

# CONCEPTUAL APPROACHES TO FORMING MECHANISM OF INVESTMENT SAFETY REALIZATION

Vladimir TALOVER<sup>1</sup>

*Kremenchuk Mykhailo Ostrohradskyi National University, Ukraine*

**Abstract.** *The purpose* of the paper is theoretical justification of theoretical approaches while developing the mechanism of the state investment safety. The tasks of the system of the national economy investment safety are the following: developing investment potential, creating favourable investment climate, forming mechanisms of stable investment activity in the key branches of economy. At the same time, it should also be noted that the complex approach that would allow sufficiently justifying and practically solve the problems of defining indicators, factors of the investment policy and directions of its assurance in realization of the mechanism of investment policy is not sufficiently developed nowadays. This fact determines research topicality. The issue of assuring investment safety is of a special importance in Ukraine that has to assure market economy development, to overcome deformations in the economy structure, to renew products and production apparatus in the industry, to master new kinds of activities. *Methodology.* The survey is based on the generalization and development of views of the scientific-economic schools, uses approaches of the international agencies and recommendation and normative materials of Ukraine concerning realization of the state investment policy as a totality of interrelated levels and subsystems that allows establishing main functions of the investment safety system. *Results* of the survey shows that the mechanism of investment safety includes some kinds, forms and methods of organizing investment relations and investment activity, ways of their quantitative determination and establishing interdependence. The concept of investment policy is based on the complex approach and includes the blocks which are locally structured in such way that they allow forming adequate system of its indicators and conducting monitoring of their changes under the influence of the determined factors. The peculiarities and elements of realizing investment safety are determined on the basis of the suggested concept. Criteria assessment of the national economy investment safety should include assessment of: ratio of the national and foreign investments; assurance of the enlarged recreation; level of economy restructuring and re-equipping; level of accumulated resources; level of financing scientific-technical sphere. Low level of investment safety is explained by the lack of wide range of investment objects and imperfection of investment mechanisms, as well as the lack of developed investment market. *Practical implications.* The suggested conceptual statements concerning formation of the mechanism of realizing investment safety determine unity in the system of economic interests and participants of the investment sphere, as well as solving collisions that appear between them. The priority directions of the state policy in assuring investment safety should become the following: creating favourable macroeconomic and entrepreneurial environment, promoting development of business, protecting owners and strengthening efficiency and transparency of the use of state finances. *Value/originality.* The suggested conceptual principles of forming efficient mechanism of investment safety give the reason for forming an appropriate system of indicators and allow determining prospects and threads to the investment safety level in the real time.

**Key words:** investor, investment security, investment security concept, investment security mechanism, investment security monitoring, threads to investment safety.

**JEL Classification:** E22 G31

## 1. Introduction

Investment policy influencing capital income into the economy development is an integral part of sustainable growth of any civilized functioning economy system. Determination, identification and measurement of the risk factors, dangers and threats is one of the most

important tasks of assuring economic and investment safety.

The favourable investment climate should be created to assure increase of the investment volumes into the real economic sector. However there is no exact program of forming investments that would envisage priority of

*Corresponding author:*

<sup>1</sup> Economics Department, Kremenchuk Mykhailo Ostrohradskyi National University.

E-mail: lubkv@yandex.ru

developing one or another economy branch in Ukraine. In the whole, in current economic conditions the state of investment climate is characterized by a significant investment risk that is to be minimized on micro- an macro-level to form a well-founded investment policy which would maximally favour solving the issues of forming investment safety system aimed at total improving the investment policy management system.

## 2. Definition of the essence of investment safety

A single definition of the essence of the investment safety is absent today. O. Baranovskyi thinks the state investment policy is achieving the level of investment that allows optimally meet current investment needs of the national economy in volume and structure with taking into consideration the effective use and return of the costs being invested, optimal ratio between the volumes of inner and outer investments, foreign investments and the country and domestic ones abroad, supporting positive national payment balance (Baranovskyi, 2004).

According to V. I. Kyrylenko the state investment safety is an ability to support industrial savings and capital investments on the level guaranteeing appropriate tempos of broadened recreation, restructuring and technological re-equipment of economy (Kyrylenko, 2005).

According to O.O. Yermak the state investment safety is such a balanced level (volume) of own and foreign investments that will become the basis for long-term positive economy dynamics; will be able to assure sufficient level of financing scientific-technical basis; allows creating and developing innovative processes and mechanisms (Yermak, 2012).

Analysis of theoretic approaches to determination of the category "investment safety" allows establishing two approaches (Yurkevych, 2012):

- 1) determination of the investment safety through the level of investments or the level of economy investing that would assure its broadened recreation, rational restructuring and technological re-equipment;
- 2) determination of the investment safety through the ability to assure a certain level of investments, capability to create preconditions of the active investment activity or opportunity to save resources or capital investments.

## 3. Concept of investment safety

Investment safety concept can be built on the basis of a complex methodical approach and include the blocks stated below.

1<sup>st</sup> block. Determining and classifying threads to investment safety.

The main threads to investment safety includes: insufficient usage of opportunities of Ukrainian companies' entering international capital markets; lack of state investment strategy causing lack of rational assessment of

investment risks; non-conformity of the investment into Ukrainian economy to the needs of structural rebuilding; insufficiency of access to financial resources and lack of efficient mechanisms of transforming savings of the population into investments; monopolization of strategic branches of Ukrainian economy by foreign capital with privatizing strategic enterprises; regional and branch disproportions in the investment income.

Economic risks of investments comprise the following factors:

- risks of technological character connected with the factors influencing technological constituent when realizing the project: level of automatization, reliability of equipment, tempos of modernization technologies and equipment, complexity of manufacturing process, etc.;
- political risks determined by factors that directly influence the complex of political constituents when realizing different investment projects: change of political course of the state, elections on different levels, separatism, political pressure, freedom of speech, foreign policy pressure, etc.;
- social risks are a totality of factors connected to the social constituent of any investment activity: conducting various social programs, strikes, social tension. Social constituent is characterised by aspiration of certain people for helping each other, creating various social relations, as well as their role in the society, material and moral stimuli, official relations, existing and possible conflicts;
- risks of legal character: incompleteness, imperfection of the legal bases, lack of arbitration and legal procedure independence, incorrectness of the tax system, legislative guarantees, etc.;
- environmental risks that are a totality of factors influencing the state of environment in the region and the activity of investment objects: radiation conditions, environmental pollution, ecological programmes, ecological catastrophes, etc. (Kyrylenko, V.I. & Kyrylenko, L.M., 2009).

2<sup>nd</sup> block. Determining and grouping objects of investment safety monitoring.

The objects of investment safety monitoring are divided into the groups of: investment activity; innovative activity; organizational-structural and legal activity; investment risks; integration of investment activity. The main tasks of investment activity monitoring are organizing continual observation of the monitored object and forming the system of informative indicators; assessing and analysing received information and determining causes of deviation from the pre-planned results; assuring participants of the investment activity with objective information received during the monitoring; forecasting development and providing recommendations on avoiding or reducing negative effects on the monitored objects (Orlova, 2015).

3<sup>rd</sup> block. Forming totality of indicators and data basis for investment safety diagnosing.

The indicators are divided into to main types. The first type includes indicators of criteria nature. Their values

give opportunity to come to conclusion about the state of territorial safety (Order of the Ministry of Economy of Ukraine № 69 from March 2, 2007).

Since these indicators reflect the tendency of the safety state development they are indicators of the threads to investment safety and can be called indicative indices.

The other type includes indicators that directly form indicative indices and indicators of leading influences the change of which directly influences indicative indices.

4<sup>th</sup> block. Forming indicative indices and blocks of diagnosing threads to investment safety.

Indicators of the enterprise investment safety should meet the following criteria:

- have a single interpretation for people taking decisions;
- have quantitative expression;
- not require considerable expenses for collecting information and calculations;
- base oneself on the existing system of national statistics;
- suitable for forecasting;
- have an opportunity of assessment in time dynamics;
- reflect changes in strategic policy of the enterprise, etc.

The methodology of calculating economic safety of Ukraine determines a list of main indicators of the state of economic safety in Ukraine, their optimal, threshold and boundary values, as well as methods for calculating integral index of economic safety.

5<sup>th</sup> block. Conducting indicative analysis on each indicative block of the investment safety.

From the point of view of investment sufficiency the most important indicator is a fraction of saving in GDP. Saving norm is a composite macro-economic indicator reflecting total balance of actions of all economic, legal, institutional and other factors that regulate the volume and structure of the investment activity. According to the methods of calculating the level of economic safety in Ukraine the minimum boundary value of gross investments

is 25% (Order of the Ministry of Economy of Ukraine № 69 from March 2, 2007; Order of the Ministry of Economy of Ukraine № 1277 from October 29, 2013).

6<sup>th</sup> block. Developing the concept of monitoring and programme-aimed measures on the scenario of liquidation, neutralization and weakening threads to investment safety.

The main threads to investment safety includes (Nedashkivskyi, Podhorna, 2012):

- insufficient usage of opportunities of Ukrainian companies' entering international capital markets;
- lack of investment strategy leading to the lack of rational assessment of the investment risks;
- non-conformity of investing Ukrainian economy to the needs of structural rebuilding;
- insufficiency of access to financial resources and lack of efficient mechanisms for transforming savings of the population into investments;
- monopolization of strategic branches of economy in Ukraine by foreign capital with privatization of strategic enterprises; - regional and branch disproportions in investment income.

#### 4. Investment safety mechanism

The mechanism of investment safety includes some kinds, forms and methods of organizing investment relations and investment activity, ways of their quantitative determination and establishing interdependence. Characteristics of the mechanism of investment safety realization as a system in its interaction with other phenomena and processes become apparent in its functions that include:

- 1) maintaining structural proportions in economy;
- 2) assuring widened innovative recreation;
- 3) complying economic interests on the vertical to the structure of national economy on the horizontal;
- 4) protecting national interests;

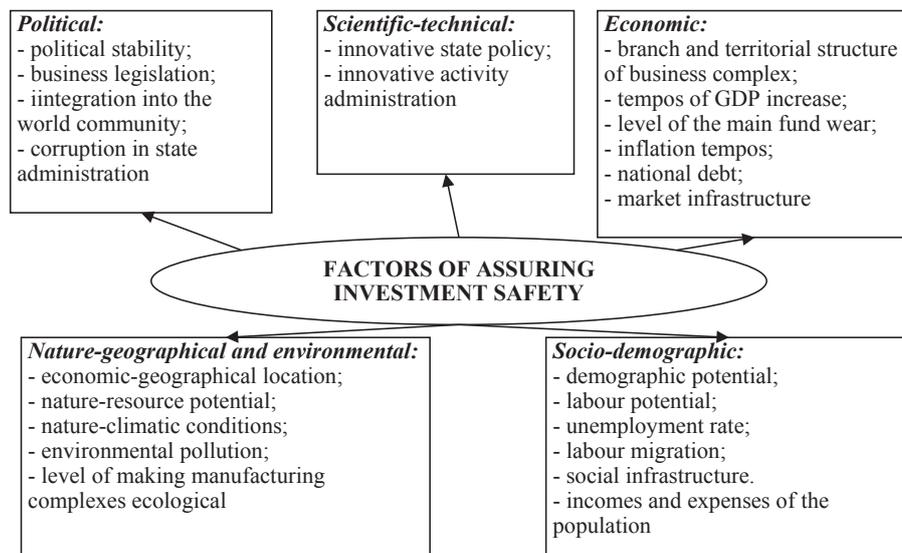


Fig. 1. Factors of assuring state investment safety

- 5) assuring socio-political stability in society;  
 6) guaranteeing socio-economic safety on global, national and regional levels.

The mechanism comprises two directions of influencing safety level:

- direct influence is conducted when realizing investment process on all its stages and find its expression in direct formation of macro-economic indicators of the investment sphere (indicators of the state economic safety);
- indirect influence appearing in the process of investment turnover in different branches of economy and is expressed in the development of neighbouring enterprises, branches-suppliers and branches-consumers, increase of total welfare on its basis, stimulation of structural changes in economy (Muntian, 1999).

Mechanism of realizing investment safety has two constituents: market mechanism of realization as a sub-system of the market self-regulation and correction of the investment safety; state mechanism of regulating investment processes and administrating investment activity; mechanism of investment partnership as a sub-system of cooperation between the state, businessmen and population (Vasenko, Danylchenko, 2012).

Elements of the mechanism of investment safety can be such objects as investors, clients, sub-contractors, users of the objects of capital investments, households as suppliers of investment resources, as well as the state as a regulator of recreational relations and as a immediate participant. Investment is conducted according to appropriate limitations and standards established by the investment safety system. The state will regulate investment process due to a store of instruments of the influence on the participants of the investment safety system that include centralized investment resources, tax policy, amortization policy, state guarantees, subsidies, grants, loans, etc.

Forming the mechanism of economic safety on different levels of the state investment policy depends on a

significant number of factors that can be grouped into such directions (Fig. 1) (Hordiienko, 2012).

Structurally the mechanism of investment safety includes three interrelated elements: financing investment activity, investing and realization of investments. Financing investment activity envisages stable accumulation of investment resources and their transformation into investments. Efficient investing envisages stabilization, reduction and reduction of prices of the investment cycle on all levels of business complex when realizing investment policy. The element «realization» is directed onto independent, efficient usage of the results of investment activity in the national economy and out of its boundaries, as well as formation of the resources for financing future investment activity (Buzin, 2009).

### 5. Investment safety indicator system

Investment safety as a constituent of economic safety of the national economy can be assessed with the help of social indicators and assessment criteria. Threads and boundary values of these indicators should take into consideration peculiarities of the national economy. The system of indicators of the investment safety should be a special object of analysis on different levels of economy. Investment safety of investors is characterized by a high level of its protection from possibility of losing invested costs and failing to receive pre-planned investment profit.

The author analyses current tendencies of investment-innovative security of Ukraine with the help of corresponding indicators on the basis of Methodical recommendations (Table 1) (Order of the Ministry of Economy of Ukraine № 69 from March 2, 2007; Order of the Ministry of Economy of Ukraine № 1277 from October 29, 2013).

Gross accumulation of the main capital is characterized by gradual increase in 2010–2012 but its percentage

Table 1

#### Indicators of innovative-investment safety of Ukraine in 2010–2014 (Muntian, 1999)

Indicator	2010	2011	2012	2013	2014	Critical value	Optimal value
Gross accumulated main capital, % of GDP	16.98	17.42	19.54	17.63	14.0	18	30
Ratio of the costs of innovative main means to the volume of capital investments, %	64.83	56.91	65.02	66.87	68.64	55	85
Fraction of products realized on competitive markets of the country, %	48.3	49.8	49.2	45.7	47.5	50	80
Ratio of clear growth of FDI to GDP, %	4.22	4.30	4.09	2.23	0.23	4	7
Specific weight of the volumes of conducted research and research-technical works in GDP, %	0.83	0.73	0.75	0.77	0.66	0.5	3
Ratio of expenses on research and research-technical works at expenses of the state budget, % of GDP	0.34	0.29	0.33	0.33	0.26	0.2	1
Specific weight of enterprises applying innovations, %	13.9	16.2	17.4	16.8	16.1	5	35
Specific weight of the realized innovative products, %	3.8	3.8	3.3	3.3	2.5	3	25
Fraction of people using Internet, %	22	28.7	35.3	40.8	46.2	20	80

in GDP is higher than critical level (18%) only in 2012. Ratio of the costs of newly applied main means to the volume of capital investments in 2010–2014 ranges from 56 to 66% that corresponds to the dangerous level and is accompanied by the high level of the main means wear. The calculated values of the ratio of clear increase of direct foreign investments to GDP are at critical level 4% in 2010–2012 and worsen in 2013–2014 that is caused by gradual outflow due to hryvna slump and other destructive factors. Specific weight of the volume of conducted research and research-technical works in GDP in 2010–2014 is below 1% that proves critical value of this indicator. The fraction of enterprises applying innovations in the total amount of industrial enterprises is 16% in average in 2010–2014, i.e. is within the ranges of unsatisfactory level. Specific weight of the realized innovative production is 3% in average in 2010–2014 that proves critical value of this indicator. Ratio of expenses on the research and research-technical works at the expenses of the state budget in 2010–2014 is also at the dangerous level. An important indicator of innovative-investment safety is the ratio of the ratio of the number of specialists conducting research-technical works to the total number of employed population. This indicator decreased from 5.7 to 4.9 people per 1,000 people of economically active population during 2010–2013 and is at critical level.

The most topical issue is increasing intensity of innovative-investment processes in highly technological sector of economy. In the whole the analysis of indicators of the innovative-investment safety on the current stage proves that different spheres of innovative and investment activity are in the state of crisis and differentiates only by

the level of the crisis. Despite a great investment potential, readiness of the foreign partners to invest costs into Ukrainian economy stays low.

## 6. Findings

1. Determination of the conceptual principles of forming efficient mechanism of investment safety is the basis for establishing ways and methods of directed influence on the elements of state investment policy aimed at decreasing the level of risks, minimizing its consequences, assuring efficient functioning of the national economy.

2. Forming the mechanism of economic safety on different levels of the state investment policy depends on a significant number of factors that can be grouped into such directions: political, economic, research-technical, nature-geographical, environmental, and socio-demographic. This mechanism allows uniting all phases of investment cycle into one entity: from forming conditions and sources of investments to gaining profit by investment subjects.

3. The analysis of current tendencies of investment safety in Ukraine on the basis of Methodical recommendations with the help of appropriate indicators proves worsening of the level of investment safety due to non-conformity of the criteria with such indicators as the level of main means wear and the ratio of clear increase of direct foreign investments to GDP.

The suggested system of assessing the level of investment safety as an element of the mechanism of investment safety can be applied when determining efficiency of realization of the state investment policy in the regional-branch aspect.

## References

- Baranovskyi, O.I. (2004). *Financial safety in Ukraine (methodology of assessment and mechanisms of assurance)*: monograph. K.: Kyiv National Economic University, 2004: 366.
- Buzin, R.V. (2009). *Investment safety, its assurance and state regulation in the national economy* [Electronic source] : author's summary of the thesis for achieving PhD in Economic Sciences, Speciality 08.00.01 – Economic theory. Voronezh, P. 24. Retrieved from: <http://study-5.ru/.../investitsionnaya-bezopasnost-ee-obespechenie-i-gosudarstvennoe-regulirovaniye>...
- Vasenko, V.K. & Danylchenko, Y.O. (2012). *Investment safety in the system of economic safety*. *Heral of Sumy National Agricultural University Series «Finance and Loans»*, 2: 106–112.
- Hordiienko, V.P. (2012). *Investment safety as a factor of the regional investment potential development*. *Investments: Practice and Experience*, 15: P. 7–9.
- Yermak, O.O. (2012). *Modern methods of researching state investment safety*. *Collection of scientific works of National University of State Tax Service in Ukraine*, 1: 136–142.
- Kyrylenko, V.I. (2005). *Investment constituent of economic safety*: monograph. K.: KNEU, 2005: 232.
- Kyrylenko, V.I. & Kyrylenko, L.M. (2009). *Administrating investment processes in context of economic safety*. *Scientific periodical NPU by name M.P. Drahomanov. Issue 7. Series 18: Economy and Law*: 3–8.
- Methodology of calculating the level of economic safety of Ukraine* [Electronic source]. Order of the Ministry of Economy of Ukraine № 69 from March 2, 2007. Retrieved from: <http://www.me.gov.ua>.
- Methodical recommendations concerning calculation of the level of economic safety of Ukraine* [Electronic source]. Order of the Ministry of Economy of Ukraine № 1277 from October 29, 2013. Retrieved from: <http://www.me.gov.ua/file/link/222830/file/1277.TIF>.
- Muntiiian, V.I. (1999). *Economic safety of Ukraine*. K.: Publishing house KVSHCH: 464.
- Nedashkivskyi, M.M. & Podhorna, K.Y. (2012). *Investment safety of Ukraine in current conditions*. *Collection of scientific works of National University of State Tax Service in Ukraine*, 1: 274–280.
- Orlova, N. (2015). *Derection of forming investment policy monitoring system in Ukraine*. *State administrating*, 4 (136), Special issue, May: P. 56–59.

Official web-site of the State Committee of Statistics of Ukraine [Electronic source]. Retrieved from: <http://www.ukrstat.gov.ua>.

Yurkevych, O.M. (2012). Assessing the level of investment safety in Ukraine. International Economic Policy: scientific magazine. Ministry of Education and Science, Youth and Sports of Ukraine, SHEE «Kyiv V. Hetman National Economic University»; Chief Editor D.H. Lukianenko. Special issue: in 2 parts. Part 2: 402–407.

## **Владимир ТАЛОВЕР**

### **КОНЦЕПТУАЛЬНЫЕ ПОДХОДЫ К ФОРМИРОВАНИЮ МЕХАНИЗМА РЕАЛИЗАЦИИ ИНВЕСТИЦИОННОЙ БЕЗОПАСНОСТИ**

**Аннотация.** *Целью работы* является теоретическое обоснование концептуальных подходов при разработке элементов механизма инвестиционной безопасности государства. Перед системой инвестиционной безопасности национальной экономики возникают следующие задачи: развитие инвестиционного потенциала, создания благоприятного инвестиционного климата, формирование механизмов стабильной и устойчивой инвестиционной деятельности в ключевых отраслях народного хозяйства. В то же время следует констатировать, что сегодня недостаточно сформирован комплексный подход, который бы позволил достаточно обосновать и практически решить проблемы выявления показателей, факторов инвестиционной безопасности и направлений ее обеспечения в реализации механизма инвестиционной безопасности. Это определило актуальность исследования. Проблема обеспечения инвестиционной безопасности особенно актуальна для Украины, которая должна обеспечить развитие рыночной экономики, преодолеть деформации в структуре экономики, обновить продукцию и производственный аппарат в промышленности, освоить новые для себя виды деятельности. *Методика.* Исследование основано на обобщении и развитии взглядов научных экономических школ, использовании подходов международных агентств и рекомендательных, нормативных материалов Украины по реализации инвестиционной политики государства как совокупности взаимосвязанных уровней и подсистем, что позволяет определить основные функции системы инвестиционной безопасности. *Результаты* исследования показали, что механизм инвестиционной безопасности включает виды, формы и методы организации инвестиционных отношений и инвестиционной деятельности, способы их количественного определения и установления взаимозависимости. Концепция инвестиционной безопасности строится на комплексном подходе и включает блоки, логично структурированные таким образом, что позволяют сформировать адекватную систему ее показателей и осуществлять мониторинг их изменений под влиянием определенных факторов. На базе предлагаемой концепции определены особенности и элементы механизма реализации инвестиционной безопасности. Исходная оценка инвестиционной безопасности национальной экономики должна включать оценку: соотношения национальных и иностранных инвестиций; обеспечение расширенного воспроизводства; уровня реструктуризации и перевооружения экономики; уровня накопления ресурсов; уровня финансирования научно-технической сферы. Невысокий уровень инвестиционной безопасности объясняется отсутствием широкого круга объектов инвестирования и несовершенством механизмов инвестирования, а также отсутствием развитого инвестиционного рынка. *Практическое значение.* Предложенные концептуальные положения к формированию механизма реализации инвестиционной безопасности определяют единство в системе экономических интересов и участников инвестиционной сферы и решения противоречий, между ними возникают. Приоритетными направлениями государственной политики в обеспечении инвестиционной безопасности должны стать: создание благоприятной макроэкономической и предпринимательской среды, содействие развитию предпринимательства, защиту владельцев и усиления эффективности и прозрачности использования государственных финансов. *Значение/оригинальность.* Предложенные концептуальные основы формирования эффективного и действенного механизма инвестиционной безопасности дают основание для формирования соответствующей системы индикаторов и позволяют в реальном времени определить перспективы и угрозы уровню инвестиционной безопасности.