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## **RESOLUTIONS OF INVESTMENT AND INNOVATION ISSUES AND IMPLEMENTATION OF FINANCING INSTRUMENTS FOR ENTERPRISES**

**Abstract:** The article analyzes the dynamics of the investments in fixed capital, the investments in non-financial assets and the depreciation of the industrial enterprises of Ukraine in 2000-2015 years based on government statistics. The investments in fixed capital and the investments in non-financial assets of the country is not growing. At the same time, depreciation is constantly growing and has reached an enormous level for the last year. A ways of fundamental recommendations of enhancing investment and innovation performance of the country in the given field were offered. Especially that the scientific potential of Ukraine is still high. Coordination of government, local government and entrepreneurship is needed to increase the profitability of investing in innovation and development.

**Keywords:** Investments, Non-current assets, non-financial assets, innovations, Ukraine

### **Introduction**

The global financial and economic crisis, its results and implications, the economic downturn, post-crisis recovery period the economy has affected Ukraine differently from other post-soviet countries, in that its impact has been felt more by the innovation and investment processes than by the Ukrainian real economy. Government stimulus focused on supporting a large number of programs, projects, and enterprises. Developing economies will find themselves less able to use investment processes to boost their growth, innovation potential. The Government not responded

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quickly to tackle the adverse effects of the crisis through a sizeable stimulus package that succeeded in state and regional levels.

Innovations represent a driving force of all economies<sup>5</sup>. Innovation policy of the Europe is based on the support of enterprises, innovation and investment processes<sup>6</sup>. This helps to contribute towards better industrial performance and so to support industrial growth, increased employment rate and competitiveness of the industry and sustainability of society. For solving this problem it makes sense to apply the study of investment in fixed capital and depreciation, and investments in non-financial assets issues.

### The volume of investments in fixed capital and depreciation

In Ukraine is constantly accelerating degradation of fixed assets national companies. The initial cost of fixed assets of the country is growing, in spite of any possible adverse factors.

At the same time we can see a significant growth of investment in fixed capital and capital investments. This effect is especially noticeable in the post-crisis period 2008-2009. When comparing the pre-crisis period (2001) with the post-crisis period, in 2009 the investment in fixed capital declined by almost half. In comparison with 2001, in 2011 it rose by 50%. Investment in fixed capital in the industry grew to 130.9. It was found that the current process of renewal of fixed assets has a negative growth rate.

Table 1. The volume of investments in fixed capital and depreciation

Indicators	2001	2002	2004	2006	2008	2010	2011	2012	2014	2015
Investment in fixed capital (in % to previous year)	120,8	108,9	122,4	128	199	99,4	122,4	128,5	70,0	72,5
Depreciation in the economy (%)	45	47,2	49,3	51,5	61,2	74,9	75,9	76,7	83,5	82,3
Depreciation in industry (%)	51,9	54,5	58,3	58,6	58	63	56,8	57,3	60,3	61,4
Variations in depreciation in the economy and industry	-6,9	-7,3	-9	-7,1	3,2	11,9	19,1	19,4	23,2	20,9

Source: formed by author according to: *The state statistics service of Ukraine, Statistical Yearbook of Ukraine for 2015* [online] <http://www.ukrstat.gov.ua> (8.12.2016); *The state statistics service of Ukraine, The Cost of fixed assets in Ukraine by types of economic activities (KVED-2010) in 2014-2015*, [online] [http://ukrstat.org/uk/operativ/operativ2011/ibd/vozed/vozed\\_u.htm](http://ukrstat.org/uk/operativ/operativ2011/ibd/vozed/vozed_u.htm) (19.01.2017); *The state statistics service of Ukraine, Scientific and technical activities*, [online] [http://www.ukrstat.gov.ua/operativ/operativ2005/ni/ind\\_rik/ind\\_u/2002.html](http://www.ukrstat.gov.ua/operativ/operativ2005/ni/ind_rik/ind_u/2002.html) (27.01.2017).

<sup>5</sup> Z. Varnaliy, O. Garmashova, *Competitiveness of national economy: problems and priorities of innovative security*, Kiev, Knowledge of Ukraine, 2013; M. Denysenko, L. Mykhailov, *Investitionno-innovative activity: theory, practice, experience*, Monography, Sumy, University book, 2008; Z. Yurynets, B. Bayda, O. Petrukh, *Country's economic competitiveness increasing within innovation component*, *Economic Annals – XXI*, 2015, Vol. 9-10, P. 32-35.

<sup>6</sup> A. Degtyar, A. Kryukov, *Legal support of state regulation of innovations in Ukraine*, State-building, 2011. Vol. 2, [online] <http://www.nbuv.gov.ua/e-journals/DeBu/2011-2/index.html> (8.12.2016).

The depreciation rates are significantly higher in industry. At the same time, depreciation is also constantly growing and has reached an enormous level of 82,3% for 2015. However, in last year's depreciation was primarily due to a sharp increase in risk premiums for the Ukrainian economy.

In 2001, the variance in depreciation in the overall economy and industry was down -6.9. This is due to the fact that depreciation in industry was larger and reached 51.9%. Since 2011, the difference between depreciation in the overall economy and industry became very tangible: in 2011 to 11.9, in 2014 to 23.2. So, we can see huge depreciation of fixed assets of all Ukraine's enterprises.

Enterprises invest a large part of the investments only to the maintenance of a technological level due to periodical repair. Businesses use different types of repairs, which contributes to normal use of fixed assets. A small number the introduction of innovative processes, technologies is the result of growth of residual value of fixed assets.

To enhance the competitiveness of enterprises need not only to reassess the value of the property. Managers need to solve other complex issues to create the competitive products, the accumulation of profit and further technological breakthrough.

For companies, it is difficult to take investment and innovation decisions in an environment of volatile<sup>7</sup>. For producers who can lose the pace of development, the governments in Europe gives soft loans. It is assistance under technical development and innovation (2-2,5%). In addition, soft loans may be used to influence industrial location. There are a variety of financing instruments for enterprises in China, grants to buy new equipment<sup>8</sup>.

### Structure and dynamics of investments in non-financial assets

Table 2. Structure and dynamics of investments in non-financial assets (%)

Indicators	2000	2003	2005	2007	2009	2010	2011	2012	2014	2015
Investments in non-financial assets – total (industry)	100	100	100	100	100	100	100	100	100	100
The share of investment in fixed capital	90,86	97,28	96,84	96,72	96,26	96,08	96,19	96,36	96,63	96,71
The share of innovative investments	9,14	2,72	3,16	3,28	3,74	3,92	3,81	3,64	3,37	3,29
Increase the share of innovative investments	-	-7,48	0,41	-0,25	1,08	0,18	-0,11	-0,17	-0,59	-0,27

Source: formed by author according to: *The state statistics service of Ukraine, Statistical Yearbook of Ukraine for 2015* [online] <http://www.ukrstat.gov.ua> (8.12.2016); *The state statistics service of Ukraine, The Cost of fixed assets in Ukraine by types of economic activities (KVED-2010) in 2014-2015*, [online] [http://ukrstat.org/uk/operativ/operativ2011/ibd/vozed/vozed\\_u.htm](http://ukrstat.org/uk/operativ/operativ2011/ibd/vozed/vozed_u.htm) (19.01.2017); *The state statistics service of Ukraine, Scientific and technical activities*, [online] [http://www.ukrstat.gov.ua/operativ/operativ2005/ni/ind\\_rik/ind\\_u/2002.html](http://www.ukrstat.gov.ua/operativ/operativ2005/ni/ind_rik/ind_u/2002.html) (27.01.2017).

<sup>7</sup> V. Boreiko, *State regulation of socio-economic development: theory, methodology, problems*, Rivne, National University of water management and nature resources use, 2008.

<sup>8</sup> *Analytical review on the implementation of the state policy in foreign countries in the field of innovation and scientific and technological development* [online] <http://ved.gov.ru> (5.02.2017).

The dynamics of the innovation investment (R&D expenditures, intangible and other non-financial assets) is extremely unstable. The share of innovative investment in the structure of investments in non-financial assets in 2000-2015 has decreased from 9% to 3.6% (table 2).

According to the International investment report of the UNCTAD in the economy of Ukraine in comparison of the majority of the EU countries in the given period of time innovation investments were not growing<sup>9</sup>.

It is necessary to solve a number of issues of investment into innovation and the implementation of financing instruments for the enterprises<sup>10</sup>. Among the most fundamental recommendations of enhancing investment and innovation performance of the country and regional disparities in the given field are:

- improvement of investment and innovative potential of enterprises, regions and the country;
- improving the financial infrastructure, the application of the principles of self-financing;
- attracting venture capital, the development of venture capital system;
- improving the intellectual property system;
- implementation of joint innovation and investment projects between government, enterprises and other stakeholders on the basis of state-private partnership;
- implementation of effective mechanisms of financial regulation, state stimulation of innovative and investment projects;
- increase of level of financial institutions capitalization;
- improvement of legal regulation of state guarantees and insurance of loans for innovation;
- reduced cost of credit resources;
- improving mechanisms for financial ensuring of innovative activity;
- accelerating the process of renewal of fixed assets industry (leasing);
- improving the incentives system for financial institutions participating in the financing of innovative activities;
- forming of state order for R&D programs and their coordination;
- improving tax incentives for enterprises etc.

## Conclusion

Globally it can be stated that the situation of the innovation and investment support policy is more than alarming. In the long term, the Ukraine lag behind the average

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<sup>9</sup> *International investment report UNCTAD*, [online] [http://unctad.org/en/PublicationsLibrary/wir2014\\_overview\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2014_overview_en.pdf) (10.02.2017).

<sup>10</sup> A. Degtyar, A. Kryukov, *Legal support of state regulation of innovations in Ukraine*, State-building, 2011. Vol. 2, [online] <http://www.nbu.gov.ua/e-journals/DeBu/2011-2/index.html> (8.12.2016); T. Mikusheva, *Foreign experience of state regulation of innovation activities*, [online] [http://innclub.info/wp-content/uploads/2011/03/Микушева\\_236.](http://innclub.info/wp-content/uploads/2011/03/Микушева_236.); V. Papp, N. Bogota, *Sources of financial support for innovation activities and mechanisms of their involvement*, Scientific Bulletin of Uzhhorod University, Series „Economics”, 2015, Vol. 1 (45), T.3, P. 134-138.

of the EU and neighboring countries. This intensifies its vulnerability in the field of the competitiveness preservation of Ukraine's economy in harsh international competitive environment. Now we can see the development of economic activities at the inertial scenario surrounding the use of extensive model. Over the years since the early 2000s, Ukraine has evolved from an industrial into a transit-transport state.

Ukraine has a powerful innovative, scientific-technical, intellectual and creative potentials. Effective management of innovation and investment processes, implementation of innovation policy requires the presence of an efficient manage of potentials in order for it influence on the economy.

It is possible to support the following by all possible means and tools: implementation of financing instruments, increasing innovation and investment policy about different approaches and its principles, generating interest in it, as well as introducing the approaches into practice.

For this reason, it is important to adopt legislative acts to stimulate renewal of fixed assets. The firms should use the most accelerated depreciation schedule.

To ensure the development of innovative processes in the country it is necessary to create financial and investment processes. The financial and investment processes are used side by side with the implementation of financing instruments. Therefore, governments at all levels, public organizations, financial institutions must work in a coordinated fashion on these matters.

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### Abstrakt

#### **Kwestia rozwiązań w zakresie inwestycji i innowacji oraz wdrożenia instrumentów finansowych w przedsiębiorstwach**

W artykule analizowana jest dynamika inwestycji w kapitał, inwestycje w niefinansowe aktywa trwałe i amortyzacja w zakładach przemysłowych Ukrainy w latach 2000-2015 w oparciu o państwowe dane statystyczne. Zarówno inwestycje kapitałowe, jak i inwestycje w niefinansowe aktywa kraju nie rosną. W tym samym czasie zużycie środków trwałych stale rośnie i osiągnęło już wysoki poziom w ciągu ostatniego roku. Zostały więc sformułowane zalecenia zmierzające do zwiększenia aktywności inwestycyjnej i innowacyjnej w kraju w tej dziedzinie. Zwłaszcza, że potencjał naukowo-badawczy Ukrainy jest nadal wysoki. Potrzebna jest koordynacja działań władz państwowych, samorządowych i przedsiębiorców w celu zwiększenia opłacalności inwestowania w innowacje i rozwój.

**Słowa kluczowe:** inwestycje, środki trwałe, aktywa niefinansowe, innowacje, Ukraina