

## INVESTMENT ATTRACTIVENESS OF AGRICULTURAL ENTERPRISES IN POLTAVA REGION

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In the article, the theoretical basis of the explanation of investment attractiveness is considered and internal and external factors that influence its level are identified. The influence of natural, economic, financial, social, legal, and political factors on the investment attractiveness of agricultural enterprises in Poltava region is detected.

**Keywords:** investment attractiveness, investment climate, investments, agricultural enterprises.

**Problem statement.** The modern socio-economic conditions of the state, production stagnation, shortage of funds of enterprises cause a need for investment resources. Domestic practice testifies that investments arrive very slowly to some regions or industries over the low return of capital employed and a big number of risks. Thus, an investor faces a task of a careful selection of investment object given the present investment climate in the region and the country as a whole, as well as investment attractiveness of enterprises of a certain industry.

A problem of development of investment process is becoming relevant in the context of ensuring the effective functioning of agriculture, its exit from a critical condition, and establishing the production of competitive products. Poltava region has a sufficient number of preconditions for forming investment attractiveness of agricultural enterprises; however, given a lot of unsolved issues, existent investment flows do not allow full use of the existent potential.

**Analysis of recent studies and publications.** In the scientific literature, a lot of works are devoted to the study of investment processes, in particular, analysis of investment support is considered by M.Yu. Kozhemiakina, L.V. Smolii; investment problems – by L.A. Svystun, N.A. Mazur, V.M. Hrynova, T.I. Lepeiko, V.O. Koiuda; assessment of investment efficiency – Yu.M. Khvesyuk, assessment of investment activities – I.P. Boreiko; investment attractiveness forecasting – M.O. Orlikovskyi, theoretical aspects of investment attractiveness – A.F. Hukaliuk, I.M. Ivanovych; S. Mahdych, A.M. Tretiak, V.M. Druhak, D.P. Romanska, S.V. Onyshchenko, and others.

**The purpose of the research.** The purpose of the article is an analysis of investment attractiveness of agricultural enterprises of Poltava region for the purpose of revealing factors, which are favourable to the investment process, and factors, which restrain investment flow to the region's enterprises.

**Statement of basic material.** In the scientific literature, an issue of determining the essence and interrelation of concepts «investment climate» and «investment attractiveness» remains debating.

A.S. Muzychenko notes that concepts «investment climate» and «investment attractiveness» have a similar essence as they provide a maximum consideration of many factors that make an influence on making investment decisions and future realization of investment projects. At the same

time, the concept «investment climate» is used when analysing investment situation at the country level as a whole. And in terms of decision-making on choosing a place (a variant of placement) of future investment, a research of investment attractiveness of regions is used [1].

A.A. Peresada denies the possibility of assessing the investment attractiveness at the level of the state or region, focusing his attention on the relevance of using this indicator only for characterizing a particular enterprise. This can be explained by the fact that the national economy (economy of the state) consists of a set of economic entities, which are of interest to investors from the capital investing positions. Regarding individual sectors and regions, these groups, for the most part, have no functions of economic entities [2].

S.O. Yevtushenko points that delimitation of the categories of «investment climate» and «investment attractiveness» has no absolute character. On the one hand, the general state of the investment climate in the country not directly but significantly affects the assessment of the enterprise's investment attractiveness. On the other hand, investment attractiveness of the enterprise forms an appropriate investment microclimate, which is largely created by existing management model that may be a factor contributing to the investment implementation and a factor that inhibits their inflow [3].

Assessing the significance of the advantages and disadvantages of the outlined scientific points of view, at the level of enterprises of agriculture, we believe it necessary to consider their investment attractiveness as a set of characteristics of its production, commercial, financial, managerial activities, and features of investment climate as well, showing the feasibility of investment in it.

Investment attractiveness has a dual nature. On the one part, it is subjective as is connected with an individual judgement of the investor who strives for the realisation of his concrete goals. On the other part, it exists objectively and is predetermined by a state of external and internal terms of the operation of an industrial enterprise. Factors that determine the level of investment attractiveness of the enterprise can be classified into two big groups – external and internal. External are factors of the external environment of the enterprise that are formed at the level of the country, region, and branch. Internal factors of the enterprise depend on its financial and economic as well as business activities [4].

When studying investment attractiveness of agricultural enterprises of Poltava region according to the first group of factors, there is provided their assessment by such six generalized factors: natural, economic, financial, social, legal, and political.

Natural factors. Poltava region has an advantageous physical-geographic position, plain relief, and moderate continental climate, which creates the necessary conditions for effective agriculture. In the structure of land fund of the region, 90% is occupied by black soil, and thus an experience of managing the earth was formed over tens of generations. Natural conditions determined an agricultural specialization of Poltava region, in particular, in crop production – beet cultivation and grain production, and in cattle breeding – meat-and-dairy cattle farming along with pig breeding.

Economic factors. In 2015, agriculture of Poltava region consisted of 2373 enterprises of a market type, including large-scale enterprises – 3, medium – 170, small – 2200, and micro – 1957 enterprises [5].

In accordance with data of the State Statistics Service of Ukraine, the total volume of agricultural products sold of Ukraine in 2015 was 372033.4 million hryvnia, and in 2014 – 220163.3 million hryvnia [6]. Comparing to 2014, the agriculture of Ukraine received 70% growth of the total volume of agricultural products sold.

The total volume of agricultural products sold in Poltava region in 2015 was 34730.7 million hryvnia, in 2014 – 16918.43 million hryvnia [5]. It should be noted that the total volume of agricultural products sold in Poltava region also increased in 2 times comparing 2015 to 2014.

The existent potential of agricultural enterprises in conjunction with favourable natural conditions creates necessary preconditions for the efficient development of the branch in the region and attraction of investment resources. However, outdated technology, constant shortage of fuel, fertilizers, environmentally-friendly crop protection agents, and lack of sufficient funds to buy them

Table 1

**Key performance indicators of agricultural enterprises of Poltava region in 2010-2015**

Indicators	Years					
	2010	2011	2012	2013	2014	2015
Profit/loss of enterprises before taxation, thousand UAH	1723485,3	3024452,1	2801750,1	1836547,1	4434001,7	3929759,3
Level of profitability, %	8,1	12,1	10,7	9,4	12,0	14,6
Enterprises that made a profit, %	70,8	85,2	82,8	78,4	83,9	76,6
Enterprises that made a loss, %	29,2	14,8	17,2	21,6	16,1	23,4

Source: made by the author on data [7]

Table 2

**Dynamics of volumes of capital investment by economic activity in the economy of Poltava region and agriculture for the 2010-2015 years, thousand UAH**

Indicators	Years						
	2010	2011	2012	2013	2014	2015	January-December 2016
Capital investment by economic activity	6289424	7859378	10217406	9536276	8827798	6289424	10998569
Including agriculture	845930	1259198	1579733	1852658	1578258	845930	3169786
Share of capital investment in agriculture in total investment volume, %	13,45	16,02	15,46	19,42	17,87	13,45	28,8
Industry	3038431	3632288	4566697	5312091	4865683	3334286	3533079
Construction	570651	613852	613225	998176	572639	819551	1007695

Source: made by the author on data [5]

Table 3

**Dynamics of volumes of capital investment by economic activity in the economy of Poltava region and agriculture, million USD**

Indicators	Years							
	2010	2011	2012	2013	2014	2015	2016	
Foreign direct investment in Ukraine, total	39175,7	43836,8	48991,4	53679,3	57056,4	45916,0	36 154,5	
Foreign direct investment in Poltava region	450,9	551,3	702,2	943,2	1065,6	1029,1	1003,8	
The rate of increase (decrease) in foreign direct investments in Poltava region in% to the previous year		122,3	127,4	134,3	113	96,6	97,54	
Foreign direct investment in the economy of Ukraine in agriculture	669,2	719,5	725,3	717,8	776,9	594,1	502,2	
The share of foreign investments in agriculture in total investment, %	1,7	1,64	1,48	1,34	1,36	1,29	1,39	
Industry	13022,9	13526,2	14497,7	16496,4	18067,5	14817,1	9 893,6	
Construction	1082,2	1111,2	1176,8	1408,5	1580,0	1289,9	1 104,1	

Source: made by the author on data [5] and [6]

reduce the actual performance of economic entities to the minimum possible.

Financial factors. Over the studied period, agricultural enterprises are mostly profitable; data are presented in Table 1. At the same time, an absence of a stable trend of increasing revenue and profitability of agricultural enterprises should be mentioned.

The level of profitability of agricultural enterprises of Poltava region over the studied period is very low and consists 10-13%. A number of enterprises receiving profits vary every year.

Such a financial result of activity shows extremely narrowed internal capabilities of agricultural enterprises on investment in fixed assets and need for the attraction of external financing (investments, loans, etc.).

A dynamics of amounts of capital investment by economic activity in the economy of Poltava region and agriculture for the 2010-2015 years shown in Table 2 proves the made conclusions. In 2015, a trend of reducing the amount of investment by almost 29% in comparison with 2014 can be observed. Amounts of capital investments in the agriculture of Poltava region also declined by 47% in 2015 in comparison with 2014 and amount only to 53%.

It should be noted that the situation in 2016 is changing. For the period of January-December 2016, the volume of capital investment in the economy of Poltava region in comparison with 2015 increased by 1.74 times, and in agriculture – 3.75 times.

Let us study the dynamics of volumes and indexes of foreign direct investments in agriculture of Poltava region for the period of 2010-2016 years presented in Table 3.

Dynamics of volumes of capital investment in the economy of Poltava region, namely, in agriculture, shows an unstable character of volumes of investments and a small share of foreign direct investment in agriculture in an aggregate amount of such investments. In particular, foreign direct investments in Ukraine at the end of 2016 make

36 154.5 thousand USD, in 2015 – 45 916.0 thousand USD. The volume of foreign direct investment in Ukraine reduced by 9 761.5 thousand USD, i.e. by 21%.

Foreign direct investments in agriculture of Ukraine for the period of January-December 2016 in comparison with 2015 reduced by 91.9 thousand USD and make 502.2 thousand USD. However, the share of foreign direct investment in agriculture in total investment increased in January-December 2016 comparing to 2015.

Dynamics of foreign direct investment in Ukraine for the period of 2010-2016 years is shown in Figure 1.

Thus, the attraction of external financing of activities of agricultural enterprises does not ensure establishing efficient economic management and solving the main problems over the low volume of investments. For financial credit institutions and investors, the first and foremost is an issue of rapid repayment of funds and availability of a minimum number of risks that is almost impossible in modern terms of the development of the agriculture, where a balanced approach and longtermness of investment of capital are necessary.

Legal and political factors. A group of legal and political factors is related and interdependent. At the level of regions, they manifest themselves almost equally, given the mandatory compliance with the current legislation by all subjects in the state. Current regulations provide satisfactory conditions for the improvement of the investment climate. Experts note that a bigger part of the investor's risks is related to unexpectedness of changes of legislation, and about 50% of risks are caused by imperfectness of the state policy in the field of agro-industrial complex, which actions are inadequate in market conditions and do not give agricultural producers an opportunity to predict for the future doing their own business activity, and investors – to be sure in the return on investment. Besides general state trends of the influence of studied factors, one should point out the presence of regional differences, given the conditions created by local authorities. In particular, in Poltava region, programs of promoting business development, fuel sector development, optimal use of available energy sources, agricultural production development, investment attraction etc. became widespread.

Summing up the research of external factors of influence on the formation of investment attractiveness of agricultural enterprises, one can note a favourable physico-geographical position of the region for the branch development; however, the large number of problems reduces the number of people willing to invest in the development of activities of agricultural enterprises.

The next stage of the analysis is the research of internal factors of formation of the enterprise investment attractiveness. In the

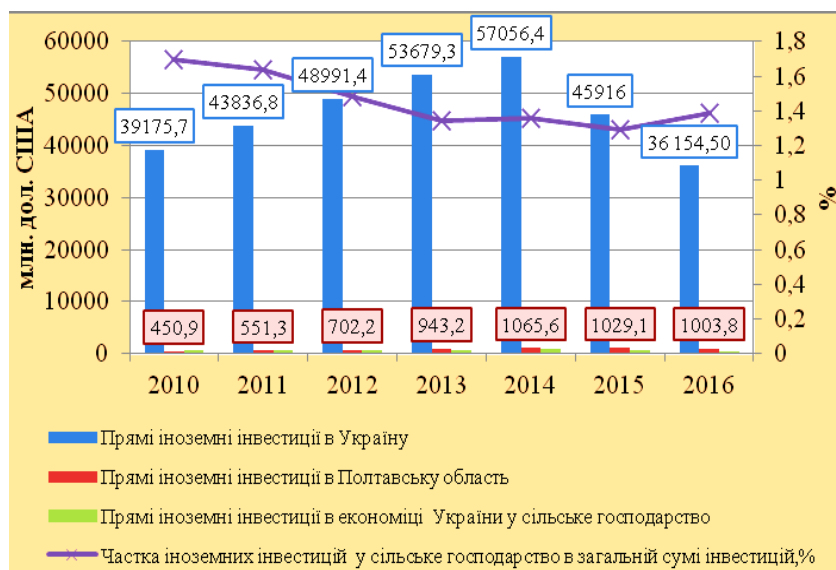


Fig. 1. Dynamics of foreign direct investment in Ukraine for the period of 2010-2016 years

Source: made by the author on data [5], [6], [8]

economic literature, there is a wide variety of opinions concerning their essence. The most of the analysed approaches envisage a selection of indicators financial and economic activity of the enterprise calculated on data of accounting and financial statements. However, at the stage of evaluation of the level of the enterprise attractiveness to the investor, experts in the field of investment occupy a dual position. On the one hand, they affirm that attractive for investors are those enterprises that are profitable, and on the other – enterprises that have some material and technical basis but are not able to take and fulfil obligations due to lack of working capital, energy intensity of production, lack of qualified personnel, and so on.

For the assessment of investment attractiveness of agricultural enterprises of Poltava region, a method of score evaluation on the basis of integral indicator proposed by O.I. Hutorov and K.M. Kramarenko [9] taking into account the author edition of some groups of indicators. The basis of the method consists of an allocation of five levels of investment attractiveness of the enterprise (Table 4), and an assignment of an economic entity to one or another group is a result of evaluation of calculated indicators of financial and economic activity on a 100-point scale. Such estimation is assigned based on the fact whether one or another indicator has reached the standard value and(or) whether trends of change of indicator values correspond to desired or standard values.

Table 4

#### Characteristics of score evaluation of investment attractiveness of the enterprise

Scores	The level of investment attractiveness of the enterprise	Characteristics
90-100	High degree of investment attractiveness	Excellent financial status
80-89	The enterprise is investment-attractive	Good enough financial status, the enterprise with a minimal risk
60-79	Middle investment attractiveness	Satisfactory financial status
40-59	Minimal investment attractiveness	The enterprise has an insufficient level of solvency, high risk level
0-39	The enterprise is not investment-attractive	Unsatisfactory financial status, investment in such an enterprise is very risky

Table 5

#### Financial indicators of some agricultural enterprises of Poltava region

Group of indicators and their significance, %	Indicators in groups and their significance, %	Standard value	STOV «Kalyna»*		STOV «Khliborob»*		STOV «Liubava»*	
			2014 year	2015 year	2014 year	2015 year	2014 year	2015 year
Property status, 10	Depreciation to fixed assets ratio, 40	min	0,62	0,64	0,23	0,34	0,42	0,6
	Fixed asset renewal ratio (K <sub>o</sub> ), 30	max	0,04	0,61	0,24	0,04	0,09	0,54
	Fixed asset retirement rate (K <sub>в</sub> ), 30	K <sub>в</sub> <K <sub>o</sub>	0,13	0,002	0,13	0,03	0,14	0,001
Liquidity, 15	Current ratio, 30	≥2,0-2,5	1,95	1,39	1,85	1,99	1,62	1,35
	Quick ratio, 30	≥0,6-0,8	1,05	1,21	0,4	0,91	0,88	1,07
	Absolute liquid ratio, 30	≥0,2	0,002	0,0006	0,009	0,03	0,001	0,0001
	Working capital, 10	>0, max	7284	13424	1555	2846	16757,3	19454
Financial stability, 20	Debt ratio, 20	≥0,5,max	0,001	0,0004	0,02	0,01	0,0001	0,0001
	Financing ratio, 20	<1,min	1,92	0,58	2,54	2,11	1,47	0,69
	Working capital to current assets ratio, 12	≥0,1,max	0,48	0,27	0,43	0,5	0,32	0,24
	Current assets to equity ratio, 12	>0,max	0,49	0,64	0,33	0,47	0,41	0,48
	Financial leverage ratio, 12	≤1,min	0,52	1,71	0,39	0,47	0,85	1,44
	Sustainable growth rate, 12	max	0,18	0,27	-0,08	0,21	0,11	0,11
	Debt-to-equity ratio, 12	≤1,min	0,53	1,73	0,39	0,47	0,89	1,5
Business activity, 15	Asset turnover ratio, 15	max	0,45	0,38	0,33	0,71	0,49	0,54
	Turnover rate of payables, 10	max	2,54	1,89	1,07	2,47	4,86	2,57
	Receivable turnover, 10	max	1,25	0,6	2,28	3,37	1,42	1,12
	Inventory turnover, 15	max	1,41	2,22	1,09	1,89	1,51	2,35
	Return on assets ratio, 15	max	0,73	0,86	2,81	17,6	2,08	2,63
	Equity turnover, 15	max	0,64	0,83	0,4	1,02	0,82	1,14
	Operating cycle	min	550	772	494	301	498	480
Profitability, 20	Cash conversion cycle	min	407	579	153	154	423	338
	Return on assets, 30	>0,max	0,17	0,14	0,06	0,08	0,07	0,05
	Return on margin, 35	>0,max	0,36	0,56	0,18	0,4	0,01	0,16
	Return on equity ratio, 35	>0,max	0,16	0,31	-0,07	0,23	0,12	0,11

Investment attractiveness of agricultural enterprises of Poltava region is determined and given in Table 5 that includes information on dynamics of the main indicators of operation of three agricultural enterprises of Hadiatskyi and Dykanskyi raions. Data of the table show that the most investment-attractive one among all analysed entities is STOV «Khlivorob». It can be assigned to the group of enterprises with a middle investment attractiveness (it is characterised by good enough financial status and minimal investment risks). STOV «Kalyna» has middle investment attractiveness, considering a satisfactory financial status. STOV «Liubava», according to the results of the research, can be assigned to enterprises with a minimal investment attractiveness (the enterprise has an insufficient level of solvency, high level of risks of non-return of investment).

**Conclusions.** The conducted research testifies about insufficient investment attractiveness of agricultural enterprises of Poltava region according to the assessment of both external and internal factors. The following problems restrain investment flow in the industry of the region: uncertainty of possibilities of investment resources

attraction; unsatisfactory technical condition of enterprises of the branch; low labour productivity; high level of crop shortfall risk (and thus profit) in relation to the branch's significant dependence on climatic conditions; complexity and low reliability of assessment of economic efficiency of investments. The unattractiveness of investment projects in agriculture is also determined by the fact that such projects have a much longer payback period and lower level of profitability in comparison with other spheres of the economy; high cost and long implementation periods of projects predetermine high level of investment risks.

Along with this, it should be noted that the branch has good development prospects due to the importance of agricultural production in guaranteeing food security of the region; potential export opportunities, taking into account that volumes of consumption of production of this sector continue to grow in developed countries; presence of a strong scientific base; significant potential and a wide range of crops and livestock that are in demand in the consumer market; presence of direct support for the development of this sector by regional authorities, and so on.

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## ІНВЕСТИЦІЙНА ПРИВАБЛИВІСТЬ СІЛЬСЬКОГОСПОДАРСЬКИХ ПІДПРИЄМСТВ ПОЛТАВСЬКОЇ ОБЛАСТІ

**Анотація**

У статті розглянуті теоретичні основи інвестиційної привабливості підприємства та визначено внутрішні й зовнішні чинники, що впливають на її рівень. Встановлено вплив природних, економічних, фінансових, соціальних, правових та політичних факторів на інвестиційну привабливість сільськогосподарських підприємств Полтавської області.

**Ключові слова:** інвестиції, інвестиційна привабливість, інвестиційний клімат, сільськогосподарські підприємства.

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## **ИНВЕСТИЦИОННАЯ ПРИВЛЕКАТЕЛЬНОСТЬ СЕЛЬСКОХОЗЯЙСТВЕННЫХ ПРЕДПРИЯТИЙ ПОЛТАВСКОЙ ОБЛАСТИ**

### **Аннотация**

В статье рассмотрены теоретические основы инвестиционной привлекательности предприятия и определены внутренние и внешние факторы, влияющие на ее уровень. Установлено влияние природных, экономических, финансовых, социальных, правовых и политических факторов на инвестиционную привлекательность сельскохозяйственных предприятий Полтавской области.

**Ключевые слова:** инвестиции, инвестиционная привлекательность, инвестиционный климат, сельскохозяйственные предприятия.