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DIAGNOSTICS OF INVESTMENT ATTRACTIVENESS OF BUSINESS ENTITIES IN CONDITIONS OF EUROPEAN INTEGRATION

Abstract. The article substantiates the relevance of unification, harmonization and development of the theoretical and applied base of diagnostics of investment attractiveness of enterprises in the conditions of European integration of Ukraine. The theoretical and legislative principles of diagnostics of investment attractiveness of enterprises are critically analyzed. Based on the study of domestic and foreign diagnostic practices, as well as the challenges of European integration, it is proposed to apply a comprehensive approach to assessing the investment attractiveness of enterprises. The method of comprehensive multi-layered diagnostics of investment attractiveness of enterprises is improved, which harmoniously combines the following priority diagnostic components: investment attractiveness of the country, region, industries in which the object of investment functions, and direct investment attractiveness of the enterprise.

Keywords: investment attractiveness, enterprise, diagnostics, indicators, criteria, European integration.

Formulation of the problem

At the present stage, the key task faced by an investor in an investment market is the competent selection of potential investment objects, which is carried out on the basis of a substantiated information base. Such information provision is the result of the implementation of targeted diagnostic procedures. Today it is commonly believed that investors focus only on the assessment of potential investment objects. However, in the foreign investment environment, diagnostic accents are more extensive and concern not only the assessment of the company's ability to provide a high level of efficiency of the invested resources, but also cover the investment attractiveness of the country, regions, and the prospects for the development of the sphere of activity in which the enterprise-recipient operates.

The lack of a qualitative domestic normative and methodological base in the field of diagnostics of investment attractiveness of enterprises, its inconsistency with international standards, diversity, bias and contradiction of the existing methodical and methodological support for evaluating investment attractiveness, as well as the low efficiency of existing diagnostic tools in this area, causes significant problems regarding implementation of the diagnostics of investment attractiveness at different levels of the national economy, becoming a specific sticking point towards European integration of Ukraine. Taking

into account the current challenges of European integration and the necessity to attract external investment resources for the progressive development of the domestic economy in general and entrepreneurship in particular, the unifying, harmonization and development of normative and methodological provision of diagnostics of investment attractiveness of enterprises are an important problem.

Relevance of the chosen topic

In the context of the current socio-economic crisis in Ukraine, the key to the stable functioning and long-term development of enterprises is investment activity. Taking note of the high level of competition in investment market, business entities are as much as possible to attract the attention of potential domestic investors in order to obtain additional capital. Taking into account active processes of European integration of Ukraine, enterprises-recipients also try to increase their competitiveness in foreign markets in order to become the object of foreign investment. Exactly the level of investment attractiveness of business entity plays a decisive role in making an investor decision on the appropriateness of investing. At the same time, the contradictions and collisions of the current domestic normative and methodological base on the diagnosis of the investment attractiveness of business entities, as well as its non-harmonization with international diagnostic norms and standards, cause the emergence of significant problems in this area. In particular, such problems lead to inadequate diagnostic results in assessing the investment attractiveness of an enterprise, which can be significantly different from the results of diagnostics by foreign methods used by foreign investors. It accordingly does not allow to accept competent and effective administrative decisions to domestic business entities regarding increase of investment attractiveness. All of the foregoing determines the relevance of the selected subject and justifies the necessity of carrying out research related to the harmonization and improvement of existing methods of diagnosing investment attractiveness of enterprises in the conditions of European integration.

Analysis of recent researches and publications

Despite the prevalence of investment subject in economic sources, which in recent decades is the subject of research of a large number of scientists, the dynamic changes in the environment requires its continuous improvement and development. We mean that in the conditions of European integration there is a need for harmonization of the national scientific-methodical and legislative basis of diagnostics of investment attractiveness with the best European achievements. Thus, there is a need for the formation of a unified theoretical and applied foundation in this area, which will be operated by both domestic and foreign individuals.

Today, the definition of "investment attractiveness of the enterprise" has a variety of interpretations in both domestic and foreign literature. Many publications devoted to problems of identification and diagnostics of investment attractiveness of the enterprise, however, there is still no single interpretation of this concept. Based on thorough studying and systematization of materials from specialized literature sources [1-4], such key existing approaches to the interpretation of enterprise investment attractiveness in the diagnostic context as factor, internal, integral and comparative approaches are identified. Thus, according to the factor approach, the investment attractiveness of an enterprise is considered as a set of characteristics of the internal and external environment of the enterprise's functioning. Within the internal diagnostic approach, the investment attractiveness of an enterprise is treated as a set of characteristics of the internal environment that are important for a potential investor. In scientific works, this approach is characterized as such, which, first of all, involves an assessment of the financial and economic state of the enterprise. In the framework of a comparative or rating approach, the investment attractiveness of an enterprise is defined as a relative characteristic of an enterprise as one of the objects of investment in the future. In this approach, rating systems are used to diagnose the investment attractiveness of an enterprise. Each of the above-mentioned approaches has both advantages and disadvantages in the context of the treatment of the investment attractiveness of an

enterprise, since it does not comprehensively cover all aspects of this economic category and thus does not provide its integral diagnostics. The key drawbacks in the approaches applied to the diagnosis of investment attractiveness of the enterprise have led to the emergence of such an approach as an integral one. Under this approach, the investment attractiveness of an enterprise is interpreted as an integral characteristic of an enterprise and is investigated as an object of future investment. The peculiarity of this approach is that the investment attractiveness of an enterprise is represented not only by one integral indicator, but by their system of indicators.

Therefore, taking into account the above approaches to the treatment of the investment attractiveness of an enterprise, as well as the methodology for its evaluation, it is proposed under the investment attractiveness of the enterprise to understand the integral complex characteristics of the investment object, which reflects the results of the diagnosis of representative quantitative and qualitative indicators of the internal and external environment and provides its position in the struggle for investment resources.

Along with the above-discussed scientific approach to today, the principles of diagnostics of investment attractiveness of enterprises are defined in the current national normative and methodological base. The main disadvantage of domestic legislation in this area is the lack of uniformity, systematicity and harmonization with international standards. Thus, in Ukraine, the basic diagnosis of investment attractiveness of enterprises is "Methodology of the integrated assessment of investment attractiveness of enterprises and organizations", approved by the Order of the Agency for the Prevention of Bankruptcy of Enterprises and Organizations No. 22 of 23.02.1998 [5]. Having thoroughly studied the above-mentioned technique, one can infer the essential preponderance of its disadvantages over the advantages. Among the disadvantages that characterize the unsuitability of using this technique, the key is its obsolescence since the updates have not been around for almost 20 years. In addition, informational groundlessness should be

noted as the methodology is based on the calculation of more than 40 indicators, which characterize exclusively the financial and property status of the enterprise and do not reveal other areas of functioning. Such a large number of indicators complicate the procedure of computing, while calculating the values of indicators is based on inactive financial statements. Another disadvantage is that the methodology does not provide an interpretive scale of the integral indicator, which makes it impossible to formulate a general conclusion about the level of investment attractiveness. The sign that characterizes this technique as unsatisfactory is that it is based on the use of outdated software "INTEGRAL".

Purpose and objectives

Taking into account the results of the analysis of the theoretical and legislatore basis, the purpose of the study was determined as unification, harmonization and development of theoretical and applied principles of diagnostics of investment attractiveness of enterprises in the conditions of European integration.

Main material and results of the research

Based on the study and analysis of existing domestic and foreign methods of diagnosing investment attractiveness of enterprises, it was established that the most common is a comprehensive approach in this area, based on the evaluation of various indicators at different levels. So, systematizing existing approaches to the diagnosis of investment attractiveness, it is proposed to distinguish the following priority diagnostic components, such as:

1. Investment attractiveness of the country in which the enterprise operates.

2. Investment attractiveness of the region in which the enterprise operates.

3. Investment attractiveness of the industry to which the enterprise belongs.

4. Investment attractiveness directly to the enterprise.

In fig. 1 the comprehensive multi-layered method of diagnostics of investment attractiveness of the enterprise is offered.
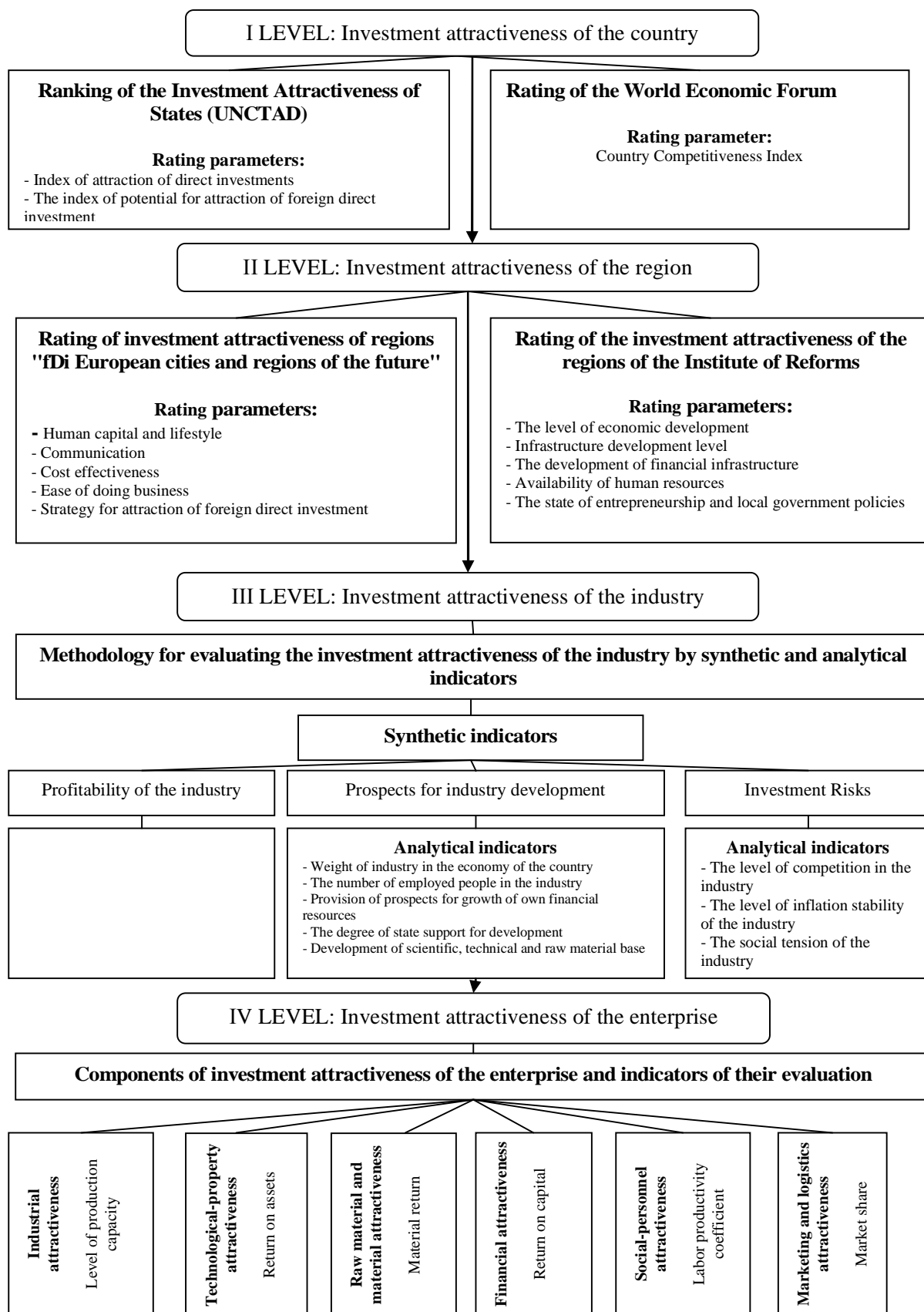
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I LEVEL: Investment attractiveness of the country

Ranking of the Investment Attractiveness of States (UNCTAD)

Rating parameters:
- Index of attraction of direct investments
- The index of potential for attraction of foreign direct investment

Rating of the World Economic Forum

Rating parameter:
Country Competitiveness Index

II LEVEL: Investment attractiveness of the region

Rating of investment attractiveness of regions "fDi European cities and regions of the future"

Rating parameters:
- Human capital and lifestyle
- Communication
- Cost effectiveness
- Ease of doing business
- Strategy for attraction of foreign direct investment

Rating of the investment attractiveness of the regions of the Institute of Reforms

Rating parameters:
- The level of economic development
- Infrastructure development level
- The development of financial infrastructure
- Availability of human resources
- The state of entrepreneurship and local government policies

III LEVEL: Investment attractiveness of the industry

Methodology for evaluating the investment attractiveness of the industry by synthetic and analytical indicators

Synthetic indicators

Profitability of the industry | Prospects for industry development | Investment Risks

Analytical indicators
- Weight of industry in the economy of the country
- The number of employed people in the industry
- Provision of prospects for growth of own financial resources
- The degree of state support for development
- Development of scientific, technical and raw material base

Analytical indicators
- The level of competition in the industry
- The level of inflation stability of the industry
- The social tension of the industry

IV LEVEL: Investment attractiveness of the enterprise

Components of investment attractiveness of the enterprise and indicators of their evaluation

Industrial attractiveness — Level of production capacity

Technological-property attractiveness — Return on assets

Raw material and material attractiveness — Material return

Financial attractiveness — Return on capital

Social-personnel attractiveness — Labor productivity coefficient

Marketing and logistics attractiveness — Market share

Fig. 1. Method of comprehensive multi-layered diagnostics of investment attractiveness of the enterprise

The first stage of implementing the multi-layered diagnostic method of investment attractiveness of an enterprise is to assess the investment attractiveness of the country. For any country that is on the path of transformational changes, the topical issue is the effective management of investment processes, which affect, first of all, its socio-economic development. Taking into account the fact that for today there are certain differences between national and European practices in the diagnosis of investment attractiveness, it is worth taking into account the best international experience in this field.

Today, one of the most prestigious international ratings for assessing the investment attractiveness of states is based on the methodology developed by the United Nations Conference on Trade and Development (UNCTAD). The ranking of countries is carried out in two indices [6]:

1. The Inward FDI Performance Index.

2. Index of FDI Potential Index.

Another, no less credible, rating of the World Economic Forum, whose main objective is the annual publication of the Global Competitiveness Index (GCI), should be highlighted. It contains 12 elements of competitiveness, which are defined in accordance with such publicly available statistics as: 1) the quality of the institutions; 2) infrastructure; 3) macroeconomic stability; 4) health and elementary education; 5) higher education and vocational training; 6) efficiency of the market of goods and services; 7) labor market efficiency; 8) development of the financial market; 9) technological level; 10) the size of the domestic market; 11) competitiveness of companies; 12) innovation potential [7].

Regarding the assessment of the investment attractiveness of the region, unfortunately, a characteristic feature for Ukraine is unevenness of socio-economic development of cities and regions of the country, the reasons of which are the differences in the levels of investment attractiveness of the regions. That is why it is advisable to carefully implement the second stage, related to the diagnostics of investment attractiveness of the region, in the context of an integrated assessment of the investment attractiveness of the enterprise.

In the second stage, attention should be drawn to the rating methodology for assessing the investment attractiveness «fDi European cities and regions of the future» of the region in terms of human capital and lifestyle, communication, economic potential, cost efficiency, ease of use doing business and attracting foreign direct investment [8].

Another methodology for rating assessment of the investment attractiveness of the regions, based on the application of the mathematical model and technology of processing the statistical data of the Institute of Reforms, is carried out on the basis of objective criteria, which include [9]:

1) the level of economic development;

2) the level of infrastructure development;

3) the development of financial infrastructure;

4) availability of human resources;

5) the state of entrepreneurship and the policy of local government.

The third stage of the comprehensive multi-layered diagnostics of the investment attractiveness of the company involves an assessment of the investment attractiveness of the industry. Such an assessment may be based on the use of a synthetic and analytical methodology for evaluation [4]. Synthetic indicators are summarized in the following groups: 1) profitability of the industry; 2) the prospects of industry development; 3) investment risks. Each of the above groups contains a list of analytical indicators that have rank values and determine the importance of a generalized synthetic index. In turn, the level of profitability of the industry is determined by such indicators as: 1) profitability of assets; 2) profitability of equity capital of enterprises in the sector provided that there is a sectoral financial leverage; 3) profitability of sold products. Estimation of the prospects of the industry development is based on the calculation of the following indicators: 1) weight of the industry in the country's economy - the share of production in the GDP; 2) the number of employed people in the

industry; 3) ensuring the prospects of growth of own financial resources, determined by the volume and weight of investments from their own sources of financing, the share of equity in the total assets; 4) the level of state support for development - the volume of state (centralized) investments, tax and export privileges; 5) development of the scientific-technical and raw material base of the industry, which is measured on the basis of expert assessments. The diagnosis of the level of investment risks involves taking into account such analytical indicators as: 1) the level of competition in the industry; 2) the level of inflationary stability of the industry; 3) the social tension of the industry [4].

The final stage of the proposed method is to assess the investment attractiveness of a particular enterprise. In order to ensure the objectivity of the received diagnostic results, it is necessary that the assessment should be conducted directly by the potential investor or his representatives. In addition, there is a possibility of self-diagnosis of investment attractiveness directly by the specialists of the enterprise.

On the basis of studying and systematization of literary sources [1-4; 10] established that the diagnosis of the enterprise-recipient should be conducted in the context of such components of its investment attractiveness, such as:

1. Production attractiveness, which reflects the availability of appropriate production conditions for the production of quality products, assortment and nomenclature within the specified time; production capacity of the enterprise, level of innovation, diversification, rhythmicity and defect production.

2. Technological and material attractiveness demonstrates the availability of labor facilities, their status and suitability level in order to meet the needs of production and economic activity; characterizes how the enterprise is equipped with production and warehouse premises, equipment, accessories, tools, production technologies.

3. Raw materials and material attractiveness characterize the provision of production activities of a potential object of investment in raw materials, the level of their cost and efficiency of use.

4. Financial attractiveness characterizes the financial condition of an enterprise, how much it can cover current liabilities, carry out self-financing, reproduce capital, receive loans and attract investment resources.

5. The social and personnel attractiveness demonstrates the presence of skilled workers in the company who have the appropriate level of knowledge, skills and experience to perform their professional duties, and opportunities to improve their qualifications.

6. Marketing and logistics attractiveness reveals the ability to sell products with existing marketing tools and objects of logistics infrastructure, reflecting the presence of effective market positioning instruments, sufficient logistics infrastructure.

It should be noted that many authors offer different indicators of evaluation of various components of the investment attractiveness of the enterprise. This, in turn, complicates the process of choosing representative indicators, the direct implementation of settlement procedures, the selection of adequate criteria, the interpretation and aggregation of diagnostic results.

In order to comprehensively characterize each of the above-mentioned components of investment attractiveness, we propose to highlight the most generalizing indicators that will provide a comprehensive description of a specific component of investment attractiveness. In particular, it is recommended to use the following indicators to diagnose the relevant components of the investment attractiveness of the enterprise, such as:

- for the industrial component - the level of utilization of production capacity;

- for the technological-property component - return on capital;

- for the raw-material component - material return;

- for financial component - capital outsourcing;

- for the social-personnel component - the coefficient of productivity of labor;

- for the marketing and logistics component - the market share.

For the implementation of the last stage, it is necessary to calculate the isolated aggregate indicators of the components of its investment attractiveness. In the future, it is necessary to compare the obtained values of the indicator-identifiers of the level of each component of investment attractiveness with the criteria (for all the above-mentioned indicators, except for the market share, the criterion is the correspondence to the medium-scale value). Based on the analysis of diagnostic theory and practice, it is proposed to consider three probable cases:

- if the value of the indicator is more than the criterion value, then the component is assigned a "high attraction" score;

- if the indicator value is (or approximated) to the criterion, then the component is characterized by "average attractiveness";

- In the case where the value of the indicator is less than the criterion, then the component is with a "low attractiveness" for a potential investor.

On the basis of the definition and calculation of all the above-mentioned indicators, as well as the interpretation of their meanings, comprehensive conclusions are drawn about the expediency of investing in the enterprise and the possibility of improving the state of one or another component of the investment attractiveness of the entity.

Conclusions and prospects for further research

Based on the results of the study, the following conclusions can be formulated: 1) approaches to the interpretation of the concept of "investment attractiveness of the enterprise" are considered and analyzed, and on the basis of this, it is formulated and substantiated its unified interpretation in the diagnostic context by the integrated approach; 2) the domestic legislative base on conducting diagnostics of investment attractiveness of enterprises in the conditions of European integration was investigated, the results of which identified the problematic aspects in this area; 3) the method of comprehensive multi-layered diagnostics of investment attractiveness of enterprises is developed and substantiated. The key feature of the proposed method, which embodies the best foreign experience in this area and thus

provides advantages of its use in conditions of European integration, is the complex consideration of the investment attractiveness of different levels of operation of the enterprise, in particular, such as: investment attractiveness of the country, region, industry, in which the object of investment is functioning, and it is directly the investment attractiveness of the enterprise.

Prospects for further research are the improvement and harmonization of diagnostics of such priority objects in European integration, such as creditworthiness, the threat of bankruptcy, financial state of the enterprise, etc.

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