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Kyiv National University of Trade and Economics***FORMATION OF THE INVESTMENT POTENTIAL OF VINNYTSIA REGION****ANNOTATION**

The article deals with the main factors under the influence of which the investment attractiveness of the Vinnytsia region is formed. The development of capital investments by enterprises of the region during 2014–2016 is analysed. It is defined what is the main source of financing of capital investments. The analysis of capital investments by types of economic activity is carried out. The priority sectors for investment in the Vinnytsia region are identified.

**Key words:** investments, investment attractiveness, foreign investments, capital investments, investment portfolio.

**АНОТАЦІЯ**

В статті розглянуто основні фактори, під впливом яких формується інвестиційна привабливість Вінницького регіону. Проаналізовано освоєння капітальних інвестицій підприємствами області протягом 2014–2016 років. Визначено, що є головним джерелом фінансування капітальних інвестицій. Проведено аналіз капітальних інвестицій за видами економічної діяльності. Визначено пріоритетні галузі для інвестування у Вінницькій області.

**Ключові слова:** інвестиції, інвестиційна привабливість, іноземні інвестиції, капітальні інвестиції, інвестиційний портфель.

**АННОТАЦИЯ**

В статье рассмотрены основные факторы, под влиянием которых формируется инвестиционная привлекательность Винницкого региона. Проанализировано освоение капитальных инвестиций предприятиями области в течение 2014–2016 годов. Определено, что является главным источником финансирования капитальных инвестиций. Проведен анализ капитальных инвестиций по видам экономической деятельности. Определены приоритетные отрасли для инвестирования в Винницкой области.

**Ключевые слова:** инвестиции, инвестиционная привлекательность, иностранные инвестиции, капитальные инвестиции, инвестиционный портфель.

**Formulation of the problem.** Investments in the economic activity of the regions today are one of the main sources of economic development. That is why the analysis of dynamics of investments and investment estimation becomes especially relevant for the attractiveness of the regions, which will improve the socio-economic level of the population and create favourable conditions for attracting additional financial resources.

**Analysis of recent research.** The research of investment development is carried out by leading domestic and foreign scientists, in particular, such as S. Bila, M. Kolisnyk, O. Mital, I. Moiseenko, L. Nemets, A. Simkanich, and others. Scientific achievements of scientists have a great theoretical and applied value; however, in our opinion, insufficient attention is paid to the

research of investment development of Vinnytsia region.

**The purpose of the article** is to study the investment potential of the region and to develop practical recommendations for increasing the investment attractiveness of the Vinnytsia region.

**Presenting the main material.** The attractiveness of the region's economy and its development are determined by contributions from foreign investments. Receiving foreign investments, the conditions for their attraction are factors that characterize investment activity and facilitate the further development of foreign economic relations. In general, investors have the right to act as founders, depositors, lenders, buyers, as well as perform other functions of the participants in the investment process [1, p. 117].

Investment activity in the Vinnytsia region is shaped by factors such as the level of economic development of the region; demographic state; transport network density and communications development; investment infrastructure, local taxes and investment efficiency; social infrastructure; risks; scientific and technical potential.

Over 2014–2016 years in Vinnytsia region, positive dynamics of development of capital investments was observed. Their volumes in 2015–2016 were significantly higher than in the past few years, indicating an increase in investment processes in the region. The highest figure was reached in 2016, despite the decrease in 2014, the volume of capital investment remained fairly stable and appreciably increased in 2015 (Fig. 1).

Vinnytsia region is an investment-attractive region because it has a strong industrial and scientific potential, developed transport infrastructure, favourable geographical location in relation to the markets of Ukraine and CIS countries, the EU. In the market for investment products of Vinnytsia, a significant proportion of investments are made in fixed assets, in particular, investment projects related to the reconstruction and modernization, technical re-equipment of operating enterprises, the purchase of equipment, modern technologies, etc.

Analysis of investment activity in the selected region indicates that the main source of financing of capital investments was and remains the own funds of enterprises and organizations (Table 1).

Thus, in the Vinnytsia region, by the means of capital investments in 2016, 5 has been mastered 528 million UAH of own funds of enterprises and organizations, which makes 66.6% of the total volume of capital investments. The second largest source of funds was the population's funds for housing and construction, which amounted to 953 million UAH.

Compared to previous years, in the amount of capital investments, the indicator of local budget funds has significantly increased, which exceeded 0.7 million UAH (9.4%), which was first and foremost due to the policy of fiscal decentralization. Typically, in previous years, this figure did not exceed 6-8% of the volume of capital investments.

At the same time, at the expense of the state budget, only 270 million UAH (3.3%), which, on the one hand, is due to the redistribution of financial revenues in favour of the regions and, on the other hand, is connected with the difficult financial and economic situation of the country and

the need to increase expenditures for the defence of the country.

An important source of capital investments in the regional economy is attracted and borrowed funds. At the expense of loans of banks and other financial institutions in the region mastered 640 million UAH (7.7%). At the same time, the funds of foreign investors, which amounted to 1.2 million UAH, are very insignificant in the capital investments of the region.

It should be noted that investment loans issued by commercial banks are mainly aimed at lending to the service sector (construction of restaurants, shops, etc.), that is, in the non-production sector, where the income from the sale is created in a relatively short time. However, for the economy of the region, more appropriate are loans aimed at the production sector, in particular for the renewal, modernization of production, the development of new products. Particularly relevant in this regard are such forms of lending as leasing and promissory note

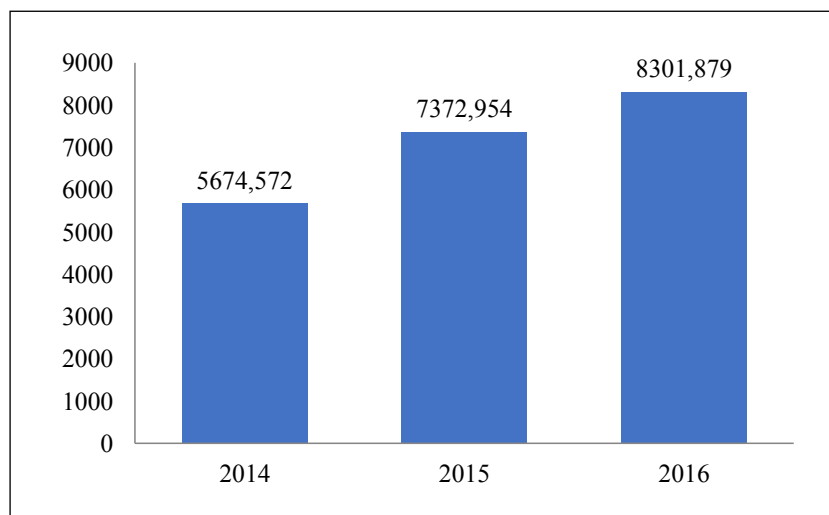


Fig. 1. Capital investment in Vinnytsia region, 2014–2016, million UAH

Table 1

The composition of capital investments in Vinnytsia region by sources of funding, 2014–2016, million UAH

	2014	2015	2016	Absolute deviation 2016–2014	Growth rate 2016/2014
<b>Total</b>	<b>5674.57</b>	<b>7372.95</b>	<b>8301.88</b>	<b>2627.31</b>	<b>46.30</b>
<b>including:</b>					
– state budget funds	28.05	171.40	270.55	242.50	864.58
– funds of local budgets	319.54	577.80	779.24	459.70	143.86
– own funds of enterprises and organizations	3955.92	4837.40	5528.48	1572.57	39.75
– bank loans and other loans	503.07	487.39	640.95	137.88	27.41
– funds of foreign investors	8.23	2.14	1.21	-7.02	-85.25
– public funds for construction and housing	696.71	1204.69	953.47	256.75	36.85
– other sources of funding	163.05	92.14	127.98	-35.08	-21.51

Source: [2]

lending, the low level of application of which is primarily due to the lack of clear legislation on these issues.

The analysis of capital investments by types of economic activity shows that the largest share of capital investments (40.67% of the total volume) was invested by enterprises of agriculture, forestry and fisheries. A significant amount of investments was mastered by industrial enterprises (22.5%), construction companies (12.62%).

The priority sectors for investing in the Vinnytsia region are agricultural production, food industry, mechanical engineering and metal working (factory “Mayak” – nuclear energy, “Fort” – weapons, Aggregate plant – pumps), electric power generation, chemical industry, the use of ICT (information and communication technology), tourism.

The volume of direct foreign investments made to the economy of the Vinnytsia region since the beginning of the investment, as at 31 December 2016 amounted to 1 179.8 million USD, and per person the population is 113.1 million USD.

Investments came to Vinnytsia region from 55 countries. Most of the investments (77% of the total share capital) came from EU countries – 139.3 million USD, from other countries – 40.5 million USD (22.5%). The five major investor countries, which account for 67% of the total direct investment, include Cyprus – 38.1 million USD, Austria – 29.8 million USD, France – 26.3 million USD, Germany – 14.6 million USD, and Poland – 11.9 million USD [1].

Industrial enterprises are concentrated 131.90 million USD (73.4%) of the total volume of direct investments in the region, in particular, 116.1 million USD, mining and quarrying – 5.2 million USD. Among the processing industries, 66 million USD was contributed to the production of food, beverages and tobacco products; direct investment, manufacture of wood products, paper production and printing activities – 24.4 million USD, production of chemicals and chemical products – 14.7 million USD.

At the enterprises of agriculture, forestry and fish farming accumulated 24.3 million USD (13.5% of the total volume) of direct investments, wholesale and retail trade; repair of motor vehicles and motorcycles – 7.4 million USD (4.1%), in organizations engaged in real estate transactions – 7.3 million USD (4.1%).

A significant share (52.7%) of foreign capital is concentrated in Vinnytsia – 94.7 million USD. Also, significant volumes of foreign investments are concentrated in Koziatyn district – 19 million USD (10.6%), Bar district – 8.3 million USD (4.6%). Among other districts of the region, the leading places in terms of foreign investments are held by the town of Ladyzhin, Koziatyn, Lypovets, Vinnytsia, Tulchin and Tyvrov district.

As for the dynamics of foreign investment in Vinnytsia, the data of foreign investments in Vinnytsia region in 2015–2016, as compared with the previous years, has fallen sharply. This trend is quite logical because the investor makes a decision

Table 2

**Capital investment in the Vinnytsia region by types of economic activity, 2014–2016, million UAH**

	2014	2015	2016	Absolute deviation 2016–2014	Growth rate 2016/2014
<b>Total</b>	<b>5674.6</b>	<b>7373.0</b>	<b>8301.9</b>	<b>2627.3</b>	<b>46.30</b>
<b>including:</b>					
Agriculture, forestry and fisheries	1545.9	2194.8	3370.8	1824.9	118.05
Industry	2328.8	2333.6	1875.3	-453.5	-19.47
Construction	835.3	1182.4	1048.2	212.9	25.49
Wholesale and retail trade; repair of motor vehicles and motorcycles	181.9	237.5	269.0	87.1	47.88
Transport, warehousing, postal and courier activities	74.7	329.6	182.8	108.1	144.74
Temporary placement and organization of food	5.4	8.5	16.1	10.7	19 8.89
Information and telecommunications	20.4	34.4	47.7	27.3	133.48
Financial and insurance activities	2.2	18.2	9.9	7.8	359.12
Real estate operations	53.6	90.8	153.2	99.6	185.75
Professional, scientific and technical activities	108.8	135.3	174.0	65.2	59.90
Activity in the field of administrative and auxiliary services	10.0	28.0	30.7	20.7	207.17
Public administration and defence; compulsory social insurance	383.7	572.7	825.6	441.9	115.18
Education	41.6	93.5	124.4	82.9	199.33
Arts, sports, entertainment and recreation	5.1	11.2	18.6	13.5	265.00
Provision of other types of services	11.2	3.9	2.0	-9.2	-82.19

Source: [2]

to invest only when there are the most favourable conditions for this. But, in the Vinnytsia region, as well as in Ukraine as a whole, investment conditions have worsened in the recent past primarily due to adverse factors of national importance, such as economic and political instability, sharp devaluation of the national currency and the associated inflationary expectations.

The main branches of industry are food production, energy, machinery, chemical and petrochemical industry. Vinnytsia region has a ramified network of highways of national and local significance. The potential of the Vinnytsia region includes natural resources, the largest of which are high-quality arable land, economic, industrial and tourist-recreational potential, and infrastructure providing fairly convenient access to the region. In spite of this, further development of the region will depend most on the efficiency of using the most important capital, which is the human resources, as well as the ability to develop the scientific and technical potential and integrate it into production processes.

Improve the investment activity of the domestic investor can be at the expense of attracting funds from the population through a system of consumer lending aimed at the purchase of domestic production, which creates the prerequisites for the formation of sustainable solvent demand for products domestic enterprises. To activate consumer lending as one of the ways to improve the investment climate, it would be advisable to provide consumer loans for the purchase of domestic goods at lower rates than for the purchase of imported goods.

**Conclusions from this study.** Differentiation of the level of development of Ukraine's regions necessitates the use of different approaches to the implementation of regional public policy by increasing the autonomy of the regions in determining the long-term strategy of socio-economic development in the choice of means of implementation; formation and ensuring an efficient redis-

tribution of the synthesized capital of the region, formation of revenues and expenditures of the region's budget by regional government bodies; participation of local self-government bodies, territorial communities and involvement of the population in the processes of management and solution of socio-economic problems of the region's development.

The main problems of the development of the Vinnytsia region, which impede the harmonious development of the region, are the limited investment resources of enterprises for modernization of production, high proportion of employed in the informal sector of the economy, insufficient supply of jobs in rural areas, inappropriate use of land resources, low level of professionalism of representatives of civilian institutions of society.

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## **FORMATION OF THE INVESTMENT POTENTIAL OF VINNYTSIA REGION**

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