

Components and Ways to Energize Investment Activity of Agrarian Sector in Ukraine

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Abstract: The article focuses on theoretic aspects of investment activity of the enterprises in agrarian sector, the dependencies between investment attractiveness and the interests of investment process participators are shown; the author shows the ways to activate investment activity of agricultural enterprises and attract investment capital into Ukraine economy.

Key words: Investment attractiveness • Developmental strategy • Agrarian sector • Monitoring • Risks

INTRODUCTION

Increase in aggregate financial potential is not possible without investment process and appropriate level of investment attractiveness of enterprises.

Starting point in development of agricultural enterprises is financial potential. Practical experience testifies that only small part of agricultural enterprises have sufficient financial potential for realization of strategic tasks. Deficit of financial resources can slow down economic development of enterprise and strengthen crisis effects.

Therefore, in modern conditions investments are active and powerful source of financial support in strategic development of agrarian sector.

In current conditions the issues of food safety become up-to-date for every country. In these conditions investment companies from Europe and North America study potential profitability from investments into agrarian sector partly because of increase in prices for food products, especially into production of raw material for bio fuel. Some specialists point out that investment can bring significant changes into geo-policy of world agriculture. Absence of investment into agrarian sector is a key reason of low productivity and stagnation of agriculture of developing countries [1].

State plays significant part in increase of investment attractiveness of agrarian sector. Efficient national policy in the sphere of foreign investment must include a set of stimulation tools in agricultural sphere [2].

Side by side with the fact that investments facilitate development of industry and separate enterprises we must ensure that investors respect the rights of current uses of land, water and other resources and are able to provide protection of environment [3].

Growth of global demand and improvement of consumers' trust stand for the perceptiveness of agricultural market. However there are some obstacles for investors.

Purpose: The purpose of this study is reasoning of theoretic aspects of investment activity of enterprises in agrarian sector, finding out of the dependencies between investment attractiveness and the interests of investment process participators.

Results of the Studies: Efficient investment support accelerates the adaptation rate of agricultural enterprises to changes in environment. That is why it is appropriate to assess and monitor in detail investment attractiveness with the purpose of better decision-making.

Monitoring must be fulfilled through assessment of competitiveness parameters with due regard to regional and industrial particularities of enterprises

Assessment must be done by non-formalized methods of research, including rankings. Doing Business ranking is built by International financial corporation which is a part of World Bank and covers 185 countries. One of 10 sub-indices, "Protection of investors' rights", showed deterioration of Ukraine position in 2013 by 3

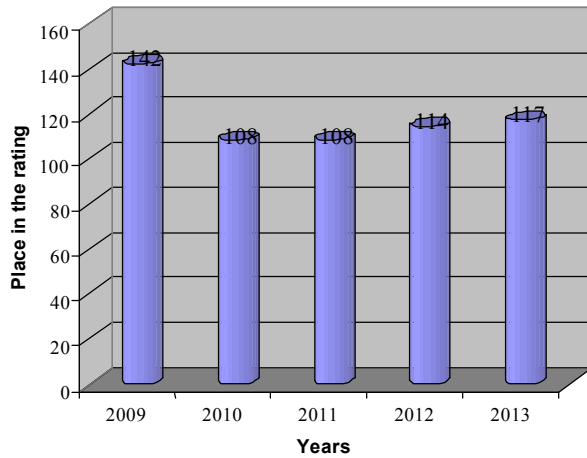


Fig. 1: Place of Ukraine in Doing Business ranking, sub-index "Protection of investors' rights" The source: [4].

points (it went down to 117 position). This sub-index shows the level of development of corporative ethics institutions and characterizes the authorities of directors in strategic decision-making and the level of responsibility and protection of rights of all stakeholders. Ukraine's sub-index showing influence of minor shareholders on company's activity is 7 points from total 10, sub-index of authorities in decision-making-5 points, but sub-index of top-management responsibility is only 4,7 points (it coincides with the ranking of the Russian Federation but is much lower than in other countries, in particular, in the USA-8,3 points, Georgia-7 points and Poland-6 points [4].

The results of ranking showed that position of the country greatly deteriorated by several sub-indexes. Such trends negatively influence development of business, formation of financial potential and provision of financial security. That is why integration processes into world economy demand corresponding changes of the mechanism of government impact on investment processes, conditions of development of agrarian business. The priorities of state policy must correspond to external economic policies.

Investing is a long process which suggests availability of some components: investment policy as a foundation for decision-making and realization of appropriate complex of measures; investment resources; investment attractiveness of economic entities [5].

Global trends in provision of population with food products give potential opportunities: agrarian sector is attractive for foreign investors which is proved by investment into development of big agro holdings.

Big enterprises with sufficient financial potential can guarantee financial security and high ROI. In Ukraine there are a number of agro holdings which are organized through investments of the New Century Holdings group. These agro-holding are characterized by classical cluster model of doing business which simplifies the management of big areas of land and increases efficiency of agricultural enterprises' activity. Today agro-holding invested by NCH have 450 000 hectares of land. Steady development of agro-holdings and high level of investment attractiveness can be achieved due to opportunity to increase production capacities on the base of technological changes and activation of innovation processes which must provide high return on investments (ROI) and strengthening of financial potential [6].

Our studies allow to focus on key problems which hinder inflow of investment into agricultural economic entities. They are: high investment risks and insufficient level of technological readiness for innovations.

Aspects of world food security allow to form positive trend for growth of world attractiveness of agriculture in production sphere: here we observe positive dynamics in financial efficiency of product-manufacturers. The share of profitable agricultural enterprises has increased to 83,0%. Investment volumes gradually increase, today there are more than 600 large-scale investment projects in the sector [7].

For the last 5 years leading investing countries by the number of projects are as follows: USA (12%), Germany (12%), the Russian Federation (10%) and France (8%). The leaders by the volume of investment are the Russian Federation and EU.

Among many questions which are asked by foreign investors before they make decision to invest money into agrarian sector of Ukraine the key issue is obtaining of rights for land. Ukrainian legislature temporally prohibits the sales of agricultural lands and this worsens investment attractiveness of Ukraine. In order to make investment profitable and less risky many investors prefer to lease agricultural land for short period (2-5 years), medium-term (5-25 years) and long-term (up to 49 years) [8].

In order to increase foreign direct investments (FDI) current transport and logistics infrastructure must be improved in order to balance supply and demand at lower costs and better satisfaction of consumers; such infrastructure can provide competitive advantages when combining the enterprises within the same network [9].

Activization of investment activity creates preconditions for economic growth, changes vector of state support into the direction of improvement of the mechanism of regulation of investment activity. With the purpose of regulation of the investment process in 2012 the law “About preparation and realization of investment projects by one-stop principle” was adopted. Relationship between participators is based on such key principles as: voluntary use of on-stop principle; equality of rights and interests of all applicants; establishment of single list of documents necessary for realization of investment project depending of its specific character; transparency of the procedure of issuing documents necessary for realization of investment project; responsibility of officials for violation of requirements of the law in regard to issuing documents necessary for realization of investment project [10].

Practical experience shows that attraction of investment is aimed first of all to increase in efficiency of enterprises’ activity. Investors can accept the proposals if they can get economic benefits.

In order to give good grounds for the attraction of investment an enterprise must form a long-term strategy of development which will allow to plan activity within the framework of single concept. Aspects of strategy should demonstrate to potential investors that the management will be efficient in conditions of adaptation to external and internal environment of the enterprise.

World experience testifies that activity of small economic entities at village can be supported through cooperation. Multi-functional or specialized cooperatives organized in the village can perform the functions of the institutions supporting the development of agricultural units and in such a way increase competitiveness of agricultural products and improve their sales.

CONCLUSIONS

Attraction of investment must be clearly defined with due regard to particularities and market situation. The results of our study showed that high investment risks and insufficient level of technological readiness hinder investments inflow into economic entities in agricultural sphere. Detailed monitoring of investment attractiveness and development of long-term strategy of enterprises’ activity in order to demonstrate to potential investors the efficiency of management in conditions of dynamically changing external environment of the enterprises will provide reasoning of good managerial decisions with the purpose to attract investment resources into agrarian sector.

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