Assessment of Investment Attractiveness of Agro-Industrial Production

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Abstract
The relevance of the research topic is due to the fact that in modern economic conditions the issue of attracting domestic and foreign investment, as well as their rational use becomes especially relevant. The current state of market transformations in Ukraine requires such conditions that would guarantee economic security to investors and would ensure the innovative development of the domestic economy. Significant investment resources are needed for the efficient functioning of agricultural enterprises and the production of competitive products, which will make it possible to resolve the issue of updating the material and technical base. In addition, an assessment of export potential as a prerequisite for the growth of investment potential. The purpose of the article is to reveal scientific approaches to determining the investment attractiveness of agricultural enterprises. The study used a variety of scientific methods based on the evaluation of statistical information, as well as combined techniques based on expert statistical calculations. The study covers all major processes taking place in Ukraine, the agricultural sector, regions and enterprises, which provides a systematic view of the business entity and allows to identify strengths and weaknesses, in order to increase the investment attractiveness of agricultural enterprises, as well as to create a strategy their development on this basis.

Key words: agriculture, efficiency, investment attractiveness, investments,

JEL Classification: G11, Q14, Q17

1. Introduction
Agriculture occupies a leading place in the development of Ukraine's economy, so it is important to increase the efficiency of agricultural enterprises. Investments play a significant role in resolving this issue. In modern economic conditions, the issue of attracting domestic and foreign investment, as well as their rational use becomes especially relevant. The current state of the country's economy requires conditions that would guarantee economic security to investors and ensure the innovative development of the domestic economy. Significant investment resources are needed for the efficient functioning of agricultural enterprises and the production of competitive products, which will make it possible to resolve the issue of updating the material and technical base.

The Ukrainian agricultural sector with production potential that far exceeds the needs of the domestic market is a link that, on the one hand, can become a way of developing the national economy and its effective integration into the world economic space, and on the other – increasing the income of the rural population, which accounts for more than a third of the country's population, can have a multiplier effect on the development of other sectors of the national economy.

The importance of agriculture for Ukraine is obvious, because the agro-industrial complex is one of the main sectors of the domestic economy. The share of agriculture in Ukraine's GDP is more than 12%, and exports of agricultural products in 2019 accounted for more than 40%
of all exports of Ukraine. In addition, a significant share of state revenues is generated due to
tax revenues from the agro-industrial complex. And although the state of the agro-industrial
complex is relatively better than other sectors of the Ukrainian economy, Ukrainian farmers
today face serious challenges related to both the economic and political crises and the world
market.

Effective investment promotes the development of both the individual enterprise and the state
as a whole. Today, this quantitative issue concerns the financial strategy of building an
information technology infrastructure in the country.

In addition, the effective attraction of investment contributes to the economic development of
the country, as it is the main source of job creation and the main factor of economic growth of
enterprises. The increase in investment implies an increase in gross domestic product and an
increase in national income.

In the economic literature there is no single approach to the concept of investment
attractiveness in general and the agricultural sector in particular, and does not identify the main
components that have a direct impact on it.

Rusnak N.O reduces the definition of investment attractiveness of objects mainly to heuristic
methods associated with the ranking of the studied objects on the basis of the assessment of
specialists. Hence, investment attractiveness refers to the comparison of several objects in
order to determine the best, average, worst [13]. Gaidutsky A.P. has a similar opinion,
understanding the investment attractiveness of the enterprise as a set of characteristics that
allows a potential investor to assess how one or another investment object is more attractive
than others for investing available funds [4, p.83].

Instead, Napadovska IV believes that investment attractiveness is a systemic set of potential
investment opportunities to obtain economic benefits in the future as a result of past economic
activity of a potential investment object, subjectively assessed by the investor [9, p.57]. This
approach does not include comparing the investor's goals with their capabilities without risky
implementation, and does not take into account the degree of readiness of the investor to
assume this risk.

Zadorozhna Ya. Ye., Dyadechko L.P. believe that investment attractiveness should be defined
as a set of various factors, the list and weight of which may vary depending on: the goals of
investors; production and technical features of the enterprise in which funds are invested;
economic development of the enterprise in the past, at present, as well as expected in the future
economic development [16]. This approach, in our opinion, takes into account a very important
point - the requirements of investors, ensuring which is an important condition for high
investment attractiveness.

According to Koyuda V.O., the investment attractiveness of the enterprise is a set of
characteristics of its financial, economic and managerial activities, prospects for development
and opportunities to attract investment resources [8, p.166]. This approach provides an
unambiguous possibility of formalizing evaluation methods, which ignores the psychological
aspect of this problem.

The author defines investment attractiveness as a set of conditions (economic, legal, political,
social, etc.), which are created by the state for all business entities, as well as foreign investors,
for profitable investment in order to develop the national economy in general and enterprises
in particular [5,14].
In our opinion, the investment attractiveness of the enterprise is an integral characteristic of the enterprise as a future object of investment, taking into account a set of external and internal factors, prospects for development and the possibility of attracting investment resources.

2. Data and Methods

The results of the analysis of investment attractiveness of countries, presented by well-known investment, intermediary and consulting companies and rating agencies, as well as large corporations, stock exchanges and financial groups and business magazines representing their interests, are very popular today. The most famous are estimates of investment attractiveness and individual countries from World Bank, Institutional Investor, Euromoney, Business Environment Risk Index (BERI), Moody’s Investor Service, Thane-Waters, Kotler-Heisler methodologies, The Economist, Fortune, Euromoney and others [1,3]. However, these estimates, as a rule, provide a limited, mostly one-sided characterization of the country's investment attractiveness, that is, do not provide an integrated approach.

In modern practice the following methods of assessing the investment attractiveness of enterprises: the method of rating assessment of the enterprise on the basis of financial statements, which provides an assessment of the financial condition of the enterprise, which assesses the solvency, financial stability, profitability and business activity of the enterprise; method of integrated assessment of investment attractiveness, which involved determine the integrate indicator of assessing the investment attractiveness of the enterprise, which includes: integrated indicator of property status, financial stability, profitability, business activity, liquidity of assets, as well as market activity of the invested object.

Most of the research conducted in this area makes it impossible to fully consider the main existing problems that need to be overcome to increase investment attractiveness, do not answer the question of what should be the ways to grow it, and what needs to be done. However, despite the significant number of scientific papers in this area, the question of assessing the investment attractiveness of the agricultural sector of the economy remains unsolved, which determines the relevance and necessity of further research.

3. Results and Discussion

The strategy of development of the agricultural sector of Ukraine is aimed at forming an effective socially oriented sector of the economy, able to meet the needs of the domestic market and ensure a leading position in the world market of agricultural products and food based on consolidating its diversity, that at this stage of development requires the priority of forming different categories of farms, the owners of which live in rural areas, combine the right to land with work on it, as well as their own economic interests with social responsibility to the community [5,6].

The investment attractiveness of the agricultural sector of the economy involves ensuring the availability of such characteristics that determine the relevance of the investment issue with the appropriate prospect of their return and increase - is a process that requires specific management influence.

Ukraine has a strong, industrially developed production potential, developed infrastructure, favorable geographical location. Monetary reform, stabilization of the national currency and controllability of inflationary processes had a positive impact. According to expert estimates, Ukraine is among the top ten European countries in terms of the level of economic potential, and is in the second hundred countries in the world in terms of the efficiency of its use.
It is the investment of the agricultural sector that will ensure the introduction of the most modern environmentally friendly technologies and bioresources for livestock, crop production and processing. This process will significantly increase the investment attractiveness of agro-industrial enterprises, which will contribute to its further development. But so far most agricultural enterprises remain economically backward due to low demand for agricultural products, low purchase prices, unformed market infrastructure, reluctance of the population to work in agriculture, high interest rates, low support for agricultural production by the state. All these factors have become even more complicated in recent years due to the global financial crisis.

Studies show that the main components of investment attractiveness of the agricultural sector of the economy are natural resources, organizational support, infrastructure, logistics and more (Fig. 1).

![Figure 1: Components that affect the investment attractiveness of enterprises in the agricultural sector of Ukraine](source: built by the author according to [15])

The problem of increasing investment attractiveness is particularly acute in the agricultural sector, which lags far behind in technical and technological development, has a number of features that necessitate the acceleration of investment processes: insufficient capacity of the domestic market; high tax pressure on business and its excessive administration; low competitiveness of Ukrainian goods on world markets, which makes it unprofitable to invest in their production; insufficient integration into the global economy; lack of consistent investment policy of the state and appropriate mechanisms for its implementation at the local level; lack of reliable and operational information, which reduces the effectiveness of cooperation between market participants; inefficient activity of local authorities, largely caused by the lack of incentives and mechanisms to attract investment in the real economy [2, p.40; 12].

Over the last decade, the agricultural sector of Ukraine has become extremely important for the development of Ukraine’s economy, which is mainly due to the growth of agricultural production and exports. Stably high indicators of agricultural production allow not only to fully meet the domestic needs of the country, but also to expand the export potential of the industry (Fig. 2).
The dynamics of agricultural exports mainly correspond to the trends of total exports of Ukraine. Exports of agricultural products in 2019 increased by more than 50% (from 14.6 to 22.2 billion US dollars). It should be noted that during the study period there was an increase in the share of exports of agri-food products in total exports of Ukraine. Thus, in 2019 this figure was 44.3%, which compared to 2015 increased by 6.1%. Despite the positive trends in the industry, there are some negative factors. In particular, during the analyzed period, imports of agri-food products increased from $3.5 billion USA in 2015 up to $5.7 billion USA in 2019. However, it is worth noting that the trace remains positive and in 2019 it amounted to 16.4 billion dollars. US, despite the fact that in 2015 imports were lower, the positive balance was only 11.1 billion dollars USA.

Investment resources are the most scarce for the company. They determine the processes of innovative development, product competitiveness, its quality. Also, these resources affect the external environment of the enterprise by increasing the level of its reputation, increasing the level of employment and living standards.

The process of formation of investment resources occurs continuously in the form of income from the main production activity, from the receipt of borrowed funds and from non-production activities. Specifically defined amounts of funds that will be directed to the development of the enterprise as investment resources, largely depend on the cost of their involvement, structure and size of capital of the enterprise and are determined in the strategic planning of the company.

Stimulating investment processes in agriculture is one of the priority tasks, which requires solving a number of problems at all levels of management. The investment strategy of Ukraine's development should be systematically directed to agricultural production, the productive functioning of which will ensure the country's food security, public health, effective development of processing industries, machine building for the agricultural sector of the economy, etc.

Capital investment is the basis of expanded production in enterprises, the restructuring of social production and the balanced development of sectors of the economy. Insufficient amount of such investments in the agricultural sector causes the impossibility of the processes of reproduction and renewal of fixed assets of enterprises.
The dynamics of capital investment in agriculture in Ukraine indicates a sharp increase in their volume in 2017-2018, but in 2019 there was a slight decrease. It should be noted that over the past five years, capital investment has increased 1.9 times and amounted to UAH 55,254 million. It should be noted that the share of capital investments in their total amount also increased. During the economic crisis in the agricultural sector of the economy, investment activity deteriorates significantly, as evidenced by capital investment indices, which reflects their changes. It should be noted that despite the growth of capital investment, there is a heterogeneity of the capital investment index. In particular, there is a rapid growth of the index in 2015 - 160.4%, but in 2019 it decreased significantly - 99.4%. (Fig. 3).

The development of capital investment in agriculture is significantly uneven. The best direction of development in agriculture for a long time is crop production, where the share of total investment in the agricultural sector of the economy in 2019 amounted to 73.2% of all investments in the industry.

The situation is somewhat different when it comes to investing in the development of animal husbandry. Analyzing this period, the development of capital investment is gradually increasing and in 2019 its structure was 17.5%. Unfortunately, this industry is becoming less attractive to investors, due to its unprofitability. The reasons for the decrease in investment in this industry is that the premises are already morally and physically worn out, there is a rapid decrease in livestock and decreased production of this industry.

Analysis of the dynamics of investments in fixed assets of the agro-industrial complex in Ukraine shows a positive process of increasing the share of investments in gross domestic product until 2018, when their share was 8.94%, but in 2019 there is a significant decrease to 1.4%. A similar trend is observed with regard to the share of investments in agriculture in their total volume. Thus, the highest figure was in 2017 and amounted to 14.14%, while in 2019 it decreased to 9.5%. (Fig. 4).

It should be noted that the main source of financing capital investments in the agricultural sector for a long time are the own funds of enterprises. Foreign investors in agriculture invest a relatively small share of investment. Every year, foreign investors invest less and less in our country. There are many factors that affect this. After all, any investor is looking for a country with a stable political and economic situation.
Therefore, foreign investors use the method of standardization of indicators to assess the investment attractiveness of agro-industrial complex. To calculate it, use the following indicators: the growth rate of agricultural production as a percentage; the value of gross agricultural output; the amount of net profit or loss of agricultural enterprises in UAH million for the last two years.

The insufficient level of foreign investment in agriculture is primarily affected by the unstable political and economic situation in Ukraine [7, p. 12–18]. Also, the negative factors influencing the investment climate of Ukraine include: low level of purchasing power; unforeseen, with drastic changes in the regulatory framework; a large share of the shadow economy in the market, which acts as a factor in the weak competitiveness of non-shadow economy products; lack of government action in the areas of regional and state policy; high level of corruption, etc. [11; 17, p. 59–61]. A positive point for investors is the low level of taxes: the share of taxes in the structure of value added of the agricultural sector in Ukraine is three to four times less than in other European countries.
Objectively, a radical increase in the investment resources of the industry depends on active measures to ensure business efficiency. Finding mechanisms to increase the amount of investment resources will really contribute to the development of business processes at the sectoral and regional levels and increase the efficiency of enterprises.

As for the role of foreign direct investment, it is important that they not only allow to some extent to compensate for the deficit of national funds, but also are a leader in modern production and management technologies, open the way to world markets for goods, capital and technology.

In addition, the inflow of effective foreign direct investment for the needs of the Ukrainian economy is an important qualitative indicator of the international attractiveness of our country.

![Figure 6: Dynamics of foreign direct investment in agriculture of Ukraine](image)

Analysis of the volume of foreign direct investment in agriculture shows that during the analyzed period as a whole there was a decrease of 24% and in 2019 amounted to 451.9 million dollars. Given the current dynamics, the share of foreign direct investment in the agricultural sector of the economy has decreased significantly and in 2019 amounted to only 1.4%. The largest investors in Ukraine in terms of investment in 2016 were EU countries, more than 50%. It should be noted that in recent years the agricultural sector of Ukraine's economy has become more attractive to foreign investors (Fig. 6).

Constraining factors in attracting foreign investment in the agricultural sector of the economy, in combination with the above macroeconomic, are the lack of a transparent land market, underdeveloped logistics and production infrastructure, low level of professionalism of entrepreneurs, lack of attractive investment projects.

Attracting foreign capital should be carried out on the basis of regional programs, which should identify priority areas for foreign capital inflows and measures to stimulate investment inflows. In our opinion, the best option would be when the program of attracting foreign investment is associated with a comprehensive program of regional development. This long-term program can identify both priority industries and individual companies for investment. It should now be noted that foreign investors are interested in industries that provide them with a quick payback and maximum profit.
4. Conclusion

A necessary prerequisite for making investment decisions is the analysis of investment attractiveness, which is important for the external investor, as the probability of making wrong investment decisions is quite high. Based on the analysis of investment attractiveness, you can prove to the investor the feasibility of investing in a particular country, region, industry and enterprise.

The analysis of the investment attractiveness of the agricultural sector of Ukraine's economy allowed us to conclude that during the study period there were significant fluctuations and reductions in recent years, due to the economic and political situation in the country.

The main problems of investment attractiveness of the agricultural sector are the instability and inconsistency of legislation, which does not contribute to the growth of investment and business activity; insufficient development of the infrastructure network for investment activities; territorial disparities in the inflow of investment resources. The main factors that increase the investment attractiveness of agriculture are the creation of a stable legal framework; ensuring adequate financing of priority sectors for the development of Ukraine's economy, namely the agricultural sector of the economy; improvement and simplification of the country's tax system, the formation of an investment risk insurance system.

Stimulating investment processes in the agricultural sector is one of the priority tasks, which requires solving a number of problems at all levels of management. The investment strategy of Ukraine's development should be aimed at the development of agricultural production, the productive functioning of which will ensure the food security of the country and others. It is necessary to develop a model of investment support for the agricultural sector, which would be based on the maximum possible investment in this sector in order to create conditions for the priority development of industries with the highest added value.

Currently, there are a need to justify and develop measures to increase investment attractiveness in order to implement food security of the state. Based on this requirement, the country needs to create economic, organizational, financial and legal conditions that will allow domestic agricultural producers to carry out expanded reproduction both from their own resources and through attracted investments. International experience showed that the world's leading countries, despite on the relatively low investment attractiveness of agricultural production, invest in this sector significant amounts of public investment.

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