

FOREIGN DIRECT INVESTMENT AND ITS IMPACT ON ECONOMIC AND ENVIRONMENTAL DEVELOPMENT

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In the development of the national economy investment plays a crucial role, and the investment process is a determinant of economic development. The investment process is understood as the process of investing resources into real objects in order to achieve the expected level of profitability in the form of material income or social benefits. The investment process does not exist by itself, its role and importance is manifested both in a specific sphere of activity and in the system of economic relations as a whole. The study of the investment process as an integral economic system is possible through the reflection of its constituent elements: the subject, the object of investment, the interaction between them and the environment in which these elements interact. And by analyzing the stages of the investment process, it is possible to understand at what stage problems arise that reduce the likelihood of attracting investment, that is, one can clearly identify a specific problem and easily fix it. In addition, in order to better understand the investment process, it is necessary to consider the methods of its regulation, because the methods and mechanisms of regulation are extremely important: they can both stimulate investment activity and reduce it. It is said that investment always has a positive effect, but this is not true. The article examines the positive and negative effects of attracting foreign direct investment. The investment process through the prism of the amount of FDI in the economy of Ukraine is also considered, the main directions of investment are defined. Since investment is the basis for the development of various levels of the economic system and is necessary for the modernization of the economy and increasing the rate of production, their attraction contributes to the development and expansion of the country's potential. In turn, attracting investment depends on the quality of implementation and regulation of the investment process. The results of the investment process improve the overall macroeconomic indicators of the country's economic development, it has a positive impact on the country's image on the world arena. Thus, investments are the basis of effective functioning of the country and the investment process deserves attention.

Keywords: investment process, investments, foreign direct investment.

JEL Classification: Q48, K32, O44

Introduction. The study of the problem of investment in the country's economy has always been in the center of attention of economic science. This is due to the fact that the course on investment and innovation development of the world economy and national economies of developed countries significantly intensifies the scientific search for new approaches and theoretical provisions of investment activity. In addition, the transformation processes in Ukraine have been going on for more than ten years. The transition to a regulated market economy has changed the functions of investors and participants in the investment process, modified the principles of their activity. In the conditions of development of the national economy investments are the basis of development of different levels of economic system and an integral part of intensification of investment processes. They are necessary for the increase of production rates and modernization of economy. And under the investment process is understood the process of investing resources in real objects in order to achieve the expected level of return in the form of material profits or social benefits. The investment process is a component of investment activity, which is a very important issue for Ukraine today. Attraction of investments contributes to

the development and expansion of the country's potential, which, in turn, depends on the quality of implementation and regulation of the investment process. That is, the more active the investment process is, the faster the effective market transformations in the country take place. And the results of investment processes improve the overall macroeconomic indicators of economic development of the state, which has a positive impact on its image in the world arena. The investment process is a component of investment activity, which is a very important issue for Ukraine today. Attraction of investments contributes to development and expansion of the country's potential, which, in its turn, depends on quality of implementation and regulation of the investment process. That is, the more active the investment process, the faster the effective market transformations occur in the country. And the results of investment processes improve the overall macroeconomic indicators of economic development of the state, which has a positive impact on its image in the world arena. The investment process is a component of investment activity, which is a very important issue for Ukraine today. Attracting investment contributes to the development and expansion of the country's potential,

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which, in turn, depends on the quality of implementation and regulation of the investment process. That is, the more active the investment process, the faster the effective market transformations occur in the country. And the results of investment processes improve the overall macroeconomic indicators of economic development of the state, which positively affects its image in the world arena. The more active the investment process, the faster the effective market transformations in the country. And the results of investment processes improve the overall macroeconomic indicators of economic development of the state, which has a positive effect on its image on the world stage.

Analysis of the recent research and publications. Scholars hold different views on the interpretation of the concept "investment process", for example, Gitman and Jonk offer the following definition: "The investment process is a mechanism for attracting potential investors and those who need them." [3, p. 11] Tumusov, considering the investment process as the movement of capital, believes that "the investment process is a process of reproduction and accumulation of means of production and finance to ensure the movement and reproduction of capital" [4, p. 13]. According to Shevchuk, the investment process is a sequence of works of intellectual and physical nature, which serve to create the object, as well as directly and indirectly affect it [5, p. 13].

The purpose of research. To consider the essence of the investment process and its main components. To analyze the stages of the investment process and methods of its regulation, to highlight the goals and principles of regulation. To examine the investment process through the prism of foreign direct investment in the economy of Ukraine.

Research results. Having considered several interpretations of the concept of the investment process, the author wants to offer a different one. The investment process is a continuous in space and time process of implementation of investment strategies, during which investment resources are collected and invested in the objects of the investment process to achieve a certain economic or social goal. Based on the various definitions of the concepts and the essence

of the investment process, it is possible to identify its specific features:

- investments require significant financial costs;
- income (benefit) from investments can be obtained only at the stage of operation of the object in which they invest;
- risks are an integral part of investing.
- It is suggested to consider the structure of the investment process (Table 1).

For a detailed understanding of the investment process consider its stages (Figure 1).

The motivation to carry out investment activity is a priority, because its motive is the excess of certain funds in a potential investor and his desire to obtain additional income or social benefit through the implementation of investments.

Justification of the expediency of investment is also a priority, because the investor must study the market, the position of the company or industry in which he plans to invest, and adequately assess the situation, ask himself the provocative question: "Is it worth it or not?" At this time, the requestor must draw up a sound business plan for the project and convince the investor to invest in his project.

As for the state regulation of the investment process, it is necessary to monitor the proper implementation of the contractual agreements between the investor and the customer and the resolution of conflicts in case of disputes.

Financing of the investment process, i.e., its resource provision, can be carried out by the investor himself, as well as with the help of other participants in the investment process, for example, the state.

The development of an investment leads to the beginning of the activity in which it is invested: whether it is construction, or research, or the development of an innovative startup. At the end of this activity, the "object" is put into operation.

The customer and the investor must constantly monitor the process of project implementation, evaluate the results and, if necessary, make adjustments to effectively and accurately meet the goal.

Regulation of the investment process is carried out in accordance with the Law of Ukraine "On Investment

Table 1 – The main components of the investment process

Participants	Investment objects	Financial sources
Investors: natural and legal persons of Ukraine and other states; the state; other states, international organizations.	Financial investments: securities: stocks, bonds, bills, bank contributions, deposits.	Domestic investments: public investments, investment resources, insurance, pension funds, depreciation fund.
Clients: natural and legal persons of Ukraine and other states; the state.	Real investments: tangible (buildings, equipment, land); intangible (patents, licenses, trademarks).	Foreign investments: private foreign investments, state foreign investments, funds of international financial organizations.
Contractors Suppliers of raw materials	Intellectual investments: patents, licenses, trademarks, know-how, experience.	Financial sources can still be divided into: private investments (natural persons and legal entities of Ukraine), public investments (central and local authorities), foreign investments (individuals and legal entities of foreign states, foreign countries, international organizations).

Source: created by the author based on sources [1; 2; 6]

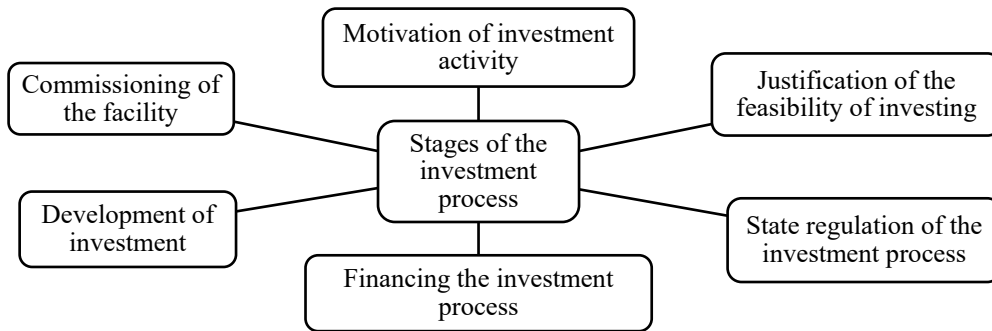


Figure 1 – Stages of the investment process

Source: created by the author based on the source [1]

Activity", as investment activity includes the investment process. The Law "On Investment Activity" interprets that state regulation of investment activity is carried out in order to implement economic, scientific, technical and social policy on the basis of goals and indicators of economic and social development of Ukraine, state and regional programs of economic development, state and local budgets. they have the amount of investment activity financing [7].

Regulation of the investment process is carried out through tax policy, credit and depreciation system, establishment of legal norms of investment, as well as through ensuring proper functioning and implementation of this regulatory system. For example, the use of tax vacations for enterprises affects the development of production, and the introduction of accelerated depreciation in enterprises leads to an increase in profits and, accordingly, deductions for investment.

Consider in more detail the main objectives of the principles and forms of regulation (Table 2).

The investment process is an important component of the economy, as its effective implementation ensures the reproductive processes in the country, such as the restoration of the workforce, renewal of fixed assets and much more.

According to my definition of the investment process, the author concludes that its main purpose is to provide the most effective ways to implement the investment strategies of the country, enterprise or individual.

Effective stimulation of the investment process leads to an increase in investment in the budget of the country and in the budgets of business entities.

Stimulating the investment process is to ensure:

- high rates of economic development of the country and competitiveness of industries;

- maximum profitability from investment activities; risk minimization;
- rapid reinvestment and optimal liquidity of investments [9].

It should be noted that the stimulation of investment activity has both positive and negative effects on the country's economy.

Consider this statement on the example of foreign direct investment, presented in Table 3. Since the state currently seeks to attract foreign investors in the economy of Ukraine, it is advisable to investigate this issue and identify the pros and cons of foreign investment in the economy.

It should be added that each direction has its advantages and disadvantages, but attracting foreign investment today is one of the leading ways to improve the economic situation in the country. That is why the author considers it necessary to pursue an active policy of stimulating investment activity in order to attract both domestic and foreign capital. To trace the dynamics of investments, consider the volume of direct foreign investments in the economy of Ukraine (Figure 2).

Analyzing Figure 3, it can be said that in 2015 and 2016 the volume of FDI was almost unchanged, while in 2017 and 2018 there was a slight decrease of 0.9% and 1.1%, respectively. The largest amount of FDI was observed in 2019, which was 10.9% more than in 2018.

The most popular areas for investment are industry: wholesale and retail trade; financial and insurance activity; information and telecommunications. At that, industry accounts for 34% of investments, wholesale and retail trade and financial and insurance activities – 13%, and information and telecommunications – 9% of the total foreign direct investments.

Table 2 – Characteristics of the regulation of the investment process

Objectives	Principles	Forms
<ul style="list-style-type: none"> – achievement of maximum effect from investments – creation of conditions for the development of priority industries – creating conditions for attracting foreign investment 	<ul style="list-style-type: none"> – strengthening the regional economy – increase the entity's own funds in financing projects – allocation of budget funds for the implementation of state priorities 	<ul style="list-style-type: none"> – examination of investment projects – ensuring investment protection – tax regulation of activities – providing financial assistance

Source: created by the author based on the source [8]

Table 3 – The impact of foreign direct investment on the country's economy

Positive impact	Negative influence
Demonstration example of a modern progressive enterprise.	Uncertainty of local entrepreneurs to do the same.
Positive foreign economic effects of an enterprise with foreign investment.	Loss of efficiency due to increasing demand for factors of production.
A company with foreign investment can give an advantage to local suppliers by placing large orders.	Enterprises with foreign investment can take resources from domestic enterprises.
Competition encourages local firms to work more efficiently.	Structural unemployment due to competition.
Further training of their employees benefits other firms when employees move on to other jobs.	Long-term general economic consequences: – the emergence of dependence on foreign investors; – increase of imperfect competition; – deterioration of the environmental situation.
Ukraine receives taxes on the net income of such an enterprise.	

Source: created by the author according to [10]

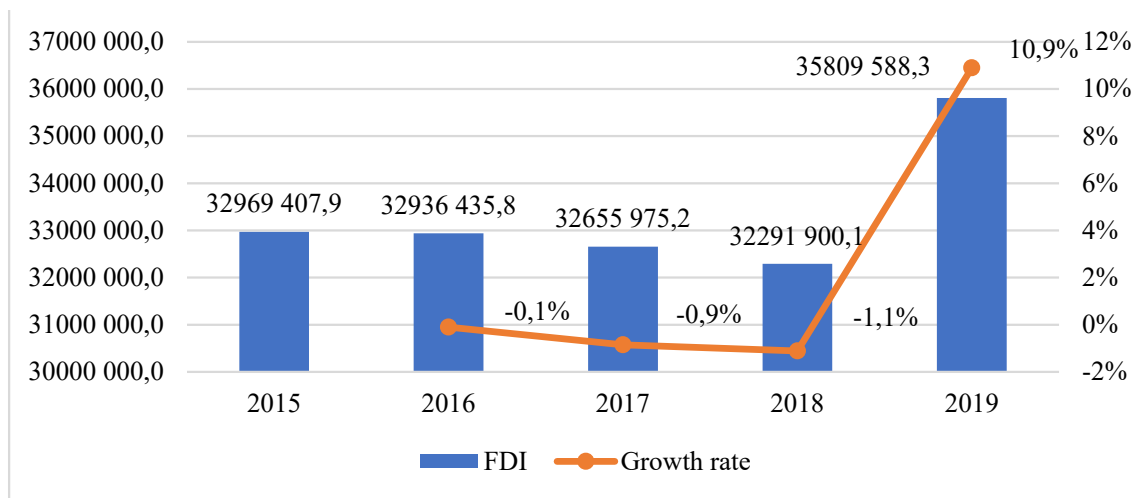


Figure 2 – Volumes of FDI in the economy of Ukraine and their growth rate

Source: created by the author according to data [11]

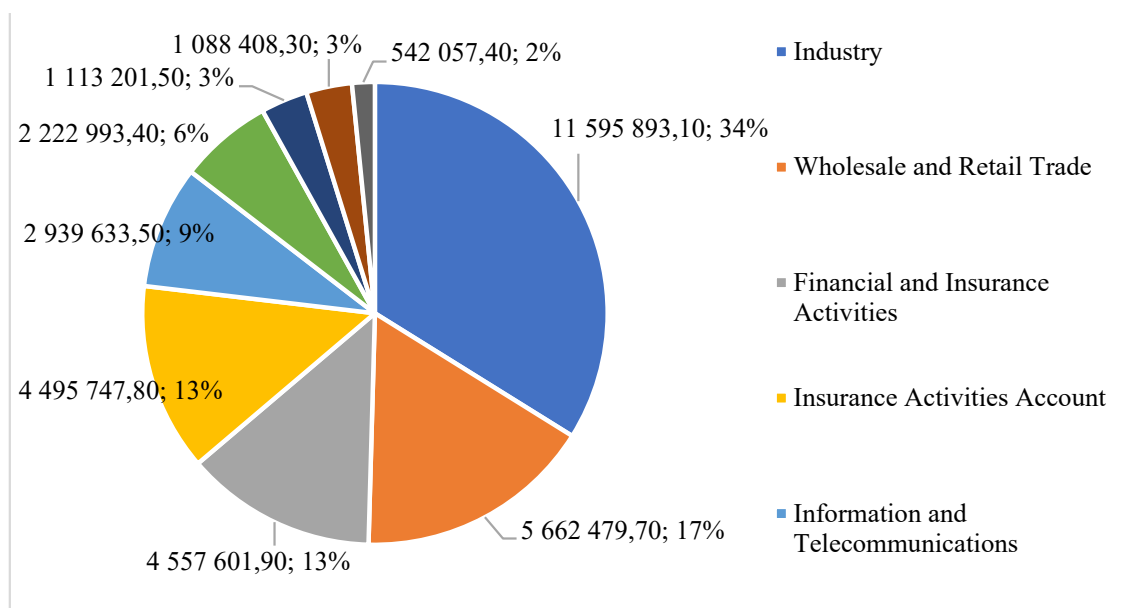


Figure 3 – The structure of FDI in the economy of Ukraine by type of economic activity

Source: created by the author according to data [11]

Conclusions. The investment process should be considered as a process of investing investment resources into real objects in order to achieve the expected level of profitability in the form of material benefits or social goods. It is an integral part of investment activity regulated by the Law "On Investment Activity". There are many methods of regulating the investment process, but they are not always effective. There are 6 main stages of the investment process: motivation of investment activity; justification of expediency of investment; state regulation of the investment process; financing of the investment process; development of investment; putting the object into operation. The investment process is an important component of the economy, as its effective implementation

ensures the reproduction processes in the country, such as the recovery of the workforce, the renewal of fixed assets and much more. While studying the impact of FDI on the economy of the country, were found out that there are both positive and negative consequences. Nevertheless, the largest volume of FDI is directed to industry, wholesale and retail trade, financial and insurance activities. Thus, investment plays a leading role in restructuring the national economy, ensuring technical progress, improving economic performance. Investments are the source of investment in the form of modern means of production, increase the welfare of the population, promote innovation, increase labor productivity. And the efficiency of investment processes plays a key role in attracting investment.

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ПРЯМІ ІНОЗЕМНІ ІНВЕСТИЦІЇ ТА ЇХ ВПЛИВ НА ЕКОНОМІЧНИЙ ТА ЕКОЛОГІЧНИЙ РОЗВИТОК

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В умовах розвитку національної економіки інвестиції відіграють надзвичайно важливу роль, а інвестиційний процес є визначальним чинником економічного розвитку. Під інвестиційним процесом розуміють процес вкладення інвестиційних ресурсів в реальні об'єкти з метою досягнення очікуваного рівня доходності у вигляді матеріального прибутку або соціальних вигод. Інвестиційний процес не існує сам по собі, його роль та значення проявляється як в окремій сфері діяльності, так й в системі економічних відносин в цілому. Дослідження інвестиційного процесу як цілісної економічної системи можливе через відображення її складових елементів: суб'єкта, об'єкта інвестування, взаємодії між ними, і середовища, в якому ці елементи взаємодіють. Завдяки аналізу стадій інвестиційного процесу, можна зрозуміти на якому етапі є проблеми, що зменшують вірогідність залучення інвестицій, тобто можна чітко виявити конкретну проблему та легко її ліквідувати. Окрім того, для глибшого розуміння інвестиційного процесу варто розглядати методи його регулювання, адже способи та механізми регулювання є надзвичайно важливими: вони можуть як стимулювати інвестиційну діяльність, так і знижувати її. Існує твердження, що інвестиції завжди приносять позитивних ефект, проте це не зовсім так. У статті розглянуто позитивні та негативні наслідки залучення прямих іноземних інвестицій. Також, розглянуто інвестиційний процес через призму кількості ПІІ в економіку України; виявлено основні сфери інвестування. Оскільки інвестиції становлять основу розвитку різних рівнів економічної системи та є необхідними для модернізації економіки і нарощування темпів виробництва, то й їх залучення допомагає розвитку та розширенню потенціалу країни. У свою чергу, залучення інвестицій, залежить від якості здійснення та регулювання інвестиційного процесу. Результати інвестиційного процесу покращують загальні макроекономічні показники економічного розвитку держави, це позитивно впливає на імідж країни на світовій арені. Тож, інвестиції є основою ефективного функціонування країни, а інвестиційний процес вартий уваги.

Ключові слова: інвестиційний процес, інвестиції, прямі іноземні інвестиції.

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