

## PECULIARITIES OF FINANCIAL INVESTMENTS INFLUENCE ON THE ECONOMIC DEVELOPMENT OF UKRAINE

**Setting the problem.** Sustainable development of countries directly depends on enhancing the investment activity and proper their financial support. A number of different organizational, economic, technical and financial factors are the main conditions in ensuring the effective use of financial investments [1].

Today one of the urgent tasks of economic reforms in Ukraine is the development of qualitatively new approaches in the management of the investment process and the formation of an effective mechanism of investment activity.

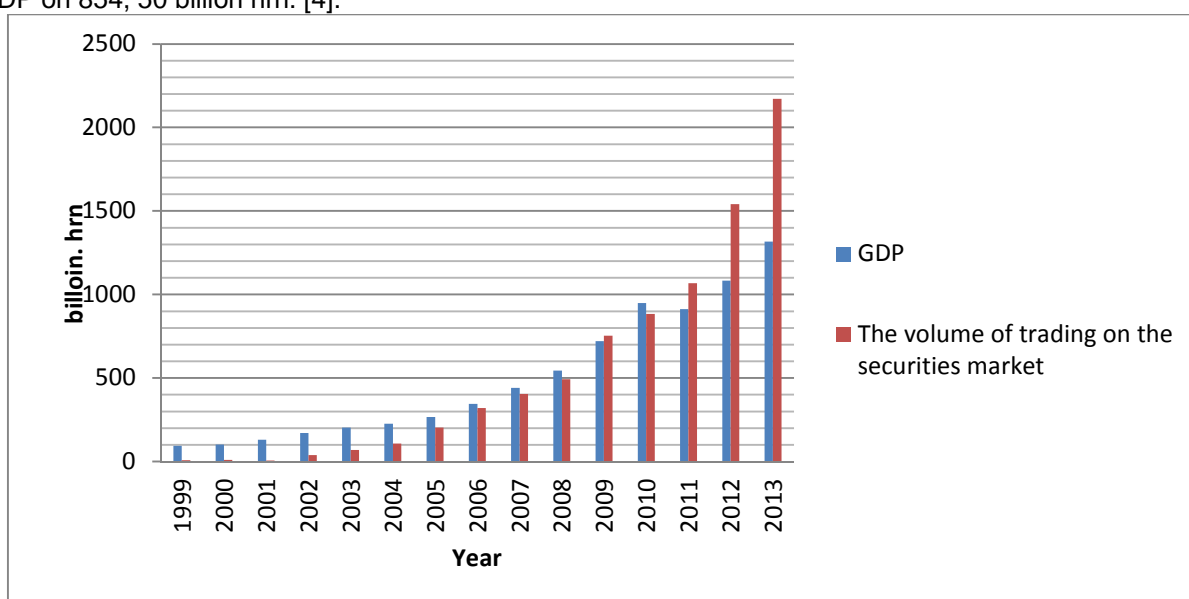
**Analysis of recent research and publications.** The works of domestic and foreign economists were dedicated to the issues of attracting financial investments and their influence on economic development of country. V. Goncharov considered the issues of the investment process development in his works – the research of enterprises attractiveness in management of the investment process; A.P. Haydutskyi – the study of motivational factors of international investment processes; F.O. Yaroshenko – the research of investment processes and other.

The conducted analysis of the research results of the mentioned problem confirms expediency of continuation its study, including issues related to the consideration of the peculiarities of financial investments on the economic development of Ukraine.

**Setting the objective.** The aim of the study is to outline the theoretical foundations of financial investments, improving the mechanism of their regulation and identifying the directions for effective use as an important tool for economic development of the country.

**The main material of the research.** The stock market is a specific area of market relations, where due to the sale of securities is made a mobilization of financial resources to meet the needs of economic entities. Given the availability of infrastructure, streamlined information support of all participants – investors, issuers, intermediaries – the stock market is a powerful driver of economic development of any country and Ukraine in particular [5].

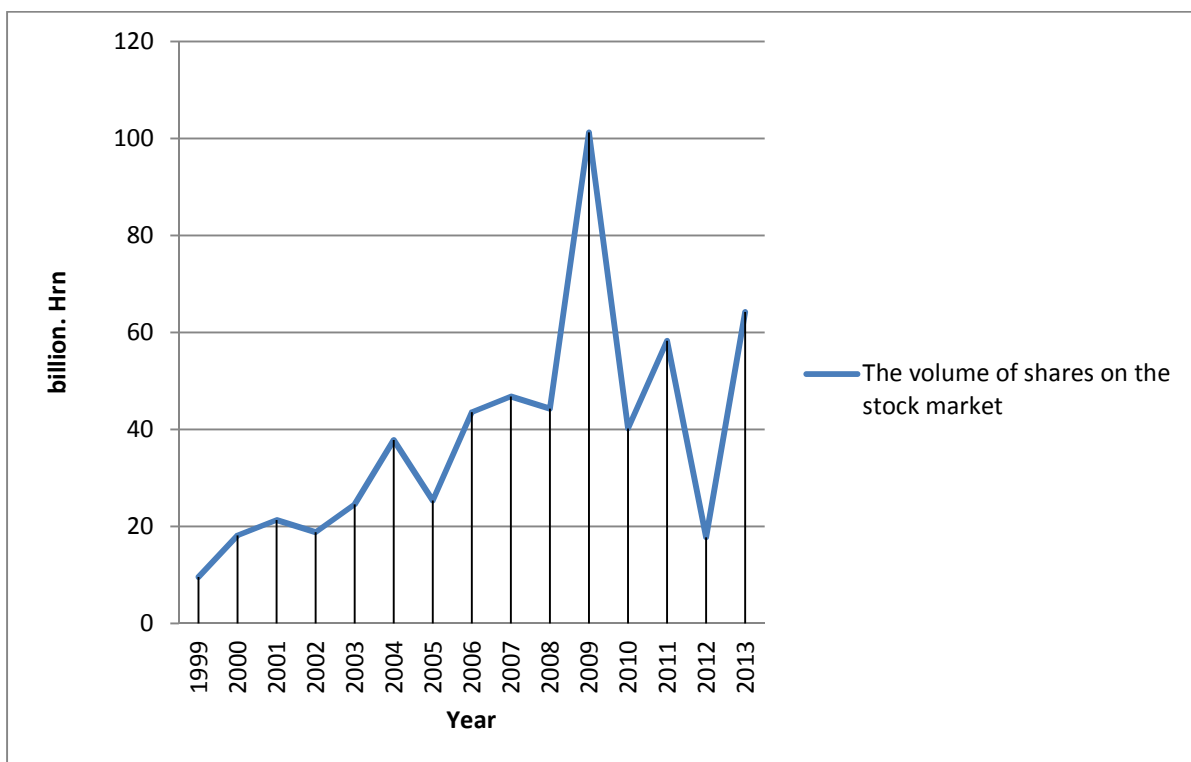
The stock market as a part of the financial market has traditionally been considered of secured element of the whole financial state system. Over the past eleven years, the domestic stock market is characterized by ever increasing dynamics (Fig. 1). As of 2013, trading volume on the securities market of Ukraine has exceeded about 1.5 times the indicator of 2012 and amounted 2171.10 billion hrn., exceeding the GDP on 854, 50 billion hrn. [4].



**Figure 1. Dynamics of trading volume on the securities market and volume of GDP in Ukraine for 1999-2013, billion hrn.**

Source: [6]

The cost of registered issues of shares by the National Commission on Securities and Stock Market (NCSSM) for 2013 is more than 4 times higher than the same indicator in 2012 (and in 10.97% was higher than the value of recorded for the 2011 issues), although number of registered issues in 2013 was on 11.7% lower than in 2012 (Fig. 2) [6].



**Figure. 2. Volume of issuing shares on the securities market of Ukraine during 1999 – 2013, billion hrn.**

Source: [6].

As in 2012, the banking sector had a major influence on the dynamics of issuing shares on the stock market of Ukraine in 2013. In 2013, at the cost of registered issues shares is largely influenced by issues of shares in order to increase the share capital of a number of commercial banks [5].

Dynamics of indicators of economic development in Ukraine in recent years, including the stock market indicates on strengthening of positive tendencies.

The main positive changes that have characterized for the stock market during this period and formed a solid basis for further strengthening of the securities market and contributed to the restoration of the investment function - increasing trading volume, increase in the ratio of capitalization to GDP, attracting investments and so on [6].

In recent years the trend of increasing trading volume on the stock market continued. Thus, this indicator in 2013 was 2 530.87 billion hrn., which is more of volume of the executed contracts in 2011 to 359.77 billion hrn. At the same time, the growth of the stock market was accelerated compared to GDP: volume of trading on the stock market exceeded GDP of the country almost twice as. It indicates the development of the state economy as a whole and development of the stock market in particular, as well as the rapid pace of progress [6].

The indicator of investments in the economy of Ukraine through the stock market instruments on the results of 2013 totaled 67.23 billion hrn. It may be noted the stability of this index during the last years.

Analyzing the performance of 2014, we can observe that within two months of the year due to stock market instruments in the economy of Ukraine were attracted investments for the sum 25.90 billion hrn. In comparison to the same period in 2013 this indicator has increased on the 8.37 billion hrn. [4].

Volume of registered shares in January and February was 2.89 billion hrn. that is on 9.69 billion hrn. less than last year. In general 23 issues of such securities was registered by the regulator. If you analyze the issues of bonds, then here a positive trend was observed. 35 issues of corporate bonds were registered by Commission at the amount of 9.73 billion hrn., which compared with the same period in 2013 to more than 6.47 billion. hrn. At the same time the amount of registered investment certificates during the period amounted 13.28 billion hrn., that is more on 11.98 billion hrn., compared with the data in January and February 2013. In absolute terms this indicator was 88.73 billion hrn., that on 72% (or on 37.25 billion hrn.) more than in January 2013 [4].

Compared with the indicators in previous year there has been positive dynamics: in March 2014 was signed exchange contracts worth 21.8 billion hrn., while in March 2013 – on 15.7 billion hrn. We note that the largest volumes of transactions by types of financial instruments recorded with government bonds (17.1 billion hrn.), corporate bonds (1.7 billion hrn.) and shares (1.1 billion hrn.). Exchange “Perspective” (15.7 billion hrn.), “PFTS” (3.9 billion hrn.) and “Kiev International Stock Exchange” (1.6 billion hrn.) has taken leading positions among the trade organizers [7].

Most investors believe that the investment climate is unfavorable in Ukraine due to political and economic instability, inadequate legislation, burdensome tax system, poor infrastructure. They note that the contradictory and rapid changeability of legislation and regulations regarding foreign investments have different interpretations or even ignoring by them individual organizations and local authorities. In such fundamental issues as land ownership, implementation mechanisms of pledge forms, foreign investors do not get unambiguous answers.

There are a number of factors of success investment: the presence of trade barriers; economic competitiveness; favorable investment environment; stability of legal and regulatory framework; clearly defined fiscal framework; optimization of the institutional structure of the financial market in Ukraine; establishment of equal conditions for all market participants; debugging information ensure of all market participants and others.

Attraction of financial investments can have a number of negative consequences to both parties of the investment process. The reasons negative consequences consist in the following:

1. Increasing the share of foreign capital does not necessarily mean increasing the amount of real irreversible capital;

2. Proceeds of financial investments reduce incentives for investment by local companies through capital appreciation, enticement of highly skilled workers.

Financial investments do not lead to the increasing the gross fixed capital if prevailing forms of investment are hasty and absorption and opaque privatization of local companies, rather than the creation of new enterprises.

Attracting foreign investment is vital importance to exit the modern social and economic crisis, overcoming the recession and improve the quality Ukrainian life.

The main ways of overcoming crisis by the state in the economic sector are:

- the development of the portfolio investment system and the creation of special state institution that will oversee the investment process;

- improving the legislative base in the area of investment;

- increasing the effectiveness of the antimonopoly bodies in Ukraine;

- investment policy should be carried out based on the capabilities and needs of each region.

**Conclusions from the study.** Conducted research in the study indicate positive trends in the Ukrainian stock market, which is reflected in the active growth of trading on the securities market and exceeding the growth rate and level of GDP in Ukraine. Attracting the financial investments contributes to the strengthening relationship of the market and the real economy sector.

Implementation of the consistent deliberate policy formation in Ukraine efficient stock market is a crucial component of the completion of the market transformation of the national economy and ensuring it's balanced and is a significant factor to strengthen national competitiveness in the long term.

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Rybak O.M., Paratsiy Kh.V. PECULIARITIES OF THE IMPACT OF FINANCIAL INVESTMENTS ON THE ECONOMIC DEVELOPMENT OF UKRAINE

**Purpose.**The purpose of the article is the disclosure of theoretical foundations of financial investments, improving the mechanism of regulation and identifying the directions of effective use as an important tool for economic development of the country.

**Methodology of research.** The theoretical and methodological basis of the conducted research is the provision of economic theory and financial economics. The following methodological means and techniques were used to achieve the purpose: methods of analysis and synthesis (to determine the dynamics of trading volume on the stock market and GDP); economical and statistical method (to identify problems of interrelation the securities market, investment and economic development of the country); monographic (to substantiate conclusions about the effects of financial investments on the economy as a whole)

**Findings.** Ways to overcome the financial crisis by the state have been revealed. The dynamics of trading volume on the stock market and volume of GDP has been studied. The dynamics of issuing shares on the stock market of Ukraine has been analyzed. The analysis has been conducted and conclusions about the effects of financial investments on the economy as a whole have been substantiated.

**Originality.** The integrated approach to the determination of the effects of financial investments on the economy of the country as a whole and substantiating the ways of overcoming financial crisis by the state has been used.

**Practical value.** The obtained results of research are directed to improving the efficiency of financial investments in the economic activity of the country.

**Key words:** financial investments, securities market, stock market, economic development of the country.