture (in particular, international agriculture) the Bank for Reconstruction and Development of the System Project «Accelerating Private Investment in Agriculture of Ukraine», which will allow to increase agricultural exports to ensure national food security and sustainable cost-effective and environmentally balanced growth of the agricultural sector.

The main goals of this strategy are:

- guaranteeing the stability, predictability and transparency of agricultural policy and state support;
- improving the system of state control over food safety;
- improving the use of existing infrastructure for transportation of agricultural products, creating favorable conditions for investment in market infrastructure and logistics;
- strengthening the protection of land ownership, transparency of use of state-owned agricultural land, in particular occupied forest shelter strips;
- creating the preconditions for improving access to production factors for all agricultural producers;
- improving access to financial instruments;
- management of financial, environmental and innovation risks in agriculture [1].

Therefore, for the sustainable development of the agrarian sector of the economy it is worth paying attention to the implementation of effective state policy in priority directions, which will allow to form an attractive investment climate, will provide

inflow of investments into the industry and increase the efficiency of doing business in Ukraine.

REFERENCES

1. Стратегія сприяння залученню приватних інвестицій у сільське господарство на період до 2023 року: Розпорядження Кабінету Міністрів України від 5 липня 2019 р. № 595-р.[Електронний ресурс]. – Режим доступу: <https://zakon.rada.gov.ua/laws/show/595-2019-%D1%80>.
2. Діяльність суб'єктів господарювання за 2018 рік: стат. збірник [Електронний ресурс] / За редакцією М. С. Кузнецової - Режим доступу: / <http://www.ukrstat.gov.ua>.
3. Захарова Н.Ю. Оцінка фінансової стійкості аграрних підприємств / Н.Ю. Захарова // Науковий вісник: Фінанси, банки, інвестиції. – 2012. -№3. – С. 28-32.
4. Сільське господарство України за 2018 рік: стат. збірник [Електронний ресурс] / За редакцією О.М. Прокопенко. - Режим доступу: / <http://www.ukrstat.gov.ua>.
5. Doing Business 2020, Comparing Business Regulation in 190 Economies. [Electronic resource] / - Access mode: <https://russian.doingbusiness.org/content/dam/doingBusiness/pdf/db2020/Doing-Business-2020.pdf>.