

# Organizational-Economic Mechanism of Attracting Investment Resources in the Innovative Development of Regions in Teams of Sustainable Development

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## Abstract

The article considers the features of the organizational-economic mechanism of attracting investment resources in the innovative development of regions in terms of sustainable development. Factors influencing the investment activity of regions in terms of sustainable development, including: institutional structure, intellectual capital, level of innovation infrastructure, business development, financial and credit component, level of human resources development, information environment, production development, environmental component. Factors influencing the attraction of investment resources in the regions are identified. The dynamics of changes in the volume of capital investments and foreign direct investment in Ukraine is analyzed. The regional features of the distribution of capital investments in the conditions of sustainable development are revealed. The essence of the main principles on the basis of which the organizational - economic mechanism of attraction of investment resources in innovative development of regions in the conditions of sustainable development should be formed is analyzed. A set of measures to regulate the investment processes of the regions has been identified. The mechanism of attraction of investment resources in innovative development of regions in the conditions of sustainable development is outlined. The results of activity of separate Agencies of regional development for 2020 in the direction of investment and innovation activity and increase of level of investment attractiveness of regions are analyzed. Important prerequisites for the effective implementation of the organizational-economic mechanism for attracting investment resources in the innovative development of regions in terms of sustainable development are identified. The main directions of directing the efforts of the organizational-economic mechanism to ensure the attraction of investment resources in the innovative development of regions in the context of increasing the level of investment activity in the regional aspect are substantiated.

## Keywords:

*Organizational-economic mechanism, investment resources, innovative development, region, investment attractiveness of regions, capital investments, sustainable development.*

## 1. Introduction

Modern transformation processes, characterized by a significant impact of innovation and digitalization trends in the transition to sustainable economic growth largely depend on the level of investment activity in the regions. Intensification of investment and innovation activities is one of the important conditions for increasing the level of socio-economic development of regions and the country as a whole. In particular, the intensification of investment activities should contribute to the innovative development of regions and increase their level of competitiveness. With the decentralization reform, regions have been able to manage their own resources and choose directions of development, but today, due to the negative impact of the pandemic and forced reduction of economic activity, there is a lack of investment resources that directly affect the level of innovative development. All this actualizes the study of the organizational-economic mechanism of attracting investment resources in the innovative development of regions.

The purpose of the article is to substantiate the principles of organizational-economic mechanism for attracting investment resources in the innovative development of regions in terms of sustainable development.

## 2. Literature review

A significant number of scientific works of domestic and foreign scientists are devoted to the issue of attracting investment resources in the innovative development of regions and their sustainable development. Among them it is worth noting: Bershitskiy Y.I. (2020) [1]; Bogoviz A. (2018) [2]; Derhaliuk M. (2021) [3]; Doskaliyeva B.B. (2016) [4]; Dudin M.N. (2017) [5]; Izmailova M.A. (2016) [6]; Khesin E. (2019) [7]; Kolmykova T.S. (2020) [8]; Levchenko I. (2021) [9]; Levchenko I. (2021) [10];

Milchik I.V. (2021) [11]; Mykhailov A.M. (2021) [12]; Popelo O. (2021) [13]; Shidov A.K. (2017) [14]; Shokhnekh A.V. (2020) [15]; Tulchynska S. (2021) [16] and others.

Within the framework of the research of scientists [11] the peculiarities of investing in the innovative development of the regions in order to improve the quality and competitiveness of regional entrepreneurship products and the prospects of balancing the regional economy are analyzed. The authors of the article have identified the priority manifestations of quality and developed applied recommendations to ensure the balance of the regional economy based on improving the practice of investing in innovation in the interests of quality.

The authors of the article [10] developed a method of targeted financing of economic sectors by investing in innovative development. Researchers propose a solution to the problem of quantifying targeted financing of economic sectors by investing in innovative development based on an integrated approach.

Researchers [12] have analyzed current financial instruments to increase investment resources in today's global challenges and ensure sustainable development. The authors prove that due to various financial initiatives in the agricultural sector of Ukraine there are positive changes. Scientists propose the creation in Ukraine of the Fund for Infrastructure Investments in the Agricultural Sector on the mixed principle of income generation.

The authors [1] developed a method for assessing the economic efficiency of investment in the innovative development of agricultural industries based on a comparison of the characteristics of marginal production functions built for producer groups using traditional and modern innovative technologies. The study verifies the correctness of the developed methodology by assessing the effectiveness of investment in innovation transformation.

The purpose of the article [15] is to identify the main problems of development, implementation and application of innovations in agricultural organizations. Researchers' research is aimed at analyzing the problems of innovation in agricultural organizations, which begin at the first stage of their development and implementation.

The authors of the article [2] prove the expediency of clarifying the scientific basis of innovative development of the agricultural sector in modern conditions. Researchers have considered the role and importance of a venture company created for the formation of venture capital institutions. Scientists have concluded that innovative development today is the main driver of economic growth, which contributes to the emergence of new industries, increase investment activity and increase income and consumption.

The aim of the article [14] is to study the peculiarities of the formation of innovation and investment strategy in the economy of the problem region. The authors study the

role of development institutions as an important tool for implementing innovative investment strategies in the region's economy and identify that institutions need a clear functional commitment and focus on solving problems of socio-economic development of certain types of regions.

Scientists [5] have studied the features of investment in human capital as a condition for innovative development of network companies, as well as analyzed the investment approach to the definition of human capital.

The authors of the study [6] conducted a comparative analysis of conceptual approaches to understanding the nature and objectives of national and regional innovation systems, which consider the prospects for socio-economic development of the country on the basis of innovation and investment decisions. The authors singled out the main factors influencing the state of the innovation sphere, namely: a number of financial and economic crises, turbulence in the economic environment, geopolitical instability with the consequences of anti-Russian sanctions. According to the results of the study, it is proved that the speed and scale of economic transformations require the adaptation of the model of innovative development to the requirements of the sovereign development of the country and its transition to a new technological system. The authors outlined the problems of investing in innovation processes, proposed new approaches to their solution, in particular the introduction of new investment tools.

Within the framework of the authors' research [4], the peculiarities of the investment regulation mechanism aimed at ensuring the effective implementation of projects in the conditions of industrial and innovative development of Kazakhstan are analyzed. The authors proved the need to focus on further development of innovation infrastructure and venture capital, ie to build a complete chain to support innovation.

### 3. Results

The level of their socio-economic development and innovation activity depends on the efficiency and size of investment resources directed to the regions. The attraction of investment resources is influenced by the level of investment attractiveness of the region, which is characterized by the degree of socio-economic, financial, political development. The level of investment attractiveness determines the direction of investment resources and directly affects the innovative development of regions.

The level of investment activity of the regions is influenced by a number of factors; among which it should be noted (Fig. 1):

- institutional structure that forms the institutional architecture of attracting investment resources to regional development and is a regressor, or vice versa progressor in

terms of innovative development of regions through the established system of institutions, laws, rules, etc.;

- intellectual capital, which is formed over a long period of time and acts as an impetus for innovative development of territories and is manifested through the presence of intellectual assets and their importance;

- the level of development of the sphere of innovation infrastructure, which gives the opportunity to disseminate, replicate innovative developments and generate new knowledge and innovations;

- the level of business development, which intensifies investment processes, increases the capacity of regional authorities to promote programs and strategic plans for innovative development of territories;

- financial and credit component, which leads to increased efficiency and reduced risk of investment projects, the development of venture capital;

- the level of development of human resources, their education, competence, development of physical and mental abilities, including in the direction of generating new ideas;

- information environment that activates the processes of investment and innovation activities, promotes the dissemination of information and knowledge;

- development of the sphere of production, characterized by the state of fixed assets and the need for their innovative renewal to ensure the improvement and safety of their activities, taking into account current trends in the development of spheres of production;

- environmental component, which in accordance with the requirements of sustainable development may require the attraction of investment resources in innovative projects and modernization of production in the direction of environmental safety of regions, etc.

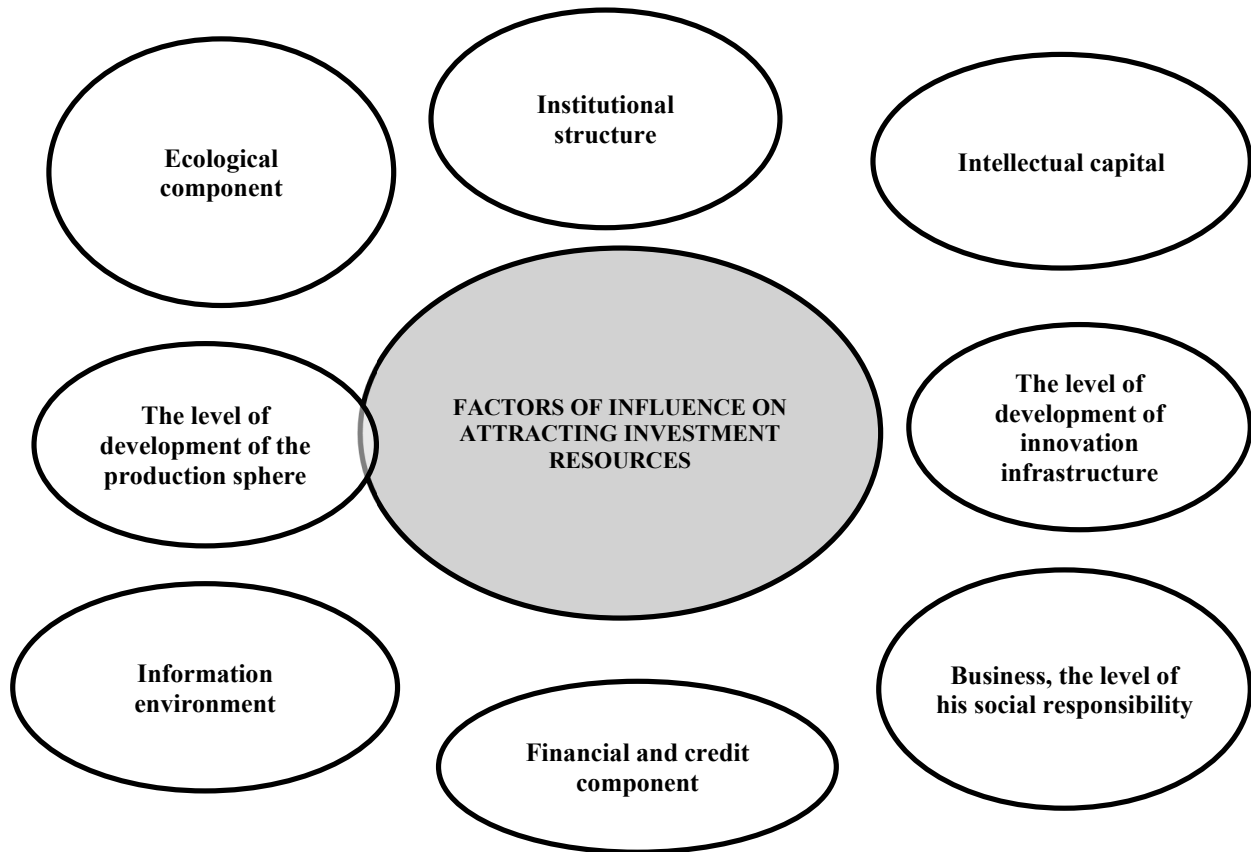


Fig. 1 Factors influencing the attraction of investment resources in the regions in terms of sustainable development  
Source: generated by the authors.

In regional development, the key elements of sustainable development include the business environment,

investment, human capital and directly the organizational and economic mechanism of development management, which must meet the requirements of double innovation:

firstly, it must be innovation-oriented;

secondly, he must be innovative in understanding his own structure and technologies to perform managerial functions.

A constraint on innovation, including the level of investment by asset owners in innovation, is the direct

desire to maximize personal gain, and the use of the latest digital technologies in most cases involves significant costs and risks.

A favorable investment climate is formed under the influence of growing investment, both domestic and foreign. Trends in changes in capital investment and foreign direct investment are shown in Fig. 2.

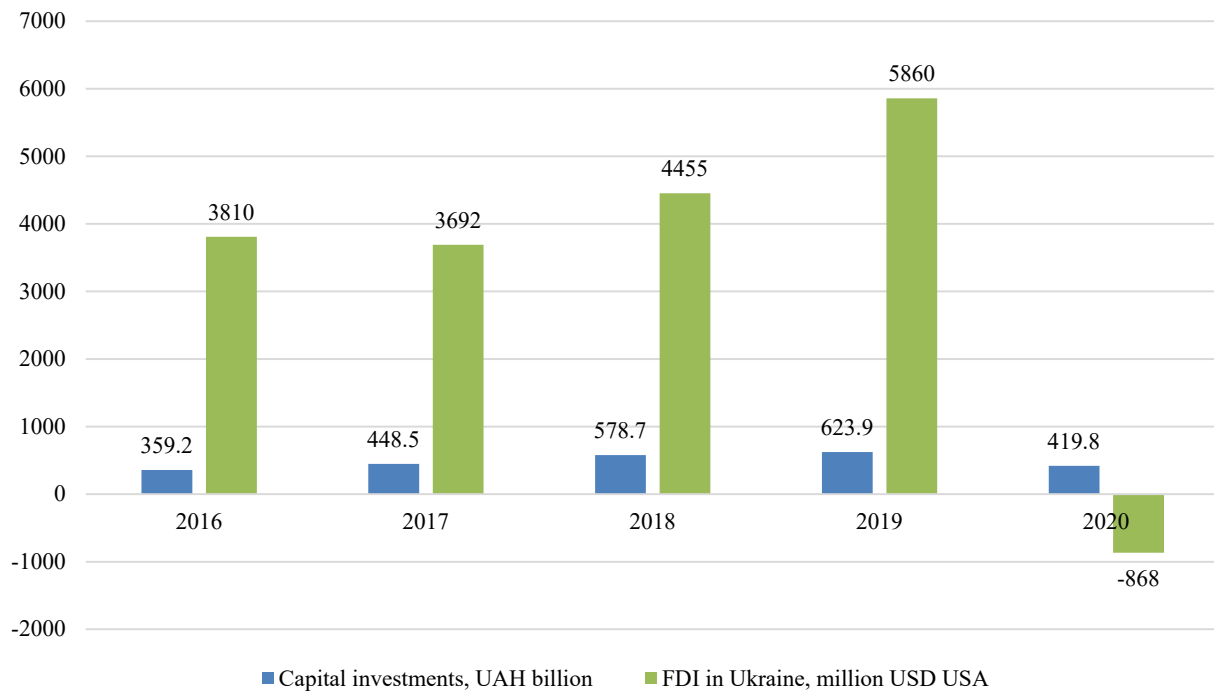


Fig. 2 Dynamics of changes in the volume of capital investments and foreign direct investment in Ukraine for 2016-2020  
Source: developed by the authors.

According to Fig. 2 we see that in 2020 the volume of capital investments decreased compared to the previous year by an average of 30%.

Foreign direct investment has a direct impact on economic development, including in the regional aspect. The inflow of foreign investment contributes to the development of regions, improving social protection. However, in 2020, they are negative, which could be directly affected by the variability of the economic environment due to internal and external factors. It should be noted that improving the state regional policy to intensify the attraction of foreign investment requires the creation of a competitive environment, the formation of a positive image of Ukraine and its regions as actors in the world market in a decentralized environment. Efforts

should also be made to improve government regulation to reduce the risk of foreign investment and increase guarantees for the implementation of investment agreements. As well as attracting foreign capital by establishing the optimal balance of interests of the state, regions and foreign investors in areas that are most important for sustainable economic development of regions, as well as monitoring its implementation.

Let's analyze changes in the volume of capital investment in the regional context (Table 1).

Analyzing the volume of capital investment by region, we see that the largest share is in Kyiv and Dnipropetrovsk, Donetsk, Lviv, Kharkiv, Odessa regions.

Table 1: Dynamics of the volume of capital investments in the regional context in 2016-2020, UAH billion

Region	Year				
	2016	2017	2018	2019	2020
Ukraine	359,2	448,5	578,7	623,9	419,8
Vinnitsia	8,3	11,7	17,6	15,7	9,9
Volyn	6,4	7,0	8,7	12,7	10,2
Dnepropetrovsk	33,2	42,9	60,3	66,9	52,3
Donetsk	11,9	17,3	26,9	30,5	25,1
Zhytomyr	5,6	7,7	8,7	8,5	7,7
Transcarpathian	4,7	5,6	7,5	9,3	4,2
Zaporozhye	11,0	15,9	15,7	14,9	11,6
Ivano-Frankivsk	7,9	9,7	9,4	9,3	5,4
Kyiv	33,4	34,4	40,7	50,2	23,0
Kirovograd	6,4	7,3	7,2	7,7	5,6
Luhansk	4,1	3,3	3,2	3,4	2,6
Lviv	18,6	24,1	28,9	31,0	16,2
Mykolayiv	9,7	11,2	10,1	12,5	7,8
Odessa	16,7	22,3	23,8	21,1	16,9
Poltava	15,3	15,9	18,6	23,0	21,8
Rivne	4,3	6,1	7,2	6,7	4,9
Sumy	5,8	6,9	7,7	7,7	6,3
Ternopil	4,9	7,2	8,4	9,2	5,9
Kharkiv	16,5	19,3	23,6	22,8	17,2
Kherson	4,6	7,4	8,9	12,4	3,9
Khmelnitsky	9,1	10,5	11,3	10,5	9,2
Cherkasy	6,5	8,1	11,1	11,4	7,1
Chernivtsi	2,7	2,9	3,7	4,1	2,4
Chernihiv	5,3	7,3	8,9	8,7	6,1
Kiev city	106,3	136,0	200,3	213,2	135,9

Source: developed by the author according to [17].

Thus, the main principles on the basis of which the mechanism of organizational and economic support for the involvement of investment resources in the innovative development of the regions should be formed include:

- the principle of objectivity - the mechanism of stimulating economic growth should be included in the general system of institutional regulation of innovative stimulation of the region's economy;

- the principle of complexity - the mechanism of attracting investment resources in innovative development is considered as a single whole, subject to the general objectives of ensuring the effectiveness of socio-economic regional development;

- the principle of systematization - involves the structured interaction of all elements of the mechanism;

- the principle of dynamism and flexibility - provides for constant adaptation and improvement of the mechanism, depending on the specific regional situation;

- the principle of purposefulness - the mechanism must meet the objectives of development and functioning of the region;

- the principle of adaptation to external environmental influences - involves the creation of a mechanism to respond to the manifestation of negative factors and trends;

- the principle of coherence between the interests of the subjects of the mechanism of attraction of investment resources in innovative development;

- the principle of accumulation and reservation of investment resources, which will increase the level of

economic potential of regions and their investment attractiveness;

- the principle of legality - functioning on the basis of regulatory documents on innovation and investment activities in the region;

- the principle of incentives - should provide for the interest of all actors to maximize the effectiveness of the economic, intellectual, labor, scientific, industrial potential of the region.

The organizational-economic mechanism for attracting investment resources in the innovative development of regions is influenced by the regulation of investment processes in the regions (Fig. 3), namely:

firstly, political and legal: regulations and legislation; effective legislation in the field of corporate governance; state standards and norms; national action plan in the field of investment activities; ensuring investment protection; ensuring market freedom and investors' rights.

secondly, infrastructural: level of development of social, investment, construction, telecommunication infrastructure, labor market infrastructure.

thirdly, economic: clear pricing policy; providing financial assistance; depreciation, monetary, fiscal, innovation policy; antitrust measures; efficient stock market;

fourthly, organizational: state examination of investment projects and programs; financing and stimulating innovation; ensuring the functioning of the system of protection of intellectual property rights.

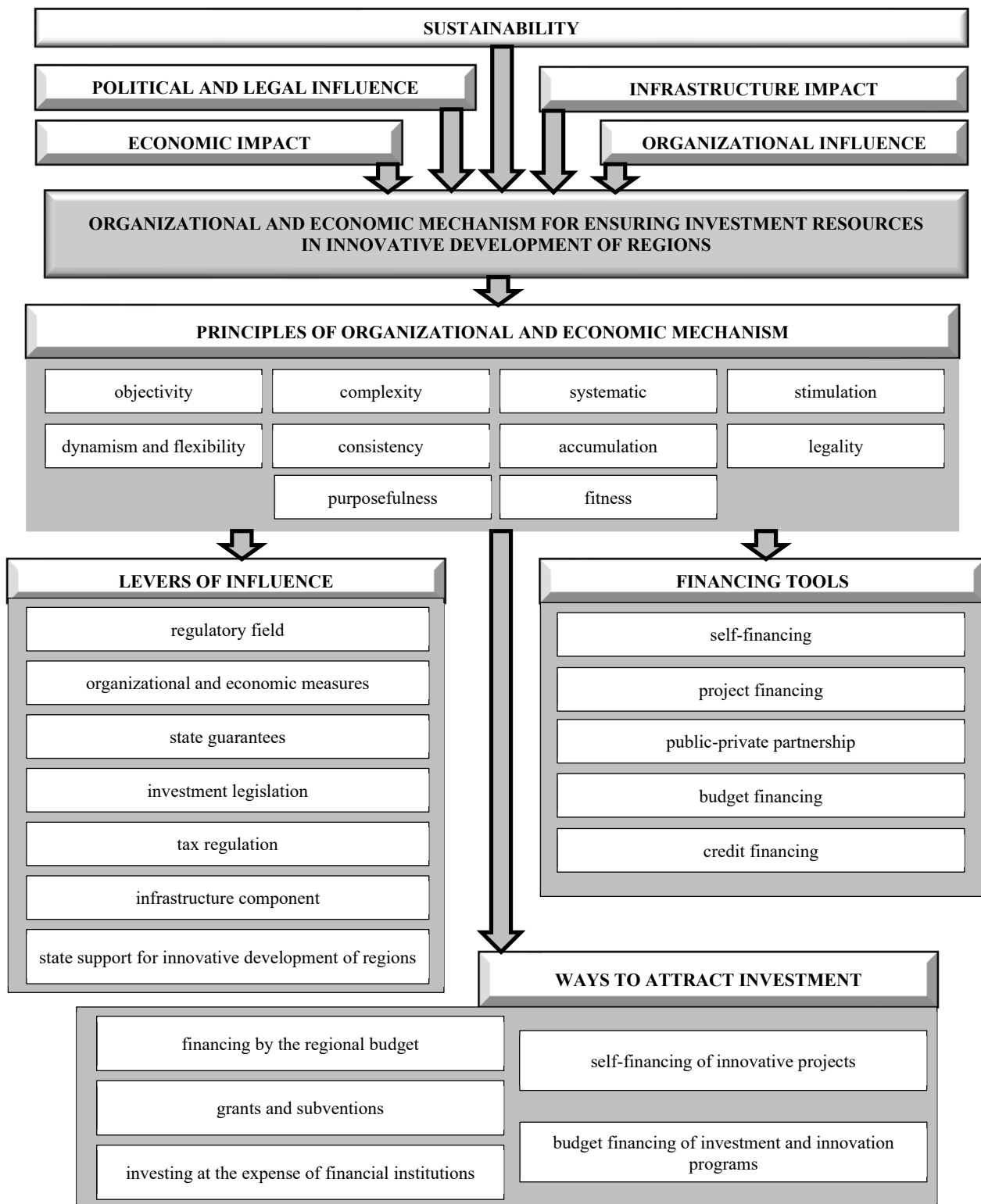


Fig. 3 Organizational-economic mechanism for attracting investment resources in the innovative development of regions in terms of sustainable development  
Source: developed by the authors.

The main elements of the mechanism for attracting investment resources in the innovative development of the regions are shown in Fig. 4.

The results of the activities of individual Regional Development Agencies in 2020 in the direction of investment and innovation activities and increase the level of investment attractiveness are shown in Table 2.

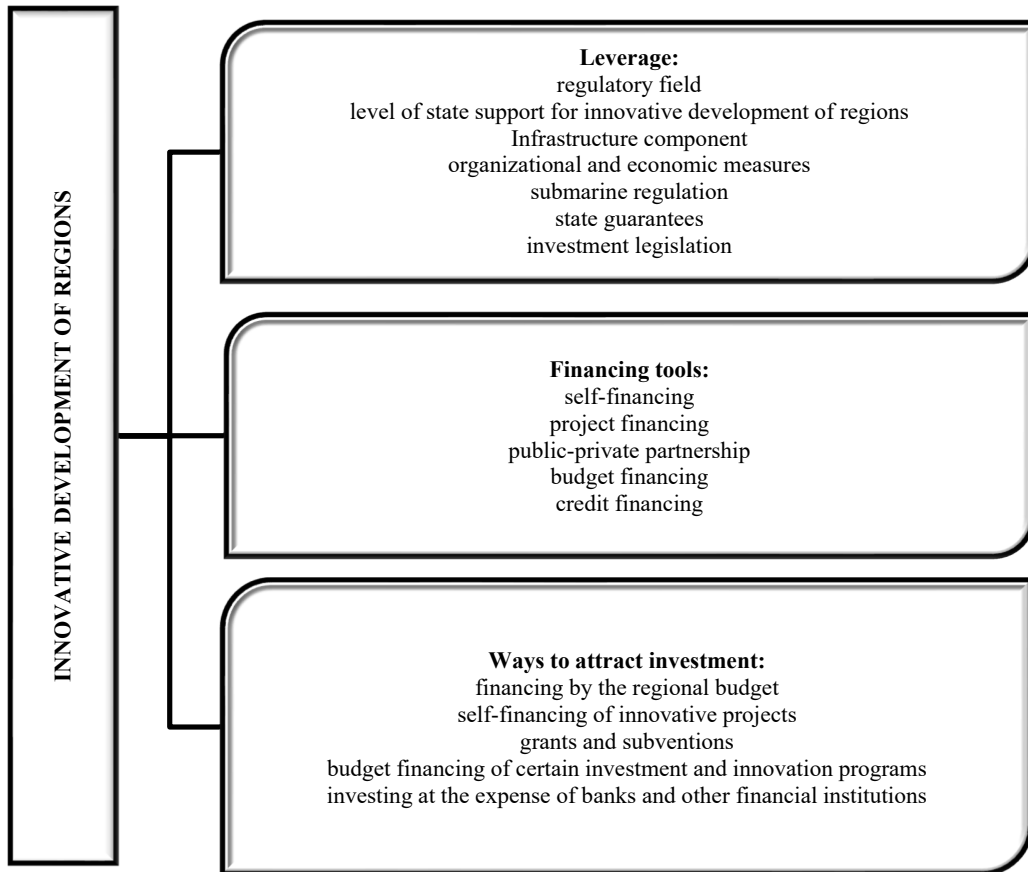


Fig. 4 Elements of the mechanism of attraction of investment resources in innovative development of regions  
Source: developed by the authors.

Table 2: Results of activity of separate Agencies of regional development for 2020 in the direction of investment and innovation activity and increase of level of investment attractiveness of regions

Regional Development Agency (RDA)	Results of activity in the direction of investment and innovation	Names of projects funded by EU sectoral budget support (RDA applicants)
RDA of Zhytomyr region	The development of the investment passport of Stanyshivska OTG has been completed and 4 potential investment projects of the community have been prepared for the creation of a furniture cluster, restoration of the building for the hotel and restaurant complex. The Industrial Park in Korosten (there is 1 participant) is working towards the implementation of the Industrial Parks Network Development Program - the amount of investment is 10 million euros, the construction process is being completed (75%).	Western Industrial Cluster Industrial Park Network
RDA of Kyiv region	3 investment projects worth a total of 154 million euros have been implemented, and 13 investment projects have been provided with professional support.	Creating a network of business support centers / entrepreneurs in Kyiv region

RDA of Ternopil region	An investment memorandum was signed with 2 investors in the amount equivalent to 105 million dollars. USA. These agreements provide for the attraction of German and Belgian investors in Ternopil for the construction of a textile factory and Borshchiv OTG for the construction of a bioethanol plant. Preparations for the registration of 2 industrial parks in Borshchiv and Lanivtsi have begun. The Center for Technology and Innovation Development has been opened to support and develop entrepreneurship and improve the investment climate.	Center for Social Entrepreneurship Development
RDA of Rivne region	6 regional development projects have been developed in order to attract additional financial resources to the region's economy through grant support mechanisms and other extra-budgetary resources. The project "Development of human capital in the agro-organic sector of the economy" has been developed.	Project of the Agency "Human Capital Development in the agro-organic sector of the economy"

Source: developed by the author according to [18].

A positive step in the direction of innovative development of the regions is the adoption of the State Strategy for Regional Development for 2021-2027. To increase the amount of investment resources aimed at innovative development of regions, it is necessary to increase the level of investment attractiveness of regions, the use of their domestic investment potential.

The main directions of the efforts of the organizational-economic mechanism to ensure the attraction of investment resources in the innovative development of regions in the context of increasing the level of investment activity in the regional aspect should be:

- optimization of public investment structure;
- promoting the development of public-private partnership;
- organizational and informational support from local authorities;
- promoting the investment activity of small businesses;
- human capital development;
- intensification of the activities of the Regional Development Agencies;
- support for the development of industries in the regional context, taking into account their competitive advantages.

#### 4. Conclusions

The level of investment activity of the regions is directly influenced by a favorable investment climate. Accordingly, most of the investment resources are directed to regions where there is a continuous expansion of infrastructure, high level of human resources development, extensive network of services and production, transformation processes in the direction of environmental development, high level of corporate social responsibility and innovation. .

The scientific novelty of the study is to substantiate the principles of organizational-economic mechanism for attracting investment resources in the innovative

development of regions in terms of sustainable development which is under political, legal, infrastructural, economic and organizational influence of exogenous factors, based on objectivity, complexity, system, dynamism, flexibility, coherence, accumulation, legality, purposefulness and space, as well as provide specific levels of influence, funding instruments and ways to attract investment in innovation development in sustainable development.

Important prerequisites for the effective implementation of organizational-economic mechanism for attracting investment resources in the innovative development of regions in sustainable development are the intensification of socio-economic development of regions through small and medium business development, social entrepreneurship, assistance from regional authorities to attract investment, diversification of production, implementation innovations in the production sphere, improvement of normative and legal support of innovative development of regions, development of programs of social and economic development of regions, development of public-private partnership.

Further research is required to develop tools for organizational-economic mechanism for attracting investment resources in the economic, social and environmental spheres to ensure their innovative development.

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