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ВПЛИВ ФІНАНСОВОЇ КРИЗИ НА ЗАЛУЧЕННЯ ІНОЗЕМНИХ ІНВЕСТИЦІЙ ДО КРАЇНИ

В статті відображено проблеми наслідків та причин виникнення фінансових криз з приводу залучення іноземних інвестицій, які впливають на загальний економічний розвиток країни. Досліджено історичний розвиток фінансових криз в розрізі інвестування так як фінансові кризи утворюють дисбаланс в усій економічній системі країни, для якої виникає необхідність отримати інвестиції для усунення нестабільності та волатильності, а також охарактеризовано основні передумови фінансових криз в історичному аспекті. Вивчені основна поведінка інвесторів перед початком фінансових криз та кардинальні зміни в їхній діяльності після падіння фінансового ринку

Розроблені рекомендації для залучення іноземних інвестицій в різні галузі економіки та ефективного та якісного управління ними в умовах фінансових криз. Надані певні припущення щодо розвитку поведінки транснаціональних компаній на подальшу перспективу в розрізі міжнародного інвестування посткризового періоду.

Проаналізовано можливості в подальшому згладжування наслідків фінансових криз на інвестиційні потоки до приймаючих країн, що надасть можливість більш ретельно передбачувати настання несприятливих чинників та умов динамічного, швидкого розвитку економік країн.

Ключові слова: інвестиції, фінансова криза, глобалізація, ТНК, економічне середовище, історичний розвиток, волатильність, турбулентність

Рис. 2, Табл.1, Літ.11

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ВЛИЯНИЕ ФИНАНСОВОГО КРИЗИСА НА ПРИВЛЕЧЕНИЕ ИНОСТРАННЫХ ИНВЕСТИЦИЙ В СТРАНУ

В статье отображены проблемы последствий и причин возникновения финансовых кризисов по поводу привлечения иностранных инвестиций, которые влияют на общее экономическое развитие страны. Исследовано историческое развитие финансовых кризисов в разрезе инвестирования так как финансовые кризисы образуют дисбаланс во всей экономической системе страны, для которой возникает необходимость получить инвестиции для устранения нестабильности и волатильности, а также охарактеризованы основные предпосылки финансовых кризисов в историческом аспекте. Изучены основное поведение инвесторов перед началом финансовых кризисов и кардинальные изменения в их деятельности после падения финансового рынка

Разработаны рекомендации для привлечения иностранных инвестиций в различные отрасли экономики и эффективного и качественного управления ими в условиях финансовых кризисов. Предоставлены определенные предположения относительно развития поведения транснациональных компаний на дальнейшую перспективу в разрезе международного инвестирования посткризисного периода.

Проанализированы возможности в дальнейшем сглаживание последствий финансовых кризисов на инвестиционные потоки в принимающие страны, что позволит более тщательно предвидеть наступления неблагоприятных факторов и условий динамичного, быстрого развития экономик стран.

Ключевые слова: инвестиции, финансовый кризис, глобализация, ТНК, экономическая среда, историческое развитие, волатильность, турбулентность

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IMPACT OF FINANCIAL CRISIS ON ATTRACTING FOREIGN INVESTMENT IN THE COUNTRY

The article reflected the effects of the problem and the causes of the financial crisis on the attraction of foreign investments that affect the overall economic development of the country. We studied the historical development of financial crises in the context of investment as financial crises form an imbalance in the entire economic system of the country for which it is necessary to get the investment to eliminate the instability and volatility, as well as describes the main preconditions of financial crises in the historical aspect. Learn the basic behaviour of investors before the financial crisis, and drastic changes in their activity after the collapse of the financial market.

We provide the recommendations for attracting foreign investment in various sectors of the economy and efficient and quality management in the financial crisis. It provided certain assumptions about the behaviour of multinational companies in the future perspective in the context of international investment post-crisis period.

We analyzed the possibilities of further smoothing the effects of the financial crisis on investment flows in the host countries, which will more closely predict the onset of unfavourable factors and conditions of dynamic, fast developing economies.

Key words: investments, financial crisis, globalization, MNC, the economic environment, the historical development, the volatility, turbulence

Statement of the problem and its connection with important scientific and practical tasks. Nowadays, the economic system of any country does not develop in isolation but it is a part of the global economic system that has been under the influence of various factors which cause changes in the priorities of economic development. As a result, the international economic relations adapt to the new challenges of globalization processes constantly that require making decisions by subjects of international economic relations which are related to production cuts, use of new technologies and changes in the stages of the operational cycle, the innovation introduction, the protection of intellectual property rights, election of methods, tools of investment.

And, as you know, the financial market is becoming more vulnerable to fluctuations, volatility, as it is that a key part of the whole economic system of the country, which provides financial resources, manages them in terms of risk and more income from investment activities in the host country. That is why the financial crisis that have recently forced the economic subjects to operate in the direction of development, competitiveness and getting conquest of foreign markets, cause an imbalance in the whole set of elements of the economic system of any country and therefore require the designing of strategies and forecasts of future prospects not only sustainable development and carrying out investment opportunities which with their help to strengthen and develop the economic potential of each country.

However, the international investment carries out successfully and effectively only if the host country have the yield on investment which exceeds the risks that are associated with the global environment today, which consists of a number of economic, political, legal and even cultural factors. Therefore, it follows the relevance of this research and the need for full, much deeper study of the problem which is connected with the attraction of foreign investments to the country.

Analysis of the latest researches and publications on the issue which is considered. Many foreign and domestic scientists such as C. Kindlberher [5], D.Colander [2], J.Krotty [3], H.Minski [6], C.Reinhart [7] R.Hall [4], B. Young [10] L.V.Rudenko-Sudarieva [9] and others involve in research and development of the problems of attracting foreign investment to the country during and after the financial crisis.

This research is thorough, deep and interesting in terms of the study of investment behaviour of the subjects of international economic relations in the post-crisis period and

during financial crisis, which there is a reduction in economic activity and economic recession in the country. As a result, multinational corporations, enterprises and other investors evaluate their investments in terms of yield, risk and thus make the decisions to invest in a foreign market or industry.

But as you know, investments are necessary for the proper and effective development of any economy as influencing the performance of employees, social level of the population, which increases the production volume and brings added value that it has a crucial role in international economic relations and international differentiation. Cyclical changes in the economy, and to a greater extent the financial crisis, which may not affect the real economy, but the loss of financial assets, which happens during them generates volatility in all areas of the country's economy exercise their influence on the investment behaviour of multinational corporations and other economic subjects. Therefore, in this case the MNC try to change its strategy in the crisis situations and adapt to new conditions in order to remain competitive and operate at least at pre-crisis level. As a result, the necessity arises for more detailed and thorough study of the issue of the impact of financial crises to attract the foreign investment to the country in the condition of a global environment.

The purpose of the paper is a thorough study of the impact of the financial crisis on the attraction of foreign investment to the country in a global environment and its impact on the investment behaviour of multinational corporations, the implementation of adaptation to modern challenges and opportunities to reduce the affect of financial crisis on MNC's investment priorities in unpredictable, difficult situations.

The main material of the article with justification of scientific results. Since the birth of international economic relations between the countries when international trade was carried out on the basis of barter and the basic goods of exchange were spices, olive oil, luxury goods at that time by the global, turbulent, dependent on countries' economy of the global economic system that constantly is influenced by various factors, there are risks of economic crises that are changing activities of corporations and small companies permanently.

These consequences could be seen clearly after the Great Depression (1929-1933), 1970 was unpredictable because there were constant fluctuations in exchange rates, prices of real estate and stocks that have caused serious financial crises around the world. The second half of 1980 was characterized by the existence of a large number of "financial bubbles" in the stock market and real estate in Japan, Finland, Norway and Sweden. In turn, in the early 1990s, the stock market collapsed in Thailand, Indonesia, Malaysia that it somehow rocked the Asian region and forced to reduce a speed and an increase in the volume of financial markets. In the second half of the 1990s the United States also experienced the sharp fluctuations in the stock market, which was the result of attracting investments in a large number in IT-companies and companies which were engaged in innovative developments, the stock price of which has increased dramatically with the inflow of investments. As we can note, when there is only a revival of the financial market in a particular region, improving economic and investment indicators and then the sudden inflow of investment in too large quantities causes this financial crisis, as we experienced in 2007-2009 [5].

The financial crisis is often described as a sudden loss of some financial assets of a greater part of its face value. The financial crisis cause the collapse of the stock market and the various financial "bubbles". Since the financial sector is that part of the economy of the host country, where all operations with assets, investments, especially portfolio carry out, so the financial sector acts as a basis of operation, stability and solvency of the country [5].

Many researchers study the question of occurrence of financial crises and their impact on the MNC's activities. For example, Charles Kindleberger explained the causes and conditions of the sudden unexpected financial crises and found out that such situations had occurred for centuries [5]. The main reasons of financial crises are:

- the constant growth of insolvent banks and other financial institutions;

- a sharp increase in interest rates;
- a large number of bankrupt companies;
- giving loans to individuals and legal entities is reducing and in some cases becomes unavailable;
- delays payments for export-import operations are exist;
- the rate of securities are falling, their liquidity is reducing etc [5, c.6].

It should be noted that the financial crisis in some countries is the result of rapid growth in the value of assets or a sharp depreciation of national currency in the international currency market. In turn, the financial crisis is the result of imbalances in the banking system, and vice versa, that these two systems are interdependent and influence each other.

But the financial crisis can not occur without the necessary preconditions that it may be caused. And when it is impossible to avoid the financial crisis then its escalation is characterized, according to Charles Kindleberger papers, with the help of seven stages, such as:

- the availability of credit resources;
- shifts of historical expectations of profitability of certain asset;
- introduction of the "new economic reality," when an old models of yield's estimates are replaced by new ones, for justifying the irrational price behaviour of the asset;
- the attracting speculative trading;
- the increase in trade of asset, and then the revaluation of expectations and the discredit of asset are causing;
- the financial panic and the crisis management;
- management of public institutions, government and legislative reform involve in the regulation of economic processes [5, c.25].

According to research by H.Minski, it was developed a model that was mainly used for interpretation of financial crises in the UK, USA and other market economies. The scientist paid attention on that pro-cyclical changes in demand for loans was a result of booming economic development and according to this, demand increased, but in the case when the economic recession was occurred then it was reduced [6].

As for attracting foreign investments into the country, so according to the model by H.Minski, during the stage of rapid growth performance of financial markets, investors lose vigilance and become more optimistic and give priority to return on investment to the risks which may arise before them. Thus investors invest huge amounts of their investments in countries with high and rapid economic growth indicators. In turn, recipients of investments wish to receive necessary financial resources increasingly; they offer corporations to invest their resources in the most risky sectors of the economy or even not promising which have a loss in addition.

During the economic recession, investors, including MNCs become less optimistic and more cautious. But at the same time, losses on loans and lending are growing, as a bad debt increases and financial market seems to be "cool down" from previous improvements and all the market participants begin to assess each factor in the global economic environment. H.Minski focuses on the fact that a pro-cyclical increase in demand for credit resources in terms of the country's economic recovery and the decrease in one within period of instability lead to fragility of making financial transactions and probability of financial crisis's beginning [6].

Thus, according to research by L. Rudenko-Sudarieva, financial market acts as a whole part, which coordinates the activities of other elements of the economic system and in turn investments are a unique source of maintaining stable functioning and development of the host country for future prospects. In a global economic environment the investment behaviour of investors, especially multinationals corporations', is changing and they try as much as possible to reduce their risks. Developments of innovation, technological breakthrough allow investors to calculate risks and benefits of implementation of investment

more accurately. For example, new methods of hedging help to analyze MNCs making financial transactions. Securitization also offers greater range of services and better conditions for investors. It is profitable for both lender and investor. In the case of a creditor, so in this case, he controls the credit limit effectively, which is set for it, and a portfolio of assets [9, с.21].

Attracting foreign investment to the country is a complex process during the financial crisis but it is possible and necessary in order to return to the previous state of the economy before the crisis. R.Hall described in his study of financial crises and their impact on the economic system of a country as a whole, argued that the financial crisis was changing the social level of the population really with the help of increasing the movement of public procurement, unemployment rates and an increase in tax rates. And as we know, taxation of foreign companies' activities, multinationals is one of the economic factors of placing investments in the host country and can affect the dynamics of investment flows negatively [4, с.7].

Thus, there are two main aspects to which you should pay attention on the implementation of investment projects and evaluation of investment opportunities to get the best results from of MNCs' investment activities:

- occurrence of fluctuations in market power in the labor market and the market of goods and services;
- assessment of unemployment rate and its comparison in terms of cyclical development.

Investment behaviour is adapting to various factors constantly that cause fluctuations in the financial market and crisis. In turn, the financial crisis checks the ability of multinational corporations, foreign companies to remain competitive and to identify weaknesses of qualified personnel in case of contingencies. As seen in Figure 1, the financial crisis has impact on financial market segments such as financial services market, stock market, gold and other precious metals market, foreign exchange market and the credit market, as well as on investment subjects, which in turn cause the change in MNCs' investment behaviour and in the attraction of foreign investment to the host country.

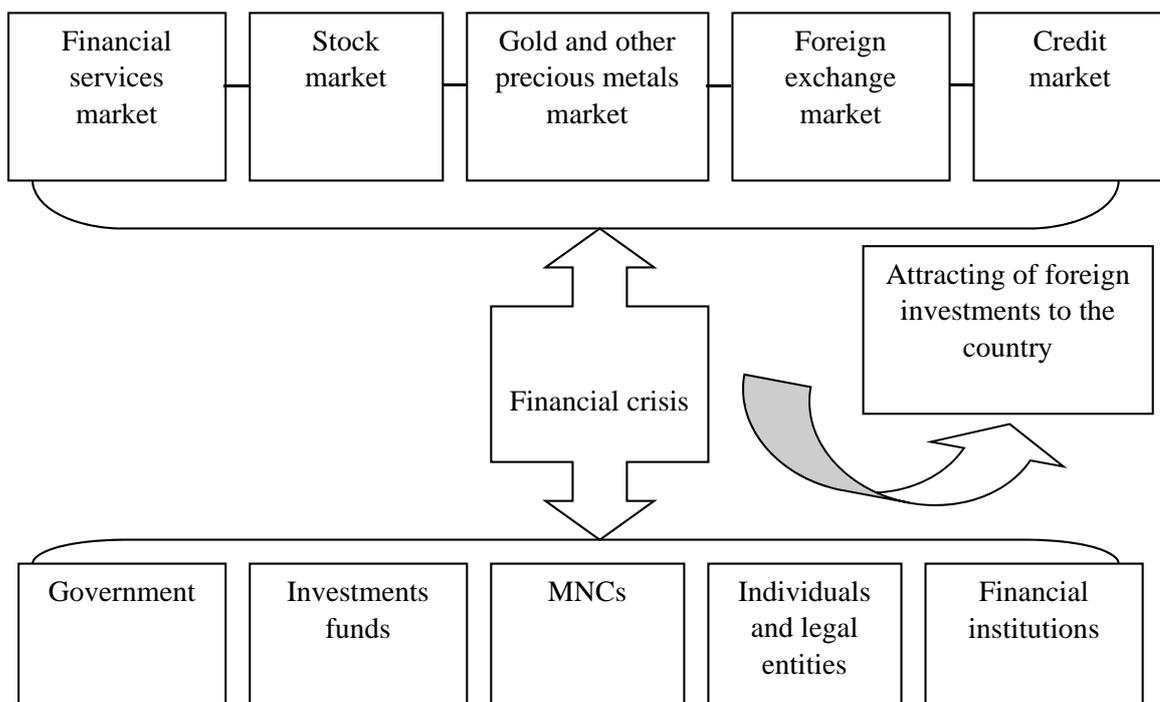


Figure 1. Impact of financial crisis on the MNCs' investment activities and foreign investment to the country

Source: compiled by the author based sources [3]

The financial crisis caused great losses of economic entities and thus the consequence of its activities is too expensive for the operation of MNCs. They create a recession which may exist for years. It should be noted that the financial crisis twice more complicate the course of the recession and it may exist more than 6 quarters of a usual economic slowdown of economy's activity of the host country. There was also a decline in production, which had invested large amounts of resources. Cumulative losses that are much higher than during simple recession can be traced during the financial crisis. Estimation of losses from the financial crisis uses the methodology of the business cycle, which now acts as one of the more precise definitions of occurrence of financial crises, as we can trace that the decline in lending and the fall in the real estate market which cause deeper economic changes than fluctuations in the stock market. Total losses from the financial crisis can be calculated by comparing the growth rate during the financial crisis between the actual growth for many years to the post-crisis period or until the annual growth of GDP will not return to the level before the crisis. According to this paper, losses may vary among countries. Although the overall losses should be in developing countries, but as shown, during the crisis of 2007-2009 developed countries suffered most, for example such as losses exceeded 100% in some countries [1, c.28].

But in order to reduce impact of the financial crisis in the current conditions the country must carry out the extensive policy of investment and innovation development of economy. In this case the most important aspect becomes the understanding of dependence of financial markets, innovation and economic growth. Innovation should support a sustainable economic development and stability of the financial market by limiting the volume of redemption of shares and at the state level coordinating the activities of companies that spend a lot of finance to purchase securities. This type of company costs is destructive to an innovation development, as the company uses its own funds from its bank accounts and distributes them among shareholders. In this case, a decrease in the financial sector is not a way out of the crisis, because it is necessary to change the parameters of financial activity by attracting investment in innovation [10, c.72].

This situation does not lead to horizontal relations between the participants of investment, but also to understand that each member, the scope of the economic system of the country plays a key role in preventing the financial crisis.

And it should be noted that financial innovation can reduce the effects of the financial crisis through the development of new financial derivatives, but they will be very risky, although premiums and leverage of such securities will be very high. Supervisory authorities should provide the financial system network, collect and analyze data which is connected with the state of macroeconomic indicators, examine the strength of the financial system through stress testing at the system level for avoiding repetition of the crisis and the consequences of them. These methods will allow making the scenario of the financial system growth and identifying the overall level of country's security [2, c.12].

The problem of attracting investments in the post-crisis period in the innovation sector will give opportunities to improve the economy's indicators in the long term. For the population the most appropriate indicator and full description of the "recovery" of the economy is real GDP per capita. The main reasons are the fact that the "recovery" of the economy after the financial crisis is going on for five or even ten years [8]. Also, when the growth of population increased, GDP per capita would remain at worse level than it was before the crisis. And the last reason for this phenomenon is the uneven development of regions, which is caused mainly by limited natural and labour resources or a lack of investment [7, c. 51].

The impact of the crisis factors can be seen by analyzing the dynamics of MNCs' investment flows for the certain period. We have selected the period from 2008 to 2015, as this period of time can be called post-crisis, which makes it possible to evaluate investment opportunities in the certain regions. The regions which we examine in this paper are: Africa,

North America, Asia, Europe, North America, Latin America and the Caribbean and the transition countries.

Nowadays the flow of foreign direct investments is being seen in Asia, according to research by such an international organization as the United Nations Conference on Trade and Development (UNCTAD). Since 2008, the growth rate of FDI in the world decreased by 20.4% as shown in Table 1.

Table 1
The dynamics of the world's main economic indicators for the period 2008-2016, increase in %*

Indicators	Years								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP	1.5	-2.0	4.1	2.9	2.4	2.5	2.6	2.8	3.1
Trade turnover	3.0	-10.6	12.6	6.8	2.8	3.5	3.4	3.7	4.7
Gross fixed capital formation	3.0	-3.5	5.7	5.5	3.9	3.2	2.9	3.0	4.7
The rate of employment	1.2	1.1	1.2	1.4	1.4	1.4	1.3	1.3	1.2
FDI	-20.4	-20.4	11.9	17.7	-10.3	4.6	-16.3	11.4	8.4

*compiled by the author based on World Investment Report of UNCTAD [11]

These figures describe the state of development of international economic relations and the global economic system in a dynamic context in general, which is comparable to the post-crisis period.

In turn, this indicator as GDP remained at 1.5%. The growth rate of trade and gross fixed capital formation was at 3%. The explanation of receiving these indicators was that a global economic crisis happened and then affected the development and the state of the world economy, especially highly developed countries. Global foreign direct investment (FDI) declined by 16% in 2014 to 1.23 trillion US dollars, compared with 1.47 trillion US dollars in 2013, as shown in Figure 2.

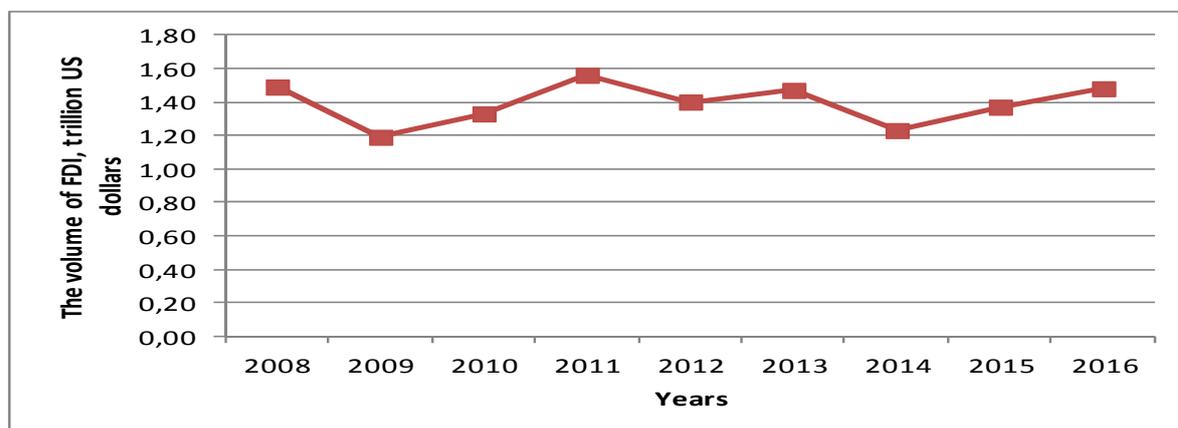


Figure 2. Dynamics of FDI in the world for the period 2008-2016, trillion US dollars

*compiled by the author based on World Investment Report of UNCTAD [11]

The decline of FDI flows was due to the fragility of the global economy, policy uncertainty for investors and high geopolitical risks experienced as a result of the financial crisis.

According to UNCTAD, an increase in FDI flows to 1.4 trillion US dollars was in 2015 and to 1.5 trillion US in 2016 and would be to 1.7 trillion US dollars in 2017 with the help of the perspective growth in the USA, the increasing demand as a result of lower oil prices, as well as earlier, measures of financial liberalization and the attracting investment. Multinationals corporations, according to the report by UNCTAD, are expected to increase

their foreign direct investment flows. This situation arises because of the high level of profitability and a significant level of MNCs' financial resources available. However, there are certain risks of investing, such as the unstable situation in the euro area, the potential geopolitical tensions in the home countries, as well as fundamental changes in economic policy in developing countries.

According to a geographical aspect for the period 2012-2014, the highest inflow of foreign investments held in Asia, Europe and Latin America, respectively, in 2012 FDI flows to Asia and Europe were the same and amounted to 401 billion US dollars, and in turn, in 2014 the situation has changed dramatically and as a result came to 465 billion US dollars in Asia and Europe - 289 billion US dollars. While in transition economies, a tendency to increase FDI flows held in 2013, but then the main indicators decreased [11].

Thus, as can be seen from this paper, the attracting foreign direct investment and other type's ones is a crucial issue in economic policy of any country. Investing during post-crisis period has a cautious nature, as having the highest profits before the crisis MNCs and other subjects of international economic relations spend their resources to improve their financial position, keeping their competitive position on foreign markets of goods and services.

After the financial crisis in the host country it is necessary that there is an extensive system of regulations that protect the interests of the poorest people who suffered from the financial turbulence. But deregulation of the financial sector is necessary during five years, as it will increase the size of companies and complicate its own organizational structure. It should be noted that companies should make a special article of expenses in the financial plan in case of crisis at 5% of the profits for protecting themselves from the adverse effects of the crisis [3].

It follows that for Ukraine to attract investments are necessary and acceptable, this is especially related to services, infrastructure, transport, telecommunications and IT-technologies that reduce the gross cost of any production company. To attract investment in Ukraine in the post-crisis period and difficult time for the economy it should take a number of strategic actions to remedy the situation in terms of the investment climate. Nowadays, it is necessary to support small businesses and large corporations, which are the main drivers of sustainable development [7].

According to the three environments which are evaluated by MNCs in the host country, such as legal, cultural, economic and political, Ukraine has an extensive system of legislation that supports investors and gives them national treatment, along with national enterprises. Also, the investor is protected against loss of investment; they return to him in the case of termination of investors' activities. Ukrainian cultural environment is attractive because workers wish to work and try to improve their own qualifications and skills, the business climate is flexible, which based on a voluntary agreement to cooperate and enter into agreements. Recently, the political environment has been one of the threats to the normal functioning of investment activity, as it is unstable and led investors to assess risks on income from investments. Ukrainian economic environment is under development and post-crisis period, but has a very strong potential which must be developed, supported through investments from different countries and from the MNCs, which are the major donors of investments in the world today.

That is why, we have studied and examined all elements of the global environment and the environment of the country, which investors directed their investments, multinationals corporations and other investors will try to extend their possibilities of entering the foreign market, especially adapting to the cyclical development of the economy and the financial system in the global context. Such measures are only possible when we make cautious, moderate decisions on risk estimation.

Conclusions of the research. The study of papers of domestic and foreign scientists show that the financial crisis has a direct impact on attracting investment to the country, as

well as is causing imbalances in the financial sector, which is a kind of organism, where each element performs its specific function where the existence of a system is possible without it.

Multinationals and other investors will invest their own resources in investees that are able to quickly and risky to generate income in the near future. The company will try to reduce your risk and get a stable, uniform income during the period which is expected to hold investment in the perspective. Financial crises will still interfere with the normal functioning of the economic system of any country, as they are cyclical characteristics and only economic actors will be able to smooth out their consequences by following a balanced strategic policy of business and using methods of forecasting and dialectics.

Prospects for further research. The study of this problem leads to the fact that in the future the attracting of foreign investment into the country will be its competitive advantage over other countries, as well as enhances the development of the most promising sectors of the economy and increases labour productivity and multiplies the level of the population in terms of people welfare, increases the standards of household savings, which is generating an increase in demand.

That is why, further research of these issues that will affect the foreign investment during the onset of the financial crisis or during the turbulence in the global environment, will require a deeper and more thorough study and analysis.

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