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THE INTERNATIONAL INVESTMENT ACTIVITIES: SYSTEMATIC ANALYSIS OF CATEGORICAL APPARATUS

The paper analyzes the economic nature of the investments, the basic approaches to studying of such a category as investment. The authors propose to improve the classification of investments as well as such categories, as reliable investors, the country of origin and the degree of unprofitability of branches. Such an approach can help to systematize their types sufficiently.

The authors prove that the main aim of investment is to get income and create other forms of providing development and increase market value of the company as a result of the capital growth.

Were consider the practical aspects of the international investment activities. Such measures are presented as foreign direct investments and portfolio investments to Ukraine. The situation of the international investment activities during the last five years are analyzed in this paper.

Key words: investment; investment activity; foreign direct investment; capital.

Проаналізовано економічну природу інвестицій, розглянуто основні підходи до вивчення даного поняття, досліджено та вдосконалено класифікацію інвестицій за рахунок розширення класифікаційних ознак. Такий підхід сприятиме повній систематизації їх типів.

Доведено, що основна мета інвестування – отримати дохід і створити інші форми забезпечення розвитку та збільшення ринкової вартості компанії внаслідок зростання капіталу.

Розглянуто практичні аспекти міжнародних інвестиційних заходів. Такі заходи є прямим державним інвестуванням в Україну. Проаналізовано стан міжнародним інвестиційних заходів протягом останніх п'яти років.

Ключові слова: інвестиції; інвестиційна діяльність; іноземні закордонні інвестиції; капітал.

Problem formulation. Nowadays Ukraine finds itself in crisis and it needs to reconstruct its economy and restore the normal functioning of production. Such economic category as “investment” is closely related to the economic development, because investments influence mainly positively on the development of the economy. Depending on the correct classification of investments we can create an effective strategy for attracting investments.

Analysis of recent researches and publications. Investments are researched by such scientists as: L. M. Horbatiuk, J. Keynes, D. Jorgenson, W. Sharpe, I. Blank, V. M. Hridasov, B. Karloff, K. McConnell, S. L. Bru, O. D. Vasylyk, L. M. Pavlova and others. However, the category “investment” is needed to be further studied and researched in the view of the economic and production development, because the universal classification of investment doesn't exist. Every scientist has his own approach to the problem of establishment of the economic nature of investment.

Purpose of the statement – to research the economic nature of “investment” and improve the classification of investment as an economic category.

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Main material. The definition of “investment” has a rather broad meaning by its economic content and the definition “investment” has some features in different areas of economic science and practice. The term “investment” originates from the English word “to invest”. A. Azriliian determines the term “investment” as the total costs, realized in a form of long-term capital investment in industrial, agricultural, transport and other sectors of economy [1, 156]. The main purpose of investments is increasing of economic growth, which leads to rising of the national income, volume of production and development of enterprises.

The main aim of investments is improving the state of the sectors of economy being invested. According to the International Accounting and Auditing Standards investments are a part of assets, necessary for an enterprise to accumulate the capital by investing, amortization of capital and receive other benefits for investors like revenue from commercial relations [2]. W. Sharpe, G. Alexander, J. Bayley explained the term “investment” as the process of “giving away” the money for greater gains in future [3, 1], namely to invest the capital in order to increase it under conditions that the capital gains are enough to compensate the refusal from using available resources for consumption in the current period, cover all the risks and future losses due to inflation [4, 25–29]. B. Karloff determines investment as the process of “implementation of any economic projects with the expectation to obtain future gains”. In his opinion investment is traditionally associated with the process of buying of tangible assets aimed at the creating benefits [5, 246]. C. R. McConnell and S. L. Brue define investment as the cost of production, accumulation of means of production and increase of tangible assets [6, 388]. O. D. Vasyliuk considers investment as long-term commitments of capital with the purpose to create new enterprises and modernization of existing enterprises, to develop the new technologies and techniques, to increase production and gain profits [7, 386]. L. M. Pavlova characterizes investment as a process of using the total material, labor and financial resources, the main aim of which is capital augment, enlargement, modernization and technical re-equipment [8, 126].

According to the Law of Ukraine “About the investment activity”, investment is “... all types of property and intellectual values which are invested in business and other activities, the result of which is getting revenue or achieving social impact” [9].

Investment can be considered within two approaches such as macroeconomics and microeconomics. According to the macroeconomics approach, the investments are a part of costs, consisted of costs on new means of production, investment in housing and increasing stocks of goods, so the investment is the part of GDP, which wasn’t consumed in the current period, but promoted the growth of capital in the economy [10, 3]. According to the microeconomics approach, investment is a process of formation of the new capital [11, 3]. The precondition of the classification of investments is their heterogeneity (fig. 1).

Investments are classified into several categories according to the objects of capital investment, the aim of investment, the form of ownership of the capital being invested, the sources of financing investment, the reproducing orientation, the territorial characteristics, the period of investing, the level of investment risk, the sectors of the economy, the criterion of the direction of actions.

The main attribute of investments is the division into the categories of capital commitment. By this attribute investments are divided into the real investments, which are investments into real assets, both tangible and intangible, etc. The financial investments consist of investing the capital in the development projects, buying of shares, bonds and other securities of different enterprises issued by the government or juridical entities. According to the purpose of investing, the financial investments fall into the strategic investments (when the investor invests into the majority stake, the aim of which is to carry out the strategic management of a company) and the portfolio investments (when the investor has the aim to increase the amount of invested capital or obtain current income) [12, 26].

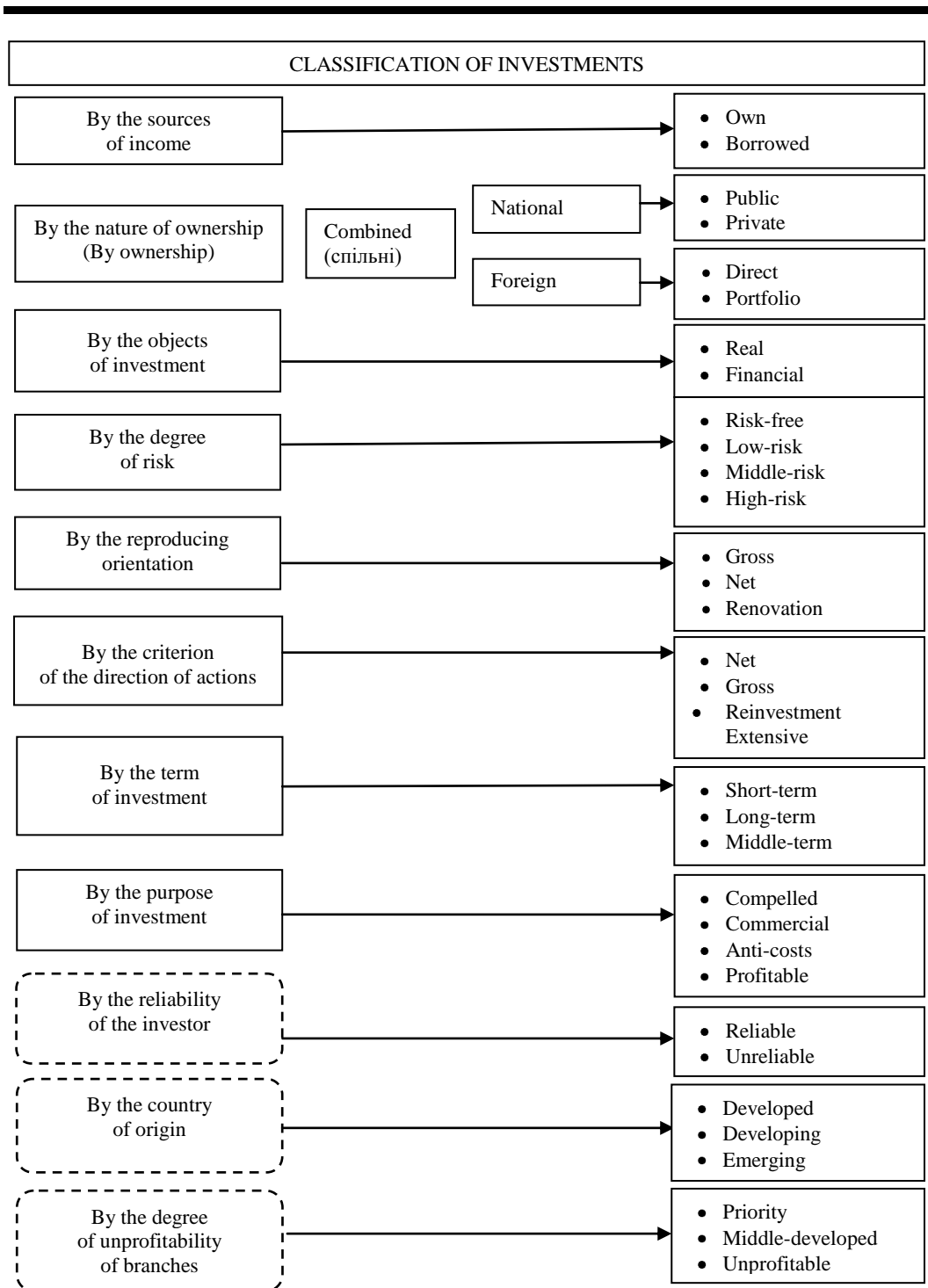


Fig. 1. Classification of investments (supplemented by the authors) [18]

By the purpose of investing, the investments fall into: the compelled investments caused by such required circumstances as, for example, improving the reliability and safety of manufacturing, ecology etc.; the commercial investments invested into the development of products and diversification of production with the purpose to keep the position on the market; anti-costs investments, which allow to increase productivity and profitability of the company; profitable investments allowing to ensure growth of profits mainly due to the expansion of the traditional activities of the company [13, 39].

By the form of the investor's ownership, investments are divided into private, public, foreign and combined. The private investments are carried out by a physical person, as well as legal entities with a private capital; the public investments are carried out by the state and local administrations, public companies from budget and out of budget funds, own and borrowed capital; the foreign investments are made by physical and legal persons of foreign countries; the combined investments are made by individuals of one country together with individuals of foreign countries [14, 11].

By the sources of financing the investment activity, investments are divided into financed by means of the investor's own financial resources; borrowed (state credit, loans from commercial banks and other financial institutions); borrowed funds of the investor (funds from other investors and depositors) [15, 328].

By the reproducing orientation investments are divided into the gross (total) investments, which characterize the general volume of capital invested in reproducing tangible assets and intangible assets for a certain period of time; the re-innovative investments characterizing the volume of capital invested into the reproducing basic costs and intangible assets amortized; the net investments characterized by the amount of capital invested in the expanded reproduction of tangible and intangible assets [13, 22–23].

By the territorial attribute, the investments are divided into the investments into the state and the foreign investment. Foreign investment include buying the various financial instruments of other states – shares of foreign companies, bonds of foreign countries etc. Internal investments are made into the objects of investment within a country, but the foreign investments are made outside its borders.

According to the term of familiarization, investments can be long-term, middle-term and short-term. The basic rule of investing is that investments should be long-term (in the world practice – more than one year), however the investors have to look for objects of middle-term and short-term investments because of unfavorable conditions of investment climate, unstable political situation and high inflation. According to the methodology of the National Bank of Ukraine, the short-term investments are investments up to one year, middle-term – up to three years and long-term – up to over three years [16].

By the level of risk, investments are divided into risk-free investment, which are characterized by investing such objects, where the real risk of losing the capital or expected income is absent and obtaining the real amount of net investment profit is guaranteed; the low-risk investments are characterized by the investments into objects, which have much lower than average level of risk; the middle risk investments, where the level of risk of investment objects is near to the market average risk; the high-risk investments, where the level of risk of investment objects usually essentially exceed the market average risk.

By the direction of actions investments are divided into the net investments aimed at the foundation of a project (initial investments); the extensive investments aimed at the expansion of the production potential; the reinvestments – repeated investments at the expense of profit gained from the initial capital; the gross investment – the net investment plus reinvestment [17, 27].

In our opinion, it is necessary to complete the classification of investment by such categories as: the country of origin, the degree of unprofitability of the economic branches, the reliability of investor. The insertion of such a category as the country of origin is useful for understanding the nature of the foreign investments and creating the foundation of analytic investigations, taking into consideration the type of origin of investment.

By the reliability of the investor, the investments are divided into reliable and unreliable. We believe that this group of classification can help to establish the investor's intentions and determine the purpose of investing in the country's economy.

By the degree of unprofitability the economic branches can fall into: the priority branches, which are characterized by the competitive advantage and don't require considerable investment; the middle developed branches are the branches, which, in our opinion, don't have critical indices, but require investments allowing to gain efficiency of these branches; the unprofitable branches, which we offer to refer to the critical branches requiring immediate investments.

Within the practical aspects, the international investment activity is a tool of the development of economy. The international investment activity is carried out in two directions: attracting foreign investments and export of foreign capital.

Ukraine is striving to influence on the development of the national economy by means of attracting foreign investments. The international investment activity of Ukraine is realized by attracting the direct and portfolio investments etc. If to analyze capital investments by the sources of incomes, every year the foreign investors are becoming less interested to invest into construction, manufacturing, renovation, modernization, acquisition, producing non-turnover assets. Attracting capital investments from foreign investors has reduced from 4,5 % of the total volume to 1,8 % for the last five years (fig. 2).

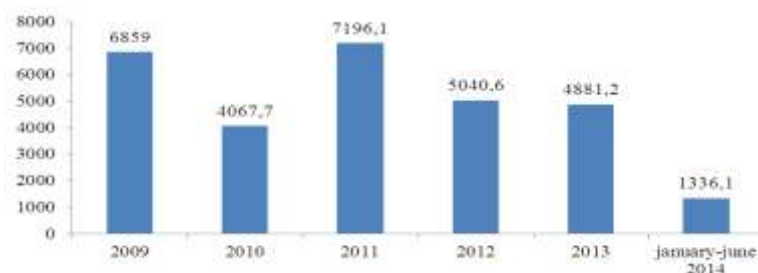


Fig. 2. The capital investments from foreign investors during 2009–2014, mln. UAH (completed by the authors) [18]

Researching foreign investments, the situation during the last five years look as follows (fig. 3).



Fig. 3. The dynamics of the international investment activity of Ukraine during 2009–2014, bln. \$US (completed by the authors) [18]

According to fig. 3, the amount of foreign direct investment has increased by 10 bln. U.S. dollars during 2009–2014 years, but comparing 2013 and 2014 the amount of foreign investments, in the view of the investments into the statutory capital, is reduced up to 8,16 bln. U.S. dollars. Such situation can be explained by the political situation in Ukraine and as a result the increasing risks for investors. As for portfolio investment, the sizes of investment have increased twice for the five years. The volume of investment has reduced by 8 mln. U.S. dollars in the current year comparing to the previous one.

Hence, the dynamics of the foreign direct and portfolio investment to Ukraine is positive, but we can also observe the parallel increasing trend of export of the direct and portfolio investment from Ukraine. It means that Ukraine is trying to conduct an active international investment activity.

Conclusions and further researches directions. Therefore, investment is a sufficiently important economic category that provides the dynamic development both for enterprises and an entire country. The classification of investment allows to correctly estimate the nature of economic investment, to develop investment strategies and solve problems related to the financial and economic processes.

In order to minimize risks and ensure effective implementation of investment projects and programs we offer to supplement the classification of investments by the following categories: the country of origin, the degree of unprofitability of the branches of the national economy, the reliability of an investor. We think this classification can be useful for the analysis and evaluation of both the project and the investor.

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