

## **THE ROLE OF INVESTMENTS IN ECONOMIC DEVELOPMENT: KEY FUNCTIONS AND STRATEGIC IMPACTS**

**Riznyk Dmytro**

*Candidate of Economic Sciences,  
Ivan Franko National University of Lviv*

Investment activity is one of the main factors of economic growth. Investments contribute to the development of production, the creation of new jobs, the improvement of the competitiveness of goods and services, the growth of the economy and the population's well-being, the development of new technologies, increased labor productivity, and improved product quality overall.

In the national economy, the main subjects of the investment process include the state (makes investments with the help of budget funds, state-owned enterprises, and other organizations, etc.), the population (makes investments through joint investment institutes, personal savings etc.), enterprises (make investments in the development of own production), banks and other financial institutions (make investments at the expense of borrowed funds, etc.), foreign investors (make investments in the country's economy with the help of direct and portfolio investments, etc.) [1, p. 98].

The main goal of the investment process is to invest capital in the most attractive objects to obtain maximum profit or achieve a social or other beneficial effect for the investor. The investment process is a complex economic category with a systemic, dynamic, and targeted nature. The main subjects of the investment process in the national economy are the state, the population, enterprises, banks, other financial institutions, and foreign investors [2].

Therefore, the mission of the investment process is to invest capital in the most attractive objects to obtain maximum profit or achieve a social or other beneficial effect for the investor. The functions of investments indicate their role in economic development. They show how investments affect the economy and how they contribute to its growth and development.

Let's analyze in more detail the functions of investments in the economy:

- Creation of new assets (investments are the primary source of financing for creating new assets necessary for production development).
- Increasing the volume of production (investments allow enterprises to expand the volume of production, which contributes to the economy's growth).
- Creation of new jobs (investments contribute to creating new jobs, which ensures population employment).

- Improving the quality of life of the population.
- Increasing the country's competitiveness.

The general goal of investments in the modern economy is to support the economy's development and stability, improve the population's quality of life, and ensure competitiveness in the world market. Investments in fixed capital help increase production volumes, labor productivity, and product quality. Fixed capital itself is a set of tangible and intangible assets used to produce goods and services.

Despite all the difficulties, investment activity in Ukraine during the war is necessary to restore the economy and ensure its long-term development. Among the peculiarities of the functions of investments in war conditions in Ukraine are increased risk, limited access to financing, and the need for state support [3].

Investment activity contributes to the restructuring of the economy, as investments are often used to finance the development of emerging industries. It contributes to the economy's transition to more efficient forms of production. The investment process includes the interaction of the subjects of the investment process, investment objects, and the investment environment. The investment process constantly changes under the influence of internal and external factors and aims to achieve specific goals, such as making a profit, improving production efficiency, social development, etc. [4, p. 105].

So, the functions of investments indicate their essential role in economic development. They are one of the most critical factors contributing to the growth of the economy and the improvement of the population's well-being. Investments in innovative projects increase the economy's competitiveness and resistance to external shocks. Investments in developing industries contribute to the economy's growth and improve its competitiveness.

These factors, as well as the analysis of trends in the development of international financial markets and global changes in development priorities in various sectors of the economy, indicate the intensification of capital transfer processes worldwide. Under the current conditions, Ukrainian enterprises must take an active part in these processes and act as recipients of capital.

In order to increase the investment activity of business entities, it is necessary to create a favorable investment climate, which involves implementing reforms to improve the transparency and efficiency of state administration, ensuring the rights and freedoms of entrepreneurs, introducing benefits and incentives for investors, developing infrastructure, etc. The rapid and unpredictable development of the market environment and the shortening of the life cycle of products and technologies make global business shift to a new stage.

### References:

1. Polischuk I. I., Dovhan Y. V. (2020) Marketing aspects of managing oil and fat enterprises. *Herald of Kherson National Technical University*, no. (2) 73, pp. 93–100.
2. Riznyk D. (2023) Investment activity in Ukraine after the full-scale invasion of Ukraine. *Economics and Society*, no. (48). DOI: <https://doi.org/10.32782/2524-0072/2023-48-60>
3. Stakhurska S. A. (2022) Formation of investment strategy in the context of organizational changes. *Economics and Society*, no. (41). Available at: <https://economyandsociety.in.ua/index.php/journal/article/view/1558/1499>
4. Lytvyn Z. B. (2016) The necessity of analyzing investment and innovation activity of enterprises in modern conditions. *Economic Analysis*, no. 25(2), pp. 99–107.