

UDC 336.14.2

**Babina O.V.***Candidate of Economic Sciences, Senior Instructor,  
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"UAB" of Sumy State University***STATE CAPITAL INVESTMENT AS AN IMPORTANT FACTOR  
OF SOCIO-ECONOMIC DEVELOPMENT OF UKRAINE****ANNOTATION**

The importance and significant role of state capital investments in socio-economic development are proved. Using the correlation and regression method, the relationship between the share of state capital investments and key socio-economic indicators, such as GDP growth rate, export, industrial production index, real wages, was analysed. It was proved that there is a significant link between most of these indicators and the fact that a state is an important investor for the economy. It was found that a higher state share in the structure of investors contributes to the overall economic growth. Therefore, the state's share in the structure of capital investments should approach the 6% level, and its decline leads to the decline in production, which negatively affects the quality of life and well-being and also the development of the economy as a whole.

**Key words:** capital investments; state investment; GDP; socio-economic development.

**АНОТАЦІЯ**

У статті досліджуються проблеми здійснення державних капітальних інвестицій в Україні, їх значення та роль в соціально-економічному розвитку. За допомогою кореляційно-регресійного методу було проаналізовано взаємозв'язок між часткою державних капітальних інвестицій та ключовими соціально-економічними індикаторами, зокрема темпом росту ВВП, експортом, індексом промислової продукції, реальною заробітною платою в Україні. Доведено, що існує суттєвий зв'язок між зазначеними показниками та те, що держава є важливим інвестором для економіки.

**Ключові слова:** капітальні інвестиції; державні інвестиції; ВВП; соціально-економічний розвиток.

**АННОТАЦИЯ**

В статье исследуются проблемы осуществления государственных капитальных инвестиций в Украине, их значение и роль в социально-экономическом развитии. С помощью корреляционно-регрессионного метода было проанализировано связь между долей государственных капитальных инвестиций и ключевыми социально-экономическими индикаторами, в частности, темпом роста ВВП, экспортом, индексом промышленной продукции, реальной заработной платой в Украине. Доказано, что есть существенная связь между указанными показателями, а также то, что государство является важным инвестором для экономики.

**Ключевые слова:** капитальный инвестиции, государственные инвестиции, ВВП, социально-экономическое развитие.

**Introduction.**

To overcome the deep economic crisis, achieve and sustain economic growth, and ensure the kindness of the entire population growth, an activation of the investment process is essential. Capital investments can significantly improve the functioning of existing plants and equipment and their intensive reproduction, strengthen productive activities in the real sector of the economy. World practice shows that proportions between public and private investment influence largely the efficiency of long-term financing of new facilities' construction and upgrading existing ones. This determines the need for studies of

the relationship between the state share in capital investment structure and the key indicators of the socio-economic situation of a country. The determination of such factors and strength of their influence will allow us to predict and manage the investment processes at the state level more effectively.

**Analysis of the problem research state.** Problems of the relationship between state capital investment and socio-economic development of a country are reflected in numerous scientific papers of scientists from all over the world such as N. Basetto, V. Lepetyuk [1], L. Klivdenko, Y. Prokopyshin [2], N. Kovtun [3], S. Tymkiv [4], V. Gaspar [5] and many others. However, despite the significant amount of research, some practical aspects of public investment impact on the socio-economic development of a country are not disclosed fully, which limits the possibilities of effective prediction and control.

**The research aim of the paper** is to study the role and importance of state capital investments in Ukraine and how their proportion in the total investment influences important indicators of socio-economic development.

**Results.** A state can have a significant impact on socio-economic conditions, stimulating or constraining investment policy, increasing or reducing budgetary capital investments. An investment activation in a public sector leads to an increased demand for labour and investment goods, both in public and private sectors, in all spheres of the economy [1].

A state through its investments creates a multiplier effect of the growth of a national product, which in turn activates the induced investment. The state is actually the only viable entity that stands on a guard over the national economic interests. So, it plays a key mobilization role in capital accumulation for the dynamic development of the socially oriented economy.

In order to provide an expanded reproduction of capital and social infrastructure, domestic enterprises need essential investments – it is the monetary value of investments in the reproduction of fixed and current assets, which consist of the cost of reconstruction, expansion, technical re-equipment of existing and new enterprises, as well as replacement of new assets that have been disposed of. The sources of such activities are quite diverse [2]. We considered the structure of capital investments financing in Ukraine in recent years (Table 1).

As we can see from the table, there were noticeable changes in the structure of sources of capital investments financing during the analysed period. The largest share in 2013–2017 belonged to own funds of enterprises and organizations, and has been growing, reaching in 2017 the level of 69.4%. Funds for public housing construction with a share of 8-12%, as well as loans with a share of 7-16%, are also significant sources. Regarding the state budget, in 2013 its share was about 6.3%, however, during the analysed period it has decreased to 2.3%, showing in 2015 the record low value of 0.7%. That is due to the complex economic and military-political situation in Ukraine in this period. Local budgets, on the contrary, slightly increased in the structure (from 3.4 to 7.1%). The sharp decline in state presence in a structure of investors points on the excessive autonomy of economic processes in the country, lack of state’s interest in its own economy investing. The dynamics of state capital investments in absolute terms was also considered (Fig. 1).

The total volume of capital investment in 2013–2017 increased significantly – by 62436 million UAH. 2014 and particularly 2015 are characterized by a remarkable reduction in the funds’

volume. Investments from the state budget had decreased threefold – from 16.5 billion UAH to 7.5 billion UAH, what is particularly rapidly noted since the beginning of 2014. This trend generally leads to the outflow of private investment and to the reduction of the level of the national economy’s investment attractiveness.

Scientists came to the conclusion that even minor changes in the dynamics of public investment can have a big impact on the economic development of the country. In our opinion, a comparative analysis of indicators of Ukraine’s socio-economic development should be carried out and, namely, whether the share of budget investment in recent years is connected with the indicators of GDP, exports, real wages and industrial production index.

We have formulated two hypotheses about the effect of the public investment share in their total amount in Ukraine on economic and social processes:

1) an increase in the state’s share in the structure of capital investments contributes to the growth of GDP. Under the hypotheses, we considered two indicators: the volume of annual GDP (billion UAH) and the change in annual GDP (in percent);

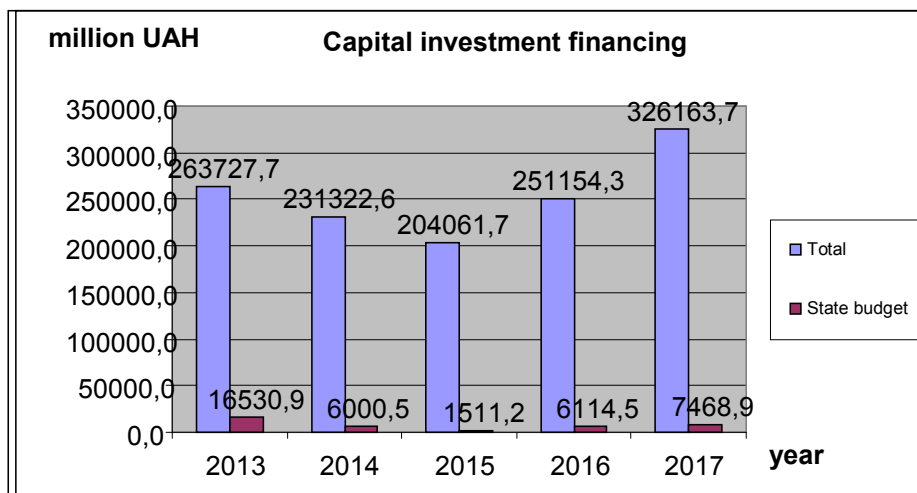


Fig. 1. Financing of capital investments in Ukraine in 2013–2017 [6]

Table 1  
The structure of sources of capital investments financing in Ukraine in 2013–2017, % [6]

Sources of funding	2013	2014	2015	2016	2017	Deviation 2017 to 2013
Total	100.0	100.0	100.0	100.0	100.0	0.0
including						
state budget	6.3	2.5	0.7	2.4	2.3	-4.0
local budgets	3.2	2.8	2.6	4.9	7.1	3.9
own funds of enterprises and organizations	59.2	63.4	71.5	67.4	69.4	10.2
bank loans and other loans	16.1	14.8	8.8	7.3	7.1	-9.0
funds of foreign investors	-	1.6	2.7	3.1	2.9	2.9
public funds for individual housing construction	8.3	11.2	10.5	12.1	8.9	0.6
other sources of funding	6.9	3.7	3.2	2.8	2.3	-4.6

2) a significant share of the state in the capital investments structure has a positive impact on key parameters of socio-economic development. Under the hypotheses, we investigated three indicators (annual percentage change), in particular: an index of industrial production; real wages; export of goods and services.

The results of the study regarding confirmation or refusal of our hypotheses about the effect of public investment on the economic and social development of Ukraine will be presented graphically (Fig. 2, 3).

Fig. 2 shows that the trend of the public capital investments' share does not correspond to the growth rate of GDP in percentage terms. A con-

nection between these indicators is weak (the correlation coefficient when selecting an exponential function is 0.17). There is not also a significant relationship between the annual GDP of Ukraine and the share of state capital investment in their overall structure. The correlation coefficient when using the exponential function is 0.14.

The comparative analysis of the share of state capital investments and an industrial production index (Fig. 3) showed that the relationship between these two indicators is characterized by middle density since the correlation coefficient is 0,5. Therefore, for any changes in capital investments of the state, a response of the industrial sector is evident and direct. The dy-

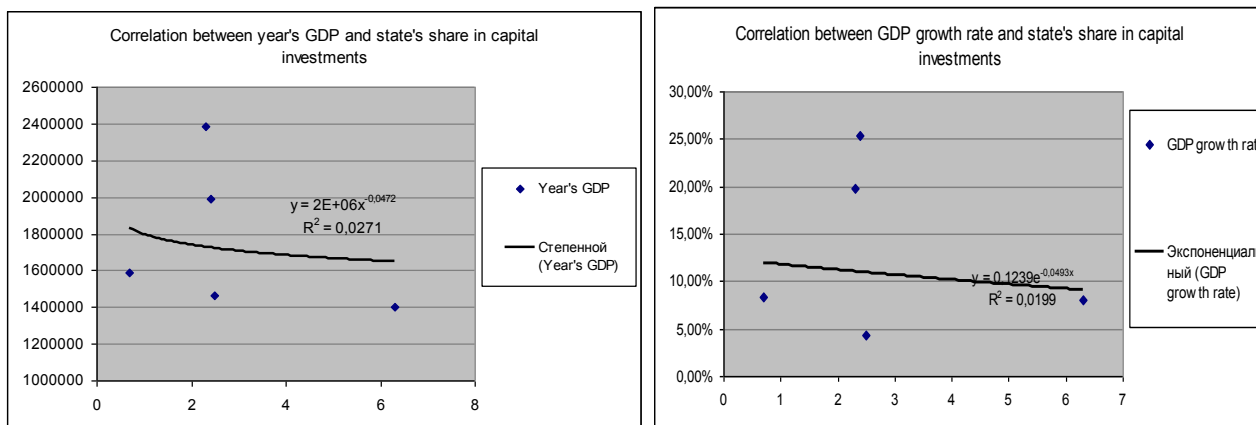


Fig. 2. The relationship between the rate of GDP growth, the annual GDP and the share of state capital investment in Ukraine in 2013–2017

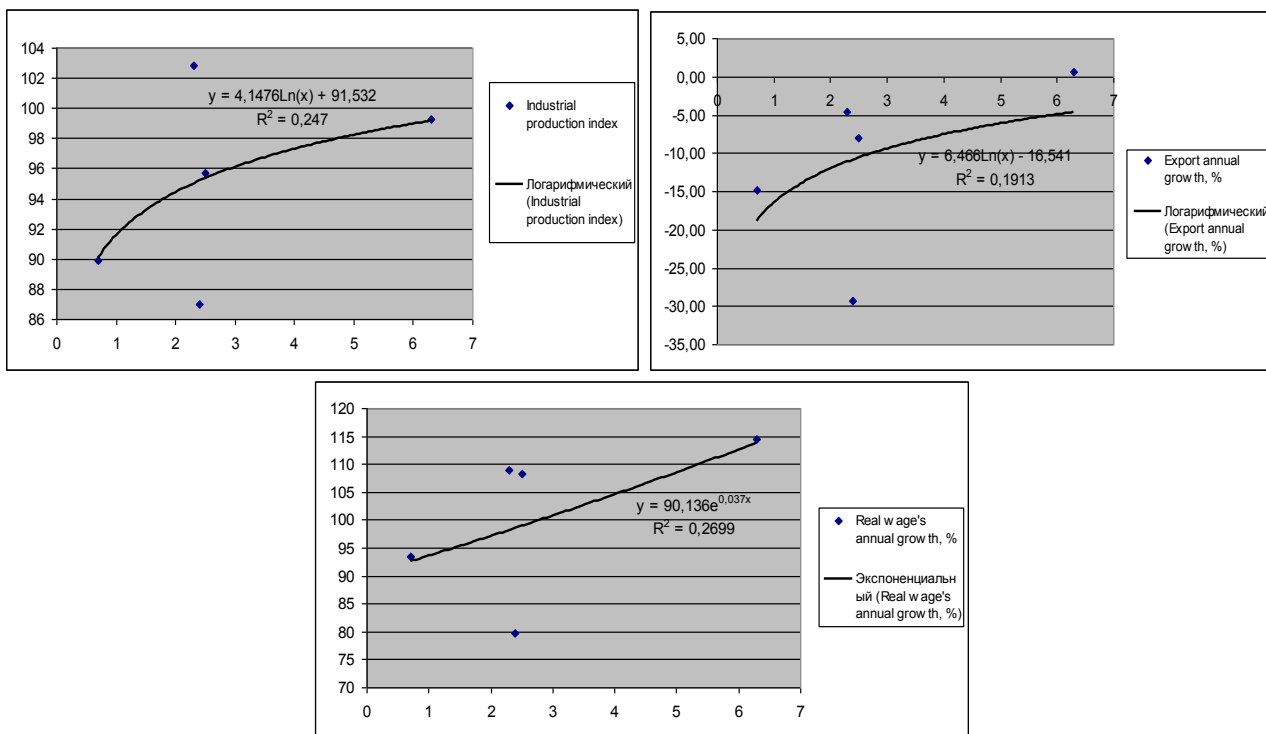


Fig. 3. The relationship of industrial production index, the rate of export growth, the rate of real wages growth, and the share of public funding for capital investment in Ukraine in 2013–2017

namics of export growth and real wages during 2013–2017 was very similar to that – there was an overall gradual decline, especially in the period of 2014–2015, which is consistent with the dynamics of the public capital investment share. The link between exports increase and government capital investment is weaker than between the other two indicators of the hypothesis, but it is statistically significant since the correlation coefficient is 0.44. Rather tight, in turn, was the relationship of the indicator and the growth in real wages (correlation coefficient was 0.52).

Therefore, the second hypothesis, in contrast to the first, is fully confirmed, and there is no doubt about the fact that the value of a state as an investor in the national economy is significant and should not be underestimated. A significant state presence in a composition of investors is committed to fostering not only economic development but also social development of Ukraine. Reducing the specific weight of state capital investment minimizes important economic levers of state influence on the economy's real sector.

The obtained equations can be effectively used in practice for forecasting purposes and public finance management. The conducted study allowed concluding that for the country's development the best situation was with public investment in 2013 when their share was 6.3%. During this period, the best indicators of GDP and other important investigated socio-economic indicators were observed. This means that in modern conditions the state should make efforts for a maximum increase in capital investment beyond the specific edge.

We believe that for Ukraine the formation of clear goals of public investment is also extremely important – that will maximize socio-economic benefits. The main problem today in this country, despite the declared transition to an investment-innovative model of development, is an absence of such priorities.

The Declaration of the goals and objectives of the budget, compiled every year, noted that the budgetary policy will be aimed at creating conditions for a decisive overcoming of consequences of financial crisis, an effective fiscal policy, the transition to an investment-innovative model of economy's development, an increasing of employment and wages, a promoting of price and exchange rate stability [4]. However, in practice, according to the very low share of capital investments, these goals are not achieved.

It is worth noting that the investment budget is always a choice between supporting the real sector of the economy and its competitiveness, or the social sphere. Furthermore, the total value of these investments is an indicator of the level of state intervention in economic processes.

**Conclusions.** In modern economic theory, there has been some consensus in the understanding that budgetary investments have value, but this value should not be exaggerated. Such investments are the most appropriate to the development of infra-

structure (natural monopolies, communications, transportation), which in turn stimulates private investments [3].

Thus, it was found that the higher state's share in the structure of investors contributes to the overall economic growth; therefore, the state is an important investor. Moreover, the state's share in the structure of capital investments should approach the 6% level, and its decline leads to deterioration in the maintenance of the enterprise funds and, as a result, to the decline in production, which negatively affects the quality of life and well-being and also the development of the economy as a whole.

Further directions of scientific study of government's influence on socio-economic processes may be connected with an analysis of other development indicators, which were not investigated, and also with comparing results for Ukraine with other countries.

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