

Riznyk Dmytro
Candidate of Economic Sciences,
Ivan Franko National University of Lviv

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INNOVATIVE INVESTMENT ACTIVITIES AS A STIMULUS BEHIND POST-WAR ECONOMIC RECOVERY

Investment activity is an essential factor in economic development and has many features that distinguish it from other types of economic activity. Investment activity aims to create or acquire assets that generate income over a long period. Before making investments, evaluating them to determine their feasibility and risk is necessary. It contributes to the growth of production volumes, labor productivity, competitiveness, and population income. Specific features of investment activities may differ depending on the industry in which the investments are made and the country in which they are made. For example, innovation investments are riskier than those in traditional sectors, although they are often more profitable.

Innovation nowadays is the driving force behind investment opportunities. Innovative processes have a decisive role in ensuring economic growth and competitiveness of the enterprise, as the central area of investment activity.

In the case of evaluating investment activity, it is essential to consider all factors affecting it. Since 2014, the inflow of foreign direct investment into Ukraine has significantly decreased, caused by several factors, including:

- the Russian annexation of Crimea in 2014, the development of the armed conflict in eastern Ukraine,
- economic instability, reduction of GDP, devaluation of the national currency, high inflation,
- political instability, and corruption [1].

As a result of these factors, a significant number of foreign companies have ceased their business activities in Ukraine.

To improve the investment climate in Ukraine, both during and in post-war recovery periods it is necessary to take efficient actions with the factors above, for example:

- ensuring security and stability; implementation of economic reforms, including stabilization of the economy,
- development of infrastructure and improvement of the business climate,
- improving the legal environment, which includes the implementation of a transparent and predictable legal framework.

These measures require significant efforts and resources, but they are necessary for restoring Ukraine's investment climate and attracting foreign investments to develop the country's economy.

After 2015, foreign direct investment inflows began to increase, although the growth rate was insignificant. In 2020, the decrease in the inflow of foreign direct investment was caused by the global crisis, including the one related to the COVID-19 pandemic. In 2021, the FDI rate increased significantly, which was associated with several factors, including improving the investment climate in Ukraine. The government of Ukraine has taken several measures to improve the investment climate, including introducing benefits for foreign investors, creating special economic zones and the fight against corruption, the growth of Ukraine's economy, and global economic activity. However, in 2022, after the start of Russia's full-scale invasion of Ukraine, inflows of foreign direct investment decreased again but are expected to show slow but positive dynamics [2].

In the context of globalization and changes in the world economy, it is essential to pay attention to the international integration of financial markets. This not only expands opportunities for investors but also increases economies' vulnerability to external shocks, including war. The influence of international capital flows on the economic stability of countries, especially developing countries, can shed light on strategies for minimizing risks and optimizing investment strategies.

The role of technological innovation in modernizing the economy and stimulating investment is becoming increasingly visible. Investments in scientific research and development, start-ups, and innovative technologies can contribute to the creation of new sectors of the economy, increasing productivity and competitiveness.

Analyzing the effectiveness of investments in innovation, considering the diversity of industries and the specifics of countries, is vital for developing effective public policies. Investments considering environmental, social, and governance aspects (ESG) are becoming increasingly popular among investors. They contribute to improving the image of companies and increasing their value and play a key role in ensuring the sustainable development of economies. Investigating the impact of ESG investments on financial performance and socio-economic development can help determine optimal strategies for investors and regulators [3].

The war caused significant destruction of Ukraine's infrastructure and economy, which created risks for investments. The war continues, creating uncertainty for investors who cannot accurately assess the risks and potential returns of investments in Ukraine.

Investors have become more cautious about investing in Ukraine because they believe that the risks of war and uncertainty are too high. The war created severe obstacles to developing investment activity, which led to a decrease in foreign direct investment and a loss of confidence in the Ukrainian market.

References:

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