

SECTION 6. FINANCE, PENNILESS AND CREDIT

10.46299/ISG.2022.MONO.ECON.2.6.1

6.1 Improvement of the organizational and financial mechanism of the region's investment development

One of the urgent problems of effective regional development' formation and implementation is the construction of a special regional financial mechanism for the region investment development. In general terms, the management mechanism is a means (tool) of influence of the management subject on the management object. In domestic economic science, there are different views on the understanding of the essence, content and composition of the financial mechanism.

Basics and principles of formation of financial activity management mechanisms are presented in the works of foreign scientists: L. Bertalanffy [416], R. Brealey, S. Myers, F. Allen [417], Z. Bodie, R.C. Merton [418], R. Merton [419] etc. the need to solve theoretical and methodological, organizational, practical problems of the system financial activity management of domestic corporations and its further reformation was considered in the works of domestic scientists: V. Andrushchenko, M. Bilyk [420], O. Bilousova, I. Blanca, V. Zabrodsky, V. Oparina [421], O. Romanenko [422], L. Drobozina [423], A. Podderyogina [424], O. Tereshchenko [425].

It should be noted that in the modern economic literature there is no single concept of the financial mechanism, therefore, systematization and clarification of the financial mechanism concept, as well as its structure and elements are relevant; The definition "mechanism" comes from Greek. "mechana" - machine and originally used in the theory of machinery and mechanisms (TMM). At the same time, in the theory of machines and mechanisms, a device for transmitting, converting movements and energies of any kind was understood under the mechanism [426]. The need for classification and description of macro- and microeconomic processes has led to the borrowing of the term "mechanism" and its widespread use to describe economic processes

The financial and economic literature refers to:

- a means of organizing finance (or financial relations) at the level of the national economy, and at the level of its individual subjects (state, industry, enterprise);
- financial resource management tool;
- a means of the economic activity ensuring and regulating of the enterprise, economic and social development of society;
- financial management system (financial relations);
- financial resource management system;
- system of financial management of economic activity [427].

Thus, it can be noted that the concept of "financial mechanism" by some authors is based not only on the nature of its functioning (internal or external), but also on its understanding as a control system as a whole or as its element (tool, device, that is, literally a mechanism).

The financial mechanism can be described as a complex of specially designed and legally enshrined in the state forms and methods of creating and using financial resources to ensure economic development and social needs of citizens" [428]. Thus, the essence of the financial mechanism in this case is interpreted from the position of citizens, and provides for ensuring their development and satisfaction of needs; - the second:... "the financial mechanism is a set of forms and methods for the creation and use of funds of financial resources in order to provide various state structures, economic entities and the population" [428]. Many scientists interpret the financial mechanism as a set of forms and methods of creating and using funds of financial resources to meet the diverse needs of state structures, economic entities and the population [429]. Scientists note that the financial mechanism is a set of methods of realization of economic interests through financial impact on the socio-economic development of the enterprise [430]. Such views are supported by A. Podderiyogin and defines... "the content of financial management in the effectiveness of the use of a financial mechanism to achieve the strategic and tactical goals of the enterprise" [424]. In addition, the financial mechanism includes: financial levers, methods, regulatory and information support. According to V. Gridchina... "financial mechanism is a set of types, forms and methods of organizing financial relations" [431]. O. Blyzniuk and L.

Stetsiv consider... "financial mechanism as a set of financial methods and forms of organization of financial relations, instruments and levers of influence on socio-economic development of society" [432]. The components of the financial mechanism they determine... "financial planning and forecasting, financial management, financial control, financial security, financial regulation, norms, limits, reserves, incentives and sanctions, financial legislation" [433]. The same point of view is observed by V. Oparin, O. Romanenko, S. Ogorodnyk, M. Zyazyan, A. Slavkova:... "financial mechanism - a set of financial methods and forms, instruments and levers of influence on socio-economic development of society" [421]. V. Bazylevych and L. Balastryk understand under the financial mechanism:... "a set of economic, organizational and legal forms and methods the financial activity managing of the state in the process of creating and using financial resources funds to meet the various needs of state structures, economic entities and the population" [434]. V. Aranchii believes that... "the financial mechanism of the enterprise is a set of forms and methods of forming and using financial resources to ensure the financial activity of the enterprise" [435].

The concept of financial mechanisms is broad and includes financial tools of various nature. In general we can define financial mechanisms as the ways in which financial resources are made available by a supplier to the organizations that need them, which can have very different implications in terms of recovery of capital, expected returns, ownership rights, and so forth. Because of these implications, some mechanisms could be more or less suited to organizations with different features in terms of governance, ownership structure, sector of activity, and so forth [436].

Thus, according to the authors, the financial mechanism should be considered as a system conditionally composed of the following elements: financial methods, instruments, economic, organizational and legal forms and methods, etc. Noting the incompleteness of the components of the financial mechanism in the definitions of the aforementioned authors, O. Kovalyuk interprets the financial mechanism as follows... "the system of financial forms, methods, levers and instruments used in the financial activities of the state and enterprises under the appropriate regulatory legal and information support, as well as in the relevant financial policy at macro and micro

levels" [437]. In this understanding of the financial mechanism, the author defined financial methods and financial leverage, as well as their regulatory, legal and information support. At the same time, it does not distinguish relations between the structural elements of the system [438]. The well-known Ukrainian financier O. Kirilenko believes that the financial mechanism is a set of specific forms and methods for ensuring distribution and redistribution relations, income generation, cash funds [439]. In the works of A. Sheremet and R. Saifulin... "financial mechanism is a system of financial relations management of the enterprise through financial levers using financial methods" [440]. These authors in the financial mechanism include financial relations. I. Petrovska notes that the essence of the financial mechanism is revealed through the interaction of its main elements, which include financial planning, financial leverage, financial indicators, standards and limits, financial management, financial control, financial law. I. Sokyrska in his writings divides the financial mechanism into external and internal, and also believes that it is a set of forms and methods of external and internal influence on the financial and economic activities of enterprises designed to improve the efficiency of financial results of production [441]. The main element of influence is the mechanism of financial security, the formation of own and borrowed capital, financial and credit planning and budgeting. So, we can conclude that the financial mechanism is the process by which the financial support of the enterprise operates. However, its components include not only financial security, but also financial planning, operational management, financial control, financial regulation.

Summarizing the above, we note that in the scientific literature you can find many characteristics of the financial mechanism of enterprises` financial management. However, in the field of state and municipal finance, such a mechanism is not clearly defined, there is no its integrity, there is no clarity in the principles and regularities of its functioning. This uncertainty in the theory and practice of state and municipal finance, of course, affects the quality and effectiveness of public administration at the level of the country and region. Thus, in most cases, the regional financial mechanism is reduced to the organization of the budget process and the implementation of budgetary control.

But there is a division of the financial mechanism into two large groups. The definition of the first group considers the financial mechanism at the level of the state, regions and provinces, that is, at the macro level. The definition of the second group considers the enterprises' financial management, i.e. micro levels. In our opinion, the financial mechanism exists both at the macro and at the micro level.

For improving the efficiency of regional management, it is necessary to clarify and identify the essence and peculiarities of the regional financial mechanism as an instrument of the public authorities influence on the regional financial system. The development of the conceptual apparatus of financial management becomes very relevant in modern conditions of the financial and budgetary system reforming, when the development and scientific comprehension of new categories of financial relations management in various economic spheres, including in the field of investment regional development, is necessary.

The financial mechanism for the investment development of the region is an integral system of investment elements and links, which are characterized by special forms, methods and instruments for the formation and use of regional funds, which ensures the full functioning of the region investment development financial mechanism and the implementation of regional financial policy. Each link and a separate element of the investment regional development of the financial mechanism is part of a single whole. They are interconnected and interdependent. At the same time, elements and links function relatively independently, which causes the need for constant coordination of the components of the region investment development financial mechanism. The relationship of all elements of the financial mechanism is an important condition for its effectiveness.

The current financial mechanism of the region investment development is designed not only to create a real financial base of public administration, but also to ensure economic regulation of financial activities of all economic entities in the region. The development of financial relations' new forms entails complications of the regional financial mechanism.

The regional financial mechanism is a very complex system of interconnected

and interdependent components, which in integrity is a set of independent links.

In the structure of the region investment development financial mechanism, classic control elements are classification: financial planning, financial forecasting, financial regulation, financial support, financial control.

In modern conditions, there is sufficient reason to assume that without a thoroughly developed mechanism for financial provision of investment development, based not only on the fundamental principles of financial science, but also innovations, investments, investment activities, it is problematic to ensure the economic independence of the state even in the conditions of proclamation on the priority of investment development. Such perception consistently approves a new view of the factors that ensure investment development, and new realities predetermine specific concepts and approaches and raise their importance to a higher general methodological level.

Thus, only on the basis of an integrated approach to the formation of an effective mechanism for investment activities financial support, new opportunities are opened for the implementation of an investment model for the national economy development at the level of the state, regions, provinces and economic entities.

Regions' investment development of regions requires the formation and functioning of the investment processes financial support effective system in the regions. Financial support consists in allocating a certain amount of financial resources to solve certain tasks of the business entity financial policy. In this case, there is a provision and regulatory action of financial security.

Security action is manifested in determining the sources of financing, i.e. covering everyday needs, and characterizes the passive impact of financial security. Regulatory action has an impact through the allocation of sufficient funds and through a specific form of financial security and characterizes its active impact. In general, the action of the financial mechanism is aimed at realizing the economic interests of participants in financial relations [442].

Financial support for investment development determines the sources, methods and forms of effective investment projects financing that involve achieving economic,

social, environmental and scientific and technical effects.

In order to properly organize the investment development financial support, there should be an interaction between sources, methods, forms and instruments of such provision that forms the region investment development financial mechanism.

The financial mechanism is the most dynamic part of financial policy. By forming a financial mechanism, the state seeks to ensure its most complete compliance with the financial policy requirements of the particular period, which is the key to the completeness of the implementation of its goals and objectives.

At the same time, there remains a constant desire for the most complete imprisonment of the financial mechanism and its individual elements with personal and collective interests, which is a guarantee of the financial mechanism effectiveness. His changes occur in connection with the solution of various tactical problems, and therefore he responds sensitively to all the peculiarities of the current situation in the economy and social sphere of the country.

The financial mechanism structure is quite complicated. It includes various elements that correspond to the diversity of financial relations. The financial mechanism elements include financial resources forms, etc. formation methods, the system of legislative norms and regulations, which are used in determining the revenues and expenses of the state, the budget system organization, the finances of enterprises.

The financial mechanism is a system of government-established forms and methods of organizing financial relations. A review of the theory of the financial mechanism structure constructing the showed that there are different approaches to the number of elements, but we found it possible to distinguish structural links connected to each other and include the main elements of the financial mechanism, which can be schematically as follows. (Fig.1).

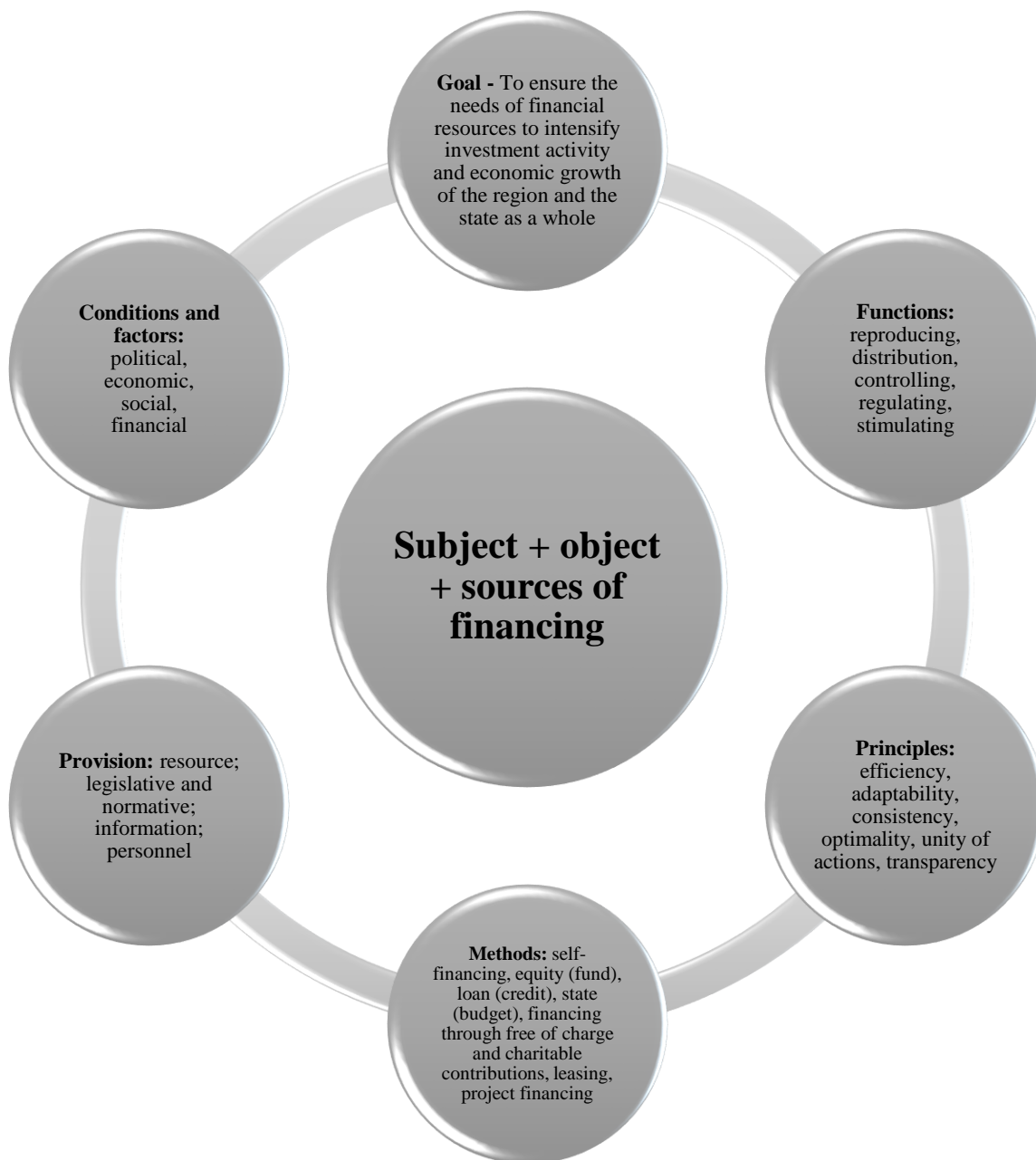


Fig.1 The region investment development financial mechanism (developed by the author)

According to the Law of Ukraine "On Investment Activity" the investment is carried out by the following entities:

- citizens, non-state enterprises, economic associations, unions and societies, as well as public and religious organizations, other legal entities based on collective ownership;

- state authorities and authorities of the Autonomous Republic of Crimea at the expense of budgets, out-of-budget funds and borrowing funds, also states enterprises and institutions at the expense of their own and borrowing funds;

- local governments;
- foreign citizens, legal enterprises and states;
- citizens and enterprises of Ukraine, foreign countries within the framework of joint investment [443].

The management object in the financial mechanism is the financial relations' system, the organization forms of which depends on the "design" of the financial mechanism, the composition and its quantitative parameters. The region investment development object are investment programs, regional development programs, targeted programs.

According to the legislation of Ukraine, investment activities financing and therefore the region investment development can be carried out at the expense of:

- 1) the investor's own financial resources (profit, depreciation deductions, compensation for losses from accidents, natural disasters, cash accumulations and savings of citizens, enterprises, etc.);
- 2) the investor's borrowed funds (bond loans, bank and budget loans);
- 3) the investor's attracted financial funds (funds received from the sale of shares, equity and other contributions of citizens and enterprises);
- 4) budget investment allocations;
- 5) free and charitable contributions, donations of organizations, enterprises and citizens [443].

Sources of the region investment development financing are structured in Table 1.

Own sources of funding for the region investment development at the state level have limited opportunities, in the form of local budget funds, which include tax revenues (national taxes, which, according to the legislation, are fixed on local budgets, local taxes and fees, also deductions from national taxes) funds received from its own means of municipal formation, which are created through the activities of enterprises and organizations owned by territorial communities, and payment for services provided by local governments, as well as local loans.

Table 1.

Sources of the region investment development financing

Type of financing Resource	Own	Attracted	Borrowed
State resources	Local budget funds	State budget funds State credit system Development Fund	State lending Treasury Obligations Emission IBRD, IFC, BAHI, EBRD loans
Organizations resources	Self-financing (Unallocated profit enterprises depreciation deductions) Enterprises shares emission Reserve capital	Insurance companies funds Shares emission Grants Resources of non-profit organizations (fundraising)	Bank loans Venture financing Foreign investments Commercial credit Investment loans Leasing Forfeiting Factoring
Private investors resources	Own funds of citizen and enterprises Deposits in financial and credit institutions; Securities savings	Funds of domestic investors Investment funds	Mortgage

The local budgets funds play a minor role in the region investment development, since their share in the investment structure sources is about 4%, this is due to the fact that the principle of creating conditions that ensure the interest of local government in increasing revenues to budgets, which should become a significant factor in the efficiency of the budget system development, is only declared. A significant investment potential is the investment resources attraction by issuing territorial debt obligations, which is currently one-time, individual. In addition, the scheme credit investment resources of reimbursement and replenishment of is not well thought out and well established. It eliminates the possibility of using local budgets as the source of investment resources on the ground.

The most reliable form of investment financing at the enterprise level is self-financing, that is, the use of own funds (net profit and depreciation deductions). The most common source of funding is the unallocated profit of enterprises, that is, it's the net profit part that can be directed to investing in production and social nature.

Reinvested profit of enterprises is one of the cheapest sources of investment financing, as its use avoids additional costs associated with the payment of loans interests or expenses related to the emission securities.

It is worth noting that profit is the main source of the enterprise market value growth, since the ability to self-increase the capital cost is ensured by capitalizing part of the profit received by the enterprise. Therefore, if the higher of the profit capitalization are received by the enterprise, then the higher the value of its net assets (assets formed by equity), and accordingly the market value in general, which is determined by its sale, merger, acquisition and in other cases [422].

The next source of funding is enterprises depreciation deductions. Depreciation is its own financial resource, which under certain conditions may be sufficient to meet the needs of advanced reproduction. This depreciation property is possible when existing concepts of depreciation are able to provide accelerated renewal of fixed assets, the tempo of their reimbursement in order to accumulate their own financial resources sufficient for subsequent investments in the main capital.

Enterprises shares issue is an alternative to loan financing. And, although the use of an additional emission of ordinary shares as an alternative to a loan is associated with lower costs (with a significant amount of resources involved), more often turn to loan financing in practice. The reason is that with frequent shares emission, a number of obstacles may arise. The first obstacle is due to the fact that the joint stock company receives investment resources only at the end of the share's emission. Placement, first, takes time, and secondly, the emission is not always fully realized. The second obstacle is that the securities placed in the form of "ordinary shares emission" are not borrowed, but equity. Therefore, making a decision on an additional emission can lead to a blurring of proportional shares of shareholders' participation in the authorized capital and a decrease in their income. This is due to an increase in the authorized capital by ordinary shares additional emission, which in turn can lead to an increase in the number of shareholders and reduce the ordinary shares rate per share. Such prospects raise fears of current shareholders, which they demonstrate through the share's sale. In order to avoid such a situation, according to the Law of Ukraine "On Joint Stock Companies"

the joint stock company charter the may provide for the overwhelming right to purchase "new" shares by "current" shareholders. When exercising such right, the current shareholder can buy shares of the new emission in the amount proportional to its actual part in the joint stock company capita [444].

Reserve capital, also is one of the financing sources, can be created at the enterprise, if its creation is provided for in the charter documents or defined by legislative acts. The procedure for the creation of reserve capital at the enterprise is regulated by the Law of Ukraine "On Economic Companies" [445] (Article 14), which is could for that the company creates a reserve (insurance) capital in the amount established by the charter documents, but not less than 25 percent of the authorized (invested) capital, as well as other funds provided by the legislation of Ukraine or charter documents of the company. The amount of annual deductions to reserve capital is 5 percent of the net profit. Also, the mention of reserve capital is in the Law of Ukraine "On Joint Stock Companies" [444] (Article 19), according to which the reserve capital of the joint stock company is formed in the amount of at least 15 percent of the company authorized capital through annual deductions from the company net profit or at the expense of retained profit.

Own funds of citizens are formed through their savings, which also play an important role in the economic cycle of the country and are a potentially powerful source of investment. Attracting savings of the population to investment processes, that is, transferring them from an unorganized (cash) form to an organized (deposits in banking institutions; deposits in non-bank deposit institutions; securities purchase; investing in insurance policies) is an important issue for Ukraine throughout the economy development period.

Savings transformed into investments contribute to the stabilization of the economy, reduce conjuncture fluctuations. Organized household savings are a source of internal investment in the national economy. Based on the importance of savings for the country economy, the state is tasked with maximizing their economic turnover. The modern financial system has a large number of areas free cash investment, namely:

- deposit funds in the bank;

- securities purchase (shares, corporate bonds, domestic government loan bonds, etc.);
- participation in the credit union;
- deposit funds in joint investment institutions;
- currency purchase currency in order to hedge risks from the devaluation of the national currency;
- purchase of precious metals and precious stones;
- purchase of antiques, paintings;
- participation in construction financing funds and real estate transactions;
- real estate purchase, etc.

Deposits in financial institutions are the most attractive form of organized household savings, in the form of bank deposits, which can be stored both in national and foreign currency. Hryvnia deposits have an advantage, as they compensate for the impact of inflation on funds, but their liquidity on term deposit decreases dramatically. Deposits in foreign currency can bring both income to its owner and loss, as the result depends on the dynamics of the hryvnia exchange rate. Liquidity of funds in this form is lower than deposits in the national currency.

Bank metals as a form of savings, according to some scientists, are the most effective. But it also has its drawbacks: banking metals are realized only in the form of ingots and have low liquidity. However, based on world experience, such savings are most effective in the long term.

In recent years, services such as life insurance and non-state pension insurance have remained the main among non-bank financial services. But households do not actively invest in these market segments, which is due to: insufficient information on the insurance companies' activities and non-state pension funds; significant distrust of citizens to relatively new financial services for the domestic economy. In addition, the reasons for this households behavior are, in particular, the following: there is no clear regulatory framework for the relations regulation as to the attraction of public funds; the state does not perform its functions to protect the interests of temporarily free funds' owners; there is no mechanism for personification of all market participants

responsibility for violation of "market discipline." The same situation occurs in the stock market. Therefore, unfortunately, domestic households have not become active members of it.

The second type of investment development financing includes attracted funds. At the state level, an important source of resources for investment is also the funds of state and local budgets. In the market economy, the state role the as a direct investor is preserved for basic life-sustaining industries and social industries, which are unattractive to private capital, as well as for industries of national importance. Thus, at the present stage, in developed countries, the intangible production industries are especially supported by the state, which contribute to increasing the competitiveness of goods and their innovation.

One of the important areas of public funds use, of course, is the investment projects financing in priority directions, in particular, the investment of government funds and programs in the priority areas of scientific and technical development and direct state financing of investments in the implementation of economy structural restructuring, support for the creation and development of new competitive science-intensive industries and industries that will form the basis of the material and technical base of the country's long-term economic growth.

An important source of funding is the state credit system. The banking system of Ukraine is actively involved in financing investments due to its peculiarities, including commercial banks with 100% of foreign capital, in particular, such as Aval, Ukrsibbank, UniCredit Bank (Ukrsotsbank) and others. But the problem of attracted banking financing is the instability of the financial and political system; imperfect and non-permanent legislation; too high credit interest rates; disadvantageous conditions of loan agreements for borrowers; extremely long procedure for considering the possibility of obtaining a loan and the short-term nature of lending. All this causes high rates on loans.

The traditional approach to financing regional development is to provide subventions from the state budget to local budgets. However, despite the approved method of funds allocation and proposals preparation, this approach was actually

manual and opaque given the lobbying element in decision-making. In this regard, the State Fund for Regional Development was created [446].

Financing of investment projects at the expense of the State Fund for Regional Development in Ukraine is carried out on a competitive basis. The evaluation and selection of projects is carried out by regional commissions, the meeting of which is necessarily broadcast and posted on the websites of the Regional State Administration. General information about regional development investment projects, which can be implemented at the expense of the fund, is highlighted on the website of the Ministry of Community Development and Territories of Ukraine.

In addition, the government approved the procedure for the preparation, evaluation and selection of investment projects that can be implemented at the expense of the State Fund for Regional Development, according to which investment projects are subject to mandatory co-financing from local budgets at the level of 10%. The government also proposed a procedure for the distribution of funds of the State Fund for Regional Development between regions, according to which 80% of the fund's sums are distributed in proportion to the population, which live in the region; and 20% - taking into account the level of the region socio-economic development and inefficient management of funds at the region.

The funds raised should include the funds of insurance companies. However, the funds, which are accumulated by insurance organizations (insurance reserves), are targeted and intended, first of all, to cover losses from insurance events, which affects their investment opportunities. The high potential of insurance investment opportunities of insurers lies in cumulative.

One of the popular sources of funding for regions investment development is grants. Grants provide resources in the form of irrevocable financial assistance, charitable contributions and voluntary donations that have a purpose and are directed to solve a certain socially significant problem. Grants can be a significant tool for financing the region investment development, and often perform a supporting function on other instruments, including international technical assistance and IMF loans, which are aimed at supporting economic reforms and infrastructure projects, primarily on

energy saving, environmental protection and transport infrastructure development. Grants as well as international technical assistance can be provided in the form of property, works or services, intellectual property, also financial resources [447].

Resources of non-profit organizations (or fundraising), unlike investments, are associated with the search for resources for non-profit projects/programs, which due to certain circumstances cannot be implemented as commercial. We are talking about supporting socially important projects and programs mainly in the non-profit sphere of economics, that is, when such projects implementation's participants will receive not profit, but certain benefits (privileges) of socio-economic, political, social communicative, educational nature. There are two main ways to finance non-profit organizations: internal and external. Internal include: funds from charity events (income from marathons, sales, concerts, etc.), voluntary donations of the organization individual members, income from economic activities. External sources of financial funds are grants from international donor organizations, public and state funds of the government, sponsorship contributions from commercial structures, private and charitable donations [448].

The main legislative acts in the field of fundraising in Ukraine can be considered acts that regulate public organizations' activities, namely charitable and non-profit ones - Constitution of Ukraine [449], Economic Code of Ukraine [450], Budgetary code of Ukraine [451], Tax Code of Ukraine [452], Laws of Ukraine: "On charitable activities and charitable organizations" [453], "On Volunteering"[454], "On Humanitarian Assistance" [455].

The main forms of fundraising are:

- grant fundraising (measures' system to find financial means necessary for the non-profit projects' implementation through the receipt of targeted funding within the established competition programs);
- charitable fundraising (activities to provide both financial and other material means necessary for the non-profit projects implementation through receiving one-time support from special charitable foundations, business entities, individuals). The most common forms of charity are philanthropy and sponsorship. According to the Law of

Ukraine "On charitable activities and charitable organizations": "patronage activity - charitable activity in the spheres of education, culture and art, cultural heritage protection, science and scientific research, which is carried out in the manner defined by this Law and other laws of Ukraine" [453]. "Sponsorship is voluntary material, financial, organizational and other support to citizen and entities of beneficiaries in order to popularize exclusively their name (on-site), their mark for goods and services" [453]. A special form of charity is philanthropy - "charity, voluntary unselfish help and patronage of the needy" [456], in most cases, by the call of the soul. One of the charity fundraising main flaws, as opposed to grant, is the practical inability to receive long-term funding;

- cooperation with state authorities, industrial enterprises and firms (in this case, it means not charity or sponsorship, but mutually beneficial joint work of non-profit organizations and donors - whether state or non-state structure).

The third group of sources of funding for region investment development include borrowed sources.

State lending is carried out at the state level. A state investment loan is a set of credit relations in which the lender is the state, and the borrower is the enterprises that most often belong to the state form of ownership. It is provided for capital investments of production purpose by providing budget loans directly to ministries and agencies, other state executive offices to finance enterprises, organizations and associations through banking institutions of facilities, construction of which is just beginning, on a competitive basis, as well as to finance previously started promising buildings, technical re-equipment and reconstruction of existing enterprises, that are belonging to state property in the economy's priority areas [457].

The state can also provide a tax investment credit, which is a deferral of income tax payment, that is granted to the enterprise for a specified period in order to increase its financial resources for the investment programs' implementation with subsequent compensation of deferred amounts in the form of additional tax revenues due to the total growth of profit, which will be obtained in accordance with the current legislation as a result of the investment programs implementation.

The introduction of an investment tax credit does not require additional credit resources, because it uses the resource potential of the enterprise itself in the form of profit, namely, the part that should be deducted to the budget in the form of income tax. Therefore, the introduction of an investment tax credit encourages enterprises to increase the efficiency of their work and profit [458].

Treasury obligations emission. According to the Law of Ukraine "On Securities and Stock Market," the treasury obligation of Ukraine - a state securities, which is placed exclusively on a voluntary basis among individuals, certifies the debt of the State Budget of Ukraine to the owner of the treasury obligation of Ukraine, gives the owner the right to receive cash income and is repaid in accordance with the conditions of placement of treasury obligations of Ukraine [459].

The loans of IBRD, IFC, BAHI, EBRD International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) are part of the World Bank group of organizations aimed at raising the standard of living of developing countries. IBRD lending is carried out by providing funds allocated by the World Bank Group in debt to IBRD member states and under state guarantees. The IBRD also has the right to provide loans to the IFC. By attracting IBRD funds in the global capital markets at a low cost due to its high rating, the bank provides credit resources to countries with average income at market rates corresponding to the level of these countries, on more favorable terms - in a larger volume, with longer terms - we repay and on a more sustainable basis than funds available in financial markets [460]. The IBRD receives annual income through equity profit and small margin on loans provided, which allows the organization to cover its operating expenses, replenish reserves in order to strengthen its financial potential, as well as provide an annual deduction of funds to the budget of the International Development Association.

Venture funding stimulates the development of scientific and technological progress, promotes the acceleration of the introduction of the latest achievements of science in production. Sources of such capital are:

- rich individual investors, branches and subsidiaries of banks and other corporations, which are organized into small investment companies;

- groups of investment banks and corporations that create a pool of investments or so-called partnerships on investment with risk; as well as some large banks and some foreign investors.

Today, venture funds are one of the most important institutes for supporting innovation in the global economy. They provide financial funds for scientific research, development and introduction into production of new products and ensure their movement to the consumer.

Venture capital is not just closely related to innovation, it is a critical factor in the innovation process. In recent decades, venture capital has been a measure and driving force behind the development of small innovative entrepreneurship in all developed countries of the world. Thanks to him, the vast majority of developments in the latest industries and medicine, and countries with a developed venture capital market are now the leading exporters of high-tech competitive products [461].

Foreign investments are one of the most popular sources of financing, that is, they are values invested by foreign investors in investment activities in accordance with the legislation of Ukraine in order to make a profit or achieve a social effect.

According to the Law of Ukraine "On the regime of foreign investment ", foreign investments can be made in the form of:

- foreign currency recognized as converted by the National Bank of Ukraine;
- currencies of Ukraine
- when reinvesting in the object of primary investment or any other investment objects in accordance with the legislation of Ukraine, subject to payment of income tax (income);
- any movable and immovable property and related property rights;
- shares, bonds, other securities, as well as corporate rights (ownership rights to the share (share) in the authorized fund of a legal entity created in accordance with the legislation of Ukraine or the legislation of other countries) expressed in the convertible currency;
- monetary claims and rights to requirements for the fulfillment of contractual obligations, which are guaranteed by first-class banks and have value in converted

currency, confirmed in accordance with the laws (procedures) of the investor's country or international trade customs;

- any intellectual property rights, the value of which in converted currency is confirmed in accordance with the laws (procedures) of the investor's country or international trade customs, as well as confirmed by expert assessment in Ukraine, as well as the copyrights, rights to inventions, utility models, industrial designs, marks for goods and services, know-how, etc.;

- rights to carry out economic activities, as well as the right to use subsoil and the use of natural resources provided in accordance with legislation or agreements, the value of which in converted currency is confirmed in accordance with the laws (procedures) of the investor's country or international trade customs;

- other values in accordance with the legislation of Ukraine [462].

Also, one of the forms of borrowing is a commercial loan, which is provided in the form of a deferred payment, by the supplier of goods to its trading client. This form of credit varies depending on the nature of the goods, but usually corresponds to the cycle of sale or sale of goods to customers. In the vast majority of the material basis of a commercial loan are commodity bills. In turn, losses can be instruments of a bank loan in the form of their accounting by a supplier in a commercial bank. Banks have the opportunity to re-issue bills in the Central Bank of the country. The intermediate form between commercial and bank loans is brokerage loans related to transactions on the sale of goods. The source of brokerage loans are the means of large banks. Banks provide loans to exporters and importers not directly, but through brokerage firms. Brokers, as intermediaries between exporters and importers, play an important role in commodity trading. Exporters are given loans for the preparation of goods for export abroad and for goods stored in the country of the supplier of these goods, and importers - secured goods in the country of the importer. Brokers also carry out the accounting of waste accepted by importers, can accept the expenses of exporters themselves. Commercial (branded) loans serve to improve liquidity and accelerate capital turnover in both the importer and the exporter.

Investment lending is one of the sources of financing the development and full functioning of business in the region. Lending provides the enterprise with the necessary funds for the development of its activities, as the turnover of small businesses is small and it lacks its funds. Therefore, investment lending is a prerequisite for the full development of small and medium-sized businesses in Ukraine. The main problems of investment lending in Ukraine are the reduction of the solvent demand of potential borrowers, the high risk of non-return and increase in the volume of bad loans in the structure of the loan portfolio of banks, the reduction of the long-term resource base of banks, the presence of banks of more profitable and less risky segments of resource allocation than real sector enterprises, the insecurity of the rights of creditor banks. Having solved these problems, the state will be able to ensure the stable development of small and medium-sized businesses, the development of investment lending in Ukraine, improve the work of banks in the country and provide them with reliable work in the field of lending to Ukrainian business.

Leasing is a source of borrowed funds and the economic essence can be seen as an alternative to long-term loans, and as a method of financing investments. Leasing financing is similar to a loan provided for the purchase of equipment, but based on property relations.

The Economic Code defines that leasing is an economic activity aimed at investing own or attracted funds, which consists in providing leasing under the contract by one party (leaseholder) for the exclusive use of the second party (leaseholder) for the specified term of the property owned by the lessor or acquired by him in the property (business charge) on behalf or agreement of the leaseholder with the relevant supplier (seller) of the property, subject to payment by the leaseholder of periodic leasing payments. In a broad sense, leasing acts as a kind of intermediate funding link between lending and direct investment [450].

The most common forms of leasing are financial and operational. Financial leasing refers to the economic operation of an individual or legal entity, which provides in accordance with the contract of financial leasing (lease) transfer to the tenant of property that falls under the definition of the main fund purchased or manufactured by

the landlord, as well as all risks and rewards associated with the right to use and own the object of leasing. Unlike financial operational leasing is characterized by the fact that the term of use of the property is much less than the period of depreciation, and this allows the lessee to repeatedly transfer the property to leasing.

Forfeiting is financing for receivables (withdrawal of a monetary claim) arising in the process of trading between commercial enterprises.

Forfeiting presents a specific form of transformation of a commercial loan into a banking one. The use of forfeiting in financing occurs when an innovative enterprise lacks its own funds to purchase the necessary products for use in the production process. Quite an interesting source of financing in developed countries is factoring, which is a complex of financial services, which is carried out by the bank to the client in exchange for concession of receivables. The factoring agreement is a long-term type of working capital financing, and therefore operates as long as the parties are satisfied with mutual cooperation.

Bank loans. A loan is a loan in monetary or commodity form, which is provided on the terms of payment, term and return under the following provisions: guarantees, collateral with real estate, collateral of other assets of the enterprise. At the same time, an important role for the enterprise is played by the level of the discount rate, which is formed under the influence of demand and supply for borrowed capital, the amount of interest on deposits, the level of inflation in the country, etc [463].

Loans differ by various features, in particular, the type of lender allocates banking and commercial credit; according to the form of provision - commodity and financial credit; for the purpose of providing - an investment and mortgage loan; in terms of validity - short -, medium - and long-term credit.

Bank loan is granted to the company on the basis of a loan agreement.

The loan expresses the economic relationship between the borrower and the creditor arising from the movement of funds on the terms of return and refund. An important element of credit regulation is the loan interest rate. Currently, investors attract credit in those areas of entrepreneurial activity that give a quick effect (in the form of profit or income). Practice shows that for enterprises that are able to quickly

increase the output of products (or the solvent demand of which products are quite stable), attracting loans is much more profitable than investing funds with the payment of a share of profit.

For private investors, the source of financing in addition to bank loans is mortgage lending, that is, it is a loan issued by the bank secured by real estate that is secured by the bank as a guarantee of loan return.

Under the mortgage agreement, the following immovable property may be laid down:

- 1) land plots;
- 2) enterprises, as well as buildings, structures and other immovable property used in business activities;
- 3) residential buildings, apartments and parts of residential buildings and apartments consisting of one or more isolated rooms;
- 4) cottages, garden houses, garages and other consumer buildings;
- 5) air and sea vessels, internal navigation vessels and space facilities.

Mortgage loan has certain advantages compared to other forms of lending:

- a) the property retains its main qualities for a long time, which allows to organize lending to the client secured by real estate for a period of up to 10-30 years;
- b) property prices in the long term tend to increase, and in conditions of inflation - higher rates than in other goods. This trend contributes to a more complete guarantee of the interests of creditors and protection against losses in the lending process;
- c) the mortgage provides additional protection of the rights of the mortgage bank through the state registration of the real estate pledge, this makes it possible to trace the following collateral of the property and other changes occurring with it and threaten the interests of the creditor;
- d) the relative simplicity and availability of the organization of control over the preservation of the subject of collateral relieves the collateral creditor from unnecessary costs for the implementation of control functions.

These features make mortgage lending attractive for commercial banks in terms of market economy and the processing of the relevant legislative and legal framework.

Currently, financing the activities of the enterprise through a mortgage loan is one of the most attractive ways.

This is due to several factors:

- the possibility of long-term loans of working capital at low interest;
- no need to withdraw funds from turnover for collateral;
- the procedure for obtaining a loan is not complicated.

Thus, a mortgage loan serves as a tool for the enterprise to form long-term liabilities.

Mortgage lending plays an important role for individuals and, above all, for improving housing conditions through the development of housing construction.

Along with traditional sources of alternative funding. Alternative sources that can be aimed at financing the investment development of the region include: online lending, crowdfunding, Peer-to-peer loans, business angels, online factoring, financing with the support of international organizations, mezzanine financing, impact investment, etc. Ukrainian small business enterprises use these sources of financing in small amounts. When P2P-кредитуванні into credit relations, equal parties enter, where borrowers and investors are most often individuals. Issuing and obtaining a loan is carried out without the involvement of banks, which allows you to set adequate interest rates and the optimal amount of the deposit [464].

Crowdfunding is a popular tool among technology startups. Especially abroad. Because they can test how popular their product is and how strong the founders of the business are. Also, fundraising through international crowdfunding platforms allows you to enter new markets.

Crowdfunding funds in addition to financial assistance mean moral support for the entrepreneur. Money does not need to be returned, but it is advisable to effectively use and get the expected social effect.

In Ukraine, crowdfunding operates not only to finance startups, but also to finance traditional enterprises that thus raise funds to open public places, breweries, craft productions, pizzerias and so on [464].

Peer-to-peer platforms are an alternative to financial companies and investors.

Peer-to-peer lending is a mechanism for borrowing money between individuals within special online platforms. Online platforms accumulate all kinds of creditors and borrowers, giving them the opportunity to meet and offer mutually beneficial conditions. Thus, future creditors and borrowers are registered on the P2P-платформах - Internet resources or programs that are installed on smartphones, and conclude loan agreements there, agree on their terms, discuss the amount of debt and repayment terms [465].

Business angels invest their own financial resources almost in ideas that can become business projects in the future. They can invest both on their behalf and through their own companies. The main advantage of business angels over traditional bank loans is that private investors are willing to take risks. Unlike the bank, they can provide both a loan for business development and a loan for opening a business. In addition, they participate in business, give professional advice, provide support, because they are directly interested in the success of the enterprise. The disadvantage of business angels is limited opportunities compared to banks. The main feature of investing business angels is reinvesting the profit to maximize the value of the company [466].

The next type of financing is impact investment (or impact investment), it includes investments that promote social change. This concept was put into circulation in 2007 at a Rockefeller Foundation meeting aimed at finding a way to create a global investment-oriented industry with a positive social and environmental impact [467].]This type of investment has recently emerged as a significant opportunity to mobilize capital into investments aimed at measuring positive social, economic or environmental impact along with financial return. An increasing number of investors include impact investments in their portfolios.

The impact investment market is relatively new but is growing rapidly, and it is making rapid progress in approaching the common framework for investment management to achieve impact. Most international financial funds investing in countries such as Ukraine since 2020 have made changes to their investment strategies, precisely determining the priority impact of investments in their portfolios. To date, the total amount of impact investment capital is 2.3 trillion US dollars, and already

more than 400 billion US dollars are managed in accordance with the Impact Principles, a market standard for managing an investment portfolio to achieve impact. Many of these investors use Joint impact indicators to measure and report on progress [467].

In the foreign practice of financing social entrepreneurship, the concept of mezzanine capital is found. This type of investment is a combination of own and borrowed capital with fixed interest rates and repayment obligations. Mezzanine capital is flexibly structured and gives the investor the right to profit in case of financial success, however, as well as obtaining loans, provides a stable financial business model and low risks.

Analysis of global funding trends shows that previously mezzanine financing was used only by large multinational corporations [468].

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Mezzanine financing involves the use of a number of tools that are combined taking into account the specifics of the enterprise and form the appropriate structure of the debt:

- mezzanine loan (unsecured or subordinated). Subordination of such a loan is ensured by granting the creditor the right to alienate or secure directly the real assets of the borrower's enterprise or its shares (structural subordination). In foreign practice, such loans are provided for a period of 5 - 10 years with the right of early repayment after the end of the minimum agreed loan period;

- convertible bonds that provide for the payment of fixed interest and the principal amount of debt after the end of the loan period, or the possibility of receiving

the borrower's shares by the creditor at a pre-agreed price instead of repaying the debt. In some cases, the issue of bonds with a warrant for the borrower's shares is practiced, which can act as an independent financial instrument [469];

- "hidden" investor's participation in the capital of the borrower's company, on which the investor owns a share in the company's capital, but is not responsible for its obligations to creditors. At the same time, information about the investor's participation in the capital of the borrower's company is closed to third parties, and the relationship between them regarding participation in the management and distribution of profits is determined by a confidential agreement.

The main disadvantage of borrowing under the mezzanine financing scheme is their relatively high cost, which is associated with a higher level of risk for investors. Since it is a hybrid financial instrument that combines the signs of lending and emission of funds, in the case of the borrower's bankruptcy, the mezzanine loan debt will be charged after repayment of all loan obligations, but before the return of equity capital. In fact, the creditor in the mezzanine financing scheme assumes some of the risks of the shareholder, and therefore expects a higher return.

In general, the income of the investor's mezzanine consists of several flows of funds:

- interest payments, including interest on the principal amount of the loan (fixed or variable, cash coupon) and deferred interest (accrued periodically and capitalized with payment after repayment of the principal amount of the debt); income from participation in the borrower's profit distribution (participating loan);
- income from the sale of warrants (options) for the purchase of shares of the borrower (if the market price of such shares exceeds the nominal);
- one-time or periodic rewards, including in the form of an additional discount when placing preferred shares or a certain number of warrants (options) on the borrower's shares;
- reimbursement at the expense of the borrower of transaction costs related to the organization of the mezzanine financing agreement, etc. [470].

Characterizing the main components of the region investment development financial mechanism, note that as well as in the interpretation of the concept of "financial mechanism" there is no clear definition of the orientation to the region, so there is no unity of scientists on the interpretation of the goal of investment development and activity of the region.

Having considered the opinions of various scientists, we note that representatives of classical economic theory claim that the main goal of investment and other types of economic activity is to maximize profit. According to A. Smith's theory, maximizing the profit of individual business entities will lead to maximizing all public welfare. The high level of profit of the enterprise can be achieved at a high level of investment risk, which generates a threat of bankruptcy, and therefore in market conditions, profit maximization is one of the most important tasks of the investment activity of the enterprise or criteria for assessing the effectiveness of certain types of its investments [471].

According to the theory of sustainable economic growth, which is constantly developing, the main purpose of investment activity is to ensure the financial balance of the enterprise in the process of its functioning and development. Implementation of this goal ensures long-term crisis-free development of the enterprise and gradual expansion of its economic activity in the process of investment.

Representatives of the modern economic theory, the main goal of the investment activity of the enterprise is to maximize the well-being of the owners of the enterprise, which receives a specific expression in maximizing the market value of the enterprise. This approach is shared by all modern theorists in the field of investment management because, in their opinion, it best implements the financial interests of the owners of the enterprise (profit and risk taking into account the time factor).

We agree with the opinion of I.O. Blank, who notes that the main goal of investment management is to maximize the welfare of the owners of the enterprise in the current and promising periods [472].

Since the enterprise represents the micro-level of the financial mechanism and is a component of the macro level, the purpose of its investment development will be to design and as the goal of the region investment development.

The general purpose of the regional investment policy, in our opinion, is to create conditions for the influx of effective investments into the economy of the region; effective investment support of the process of complex inter-territorial development of the region. Effective investments usually mean such investment, which, in addition to the risk fee for investments, allow you to obtain an acceptable for the investor and for the region that accepts investments, an economic benefit in the form of, for example, profit from investments. In this regard, the main criterion for the investor will be expected profitability on invested capital in comparison with the degree of risk, and for the region - to increase the budget efficiency of the regional economy. Increasing the budget efficiency of the region is a positive change in the regional budget balance. That is, investments should either lead to an increase in revenues, or to a decrease in the costs of the regional budget [473].

The main purpose of the regional investment policy is to develop and implement a targeted set of measures aimed at creating a favorable investment climate in the region, the development of institutional and soft infrastructure of the regional investment market and the direct implementation of regional investment policy, as well as specific investment projects and programs [474].

Summarizing all of the above, we note that the purpose of the financial mechanism of investment development of the region is to provide the needs for financial resources to intensify investment activity and economic growth of the region and the state as a whole.

To achieve the main goal, tasks aimed at ensuring:

- selection of forms and sources of financing;
- optimization of the composition and sources of investment resources;
- maximum profitability (or profitability) or achievement of social effect from investment activity;

- optimal liquidity of investments and opportunities for rapid reinvestment of capital for changes in external and internal conditions for the implementation of investment activities;

- sufficient amount of investment resources and optimization of funding sources.

In practice, the tasks for achieving the goal of investment development of the region are divided into long-term, medium and short-term. Long-term tasks include:

- development of a regional regulatory framework aimed at improving the investment climate in the region, increasing the overall investment attractiveness of the region, reducing investment risks;

- increase of investment resources of the region at the expense of budgetary and non-budget sources of all levels of public administration, financial resources of private domestic and foreign capital, as well as savings of the population;

- creation of an effective regional investment market infrastructure;

- improvement of the amortization policy: legislative prohibition of the use of the depreciation fund not for its intended purpose; development and lobbying at the federal level of practical application of various schemes of accelerated depreciation;

- formation of a healthy competitive environment; promoting the creation and effective development in the region of various forms of intra-industry and inter-industry organization of manufacturers (regional associations, corporations, unions, FPG, etc.);

- concentration of investment resources of the region on the development of priority spheres of economy and solving the most urgent tasks of social development; formation of the register of priority industries and territories;

- expansion of solvent demand, including demand for the products of enterprises in the region and demand for investment resources;

- search for objects and directions acceptable in terms of efficiency for investment; formation of new sources of tax and rent payments, etc. [473].

The short-term problems of investment development, which are solved at the regional level, change as the situation changes in the region and in the country as a whole. Among the most typical problems solved by regional authorities are:

- 1) creation at the regional level of the infrastructure of settlements between subjects of the regional investment market, including testing of various payment means;
- 2) saturation of the needs of the real sector of the region's economy with liquid working capital, including through the issue of corporate securities, regional securities, bill circulation;
- 3) mobilization of external financial sources for enterprises in the region;
- 4) creating conditions to increase the internal sources of investment resources of enterprises - depreciation and profit;
- 5) creation of reliable channels for investment of attracted capital;
- 6) strengthening control by the regional authorities over the targeted use of funds from the regional budget directed to investment;
- 7) regulated distribution of preferential investments for individual projects, economic sectors and territories;
- 8) inclusion in the economic turnover of resources available in the region, including the right to use natural resources, real estate, scientific and technical potential of the region, etc. [473].

Goals involve the presence of specific investment management tasks.

In general, the solution of tasks aimed at the investment development of the region should include:

- ensuring economic and social development of regions, taking into account the rational use of their potential, the reproduction of local resources and environmental protection;
- complex solution of interdisciplinary scientific, technical and organizational and managerial problems caused by the need to overcome the crisis, economic revitalization, development in favor of the region and the state as a whole;
- increasing the technological and information level of all spheres of economic activity to achieve competitiveness of products and services of entrepreneurial structures of the region;
- implementation of the regional development strategy [475].

One of the main components of the financial mechanism of investment development of the region are its functions, which include:

1) reproductive, which is manifested through the balancing of material and financial resources at all stages of the cycle in the process of simple and extended reproduction at the region level;

2) controlling, which is implemented through systematic control through the system of tax payments, as well as on the basis of analysis of the provided financial statements. Systematic increasing tax revenue to state and local budgets indicates an effective financial system and a well-formed investment environment;

3) the regulatory function that manifests itself in ensuring the processes of reproduction of capital and maintaining sufficient rates of development of important sectors of the region's economy. The regulatory function actually applies not only to the processes of production, accumulation and consumption, but also to natural, technical and social phenomena, the development of infrastructure, that is, permeates all levels and spheres of the region's life;

4) stimulating, which is that the investment is focused on updating the means of production, on activating the most moving and rapidly changing elements of it, on the development of science and technology. In this role, investments, in fact, serve development as such, determine its growth rates and qualitative characteristics.

5) distributing, through investment, the distribution of received in its monetary form between individual entities, and spheres and activities. The nature of distribution processes directly depends on the target benchmarks, priorities set by the state tasks.

The components of the effective functioning of the financial mechanism are its principles. When studying the principles of the financial mechanism, it should be noted that the question of principles is little researched or generally generalized and considered in the form of universal principles.

In her works M. Samogorodska attributed to the principles of the financial mechanism [473]:

- the principle of purposefulness, that is, the orientation of development and implementation of the system of goals and objectives of the general socio-economic policy of the region;

- principle of priority of solving the most urgent problems of socio-economic development of the region;

- the principle of balancing the interests of all potential participants in the investment process (public and private interests, mixed public-private financing of highly effective projects);

- the principle of equity of investors in obtaining state support and unification of public procedures; publicity and transparency of procedures of formation and mechanisms of realization of regional production potential;

- principle of openness and accessibility of information for all investors;

- principle of clarity and simplicity of procedures for registration of relations between the investor and authorities; mutual responsibility of authorities and investors; immutability of decisions made;

- the principle of balancing the maximum use of opportunities and advantages of the regional administration as an entity;

- the principle of investment orientation of budgetary policy in compliance with the condition of reasonable sufficiency in other areas of expenditure;

- the principle of flexibility based on the need to take into account changes in the investment environment and provides for a mechanism for rapid adaptation of REPs to new conditions with strict observance of the interests of subjects of the investment process;

- the principle of objectivity and priority of economic efficiency in the decisions taken [473].

L. Kostyrko and E. Chernodubova the principles of the financial mechanism include the principle of consistency (integrity), the principle of complexity, the principle of orientation, the principle of balance of interests, the principle of continuity of functioning, the principle of flexibility and efficiency [476].

B.Karpinsky the basic principles of dialectics that manifest themselves in the

characteristic dominants of the financial and tax mechanism of development of the region include the principle of development; the principle of unity of historical and logical; the principle of universal communication and interdependence of objects and phenomena; systematic principle; the principle of ascent from abstract to specific [477]. L. Hudolii distinguishes the principles: terminological certainty, that is, a clear definition of the term for which the mechanism is developed; the principle of avoidance of discretion is a universal approach to all groups of subjects; transparency principle; the principle of the inconsistency of the use of tools and methods, consistency at the level of the country as a whole and regions [478].

Generalizing approaches to the formulation of the principles of the financial mechanism, we can state their heterogeneity, and sometimes contradiction. Studying all the principles, we consider it appropriate to distinguish the following principles of the financial mechanism of investment development of the region:

- principle of efficiency, that is, investment resources should be used in such a way as to achieve maximum effect at minimum costs, which is relevant now in conditions of limited financial resources;

- the principle of adaptability, that is, the formed system must be flexible enough to transform in today's unstable conditions of development in accordance with changes in the financial environment and new needs of investment development of the region;

- principle of consistency, which involves the formation and distribution of financial resources and should be carried out taking into account all the goals and tasks that are reflected in the strategic investment development of the region;

- the principle of optimality, which means that the formation of a system of financial support for the investment development of the region should be carried out on the basis of the use of modern methods of analysis, planning, control, multi-variant calculations;

- principle of unity of action, that is, all participants of the investment process should be involved in the formation of the financial support system for the investment development of the region;

- the principle of differentiation of sources of financial resources, that is, in order to increase efficiency and reduce the risk of investment, it is necessary to attract financial resources from different sources;

- principle of transparency means that, on the one hand, the activities of the participants in the investment development of the region should be as transparent as possible, and on the other hand, the activities of the relevant office carrying out state regulation, control and supervision should also be transparent.

Based on the sources of financing of investment development of the region, it is necessary to determine the main financial methods and forms. With the help of these methods, the creation and use of financial support for the investment development of regions that materialize in various assets in the process of financial and economic activity is ensured.

Under the "financial methods" understand the form of expression of financial relations, which determines the specific ways of formation and use of centralized and decentralized funds of funds to ensure the effective functioning of all components of the financial system, the main of which are budgetary financing, lending and self-financing [479].

Methods of implementation of investment development are a set of tools, methods and technologies to achieve the goals.

Depending on the method of influence, methods can be administrative and economic in nature. Administrative methods are reduced to the adoption of legislative and regulatory acts, management of state (municipal) property and enterprises, provision of state (municipal) loans and subsidies, licensing, quota and imposition of various sanctions.

Methods of economic nature are divided into direct and indirect. Indirect economic methods of regulation of regional investment policy include forecasting, programming, indicative planning of socio-economic and investment development of the region, the use of tax, fiscal, credit and money, anti-inflation measures [480].

The form of financing is external manifestations of the essence of the method of financing. Thus, a single method of financing may have its forms of expression. At the

same time, isolation within the framework of a particular method of the form unites their economic essence, which allows to refer them exactly to a certain method of financing investments.

The main forms of realization of investment development of the region should be identified:

- development and implementation of national or municipal target programs;
- placement of the state/municipal order for the supply of products for public needs [481];
- support of science-intensive industries and development of high technologies;
- participation of the state or municipal authorities in investment and innovation projects;
- promoting the development of foreign economic relations of the region;
- creation of conditions for the formation of special economic zones and technoparks [482].

In economic practice, there is no single point of view regarding the components of financial security methods. According to N. Shevchenko, there are the following methods of financing investment processes:

- self-financing (own funds);
- budget (budget investments);
- credit (loan funds);
- stock or shareholding (attracting funds);
- combined [483].

According to Kondrashov M.V., the following can be considered as methods of financing investment projects [484]:

- self-financing;
- shareholding and other forms of partial financing;
- credit financing;
- financing of local and higher budgets;
- mixed financing;
- project financing.

Methods of financial support of sustainable development of depressive territories (including investment development) Kovalenko L.O. and Mikheenko T.V. include:

- self-financing;
- budget financing;
- investment;
- lending.

More fully grouped methods and forms of financing investment activity (Fig. 2)

Next, we will consider in more detail each method of financing investments. Self-financing - is carried out at the expense of their own funds. Ponomarenko V.S. argues that "own funds - the main source of self-financing - can be used by entrepreneurs only for individual highly profitable investment projects, while the necessary financial potential is borrowed and attracted resources" [485].

Self-financing can only be used for small investment projects. Capital-intensive investment projects, as a rule, are financed by not only internal, but also external sources.

However, M.Yu. Kodenskaya believes that the total amount of investments in the main capital of Ukraine is the largest share of own funds of enterprises and organizations [486]. Among its own sources, of course, a big role should be played by profit, which provides an increase in gross capital and remains at the disposal of enterprises after paying taxes and other mandatory payments.

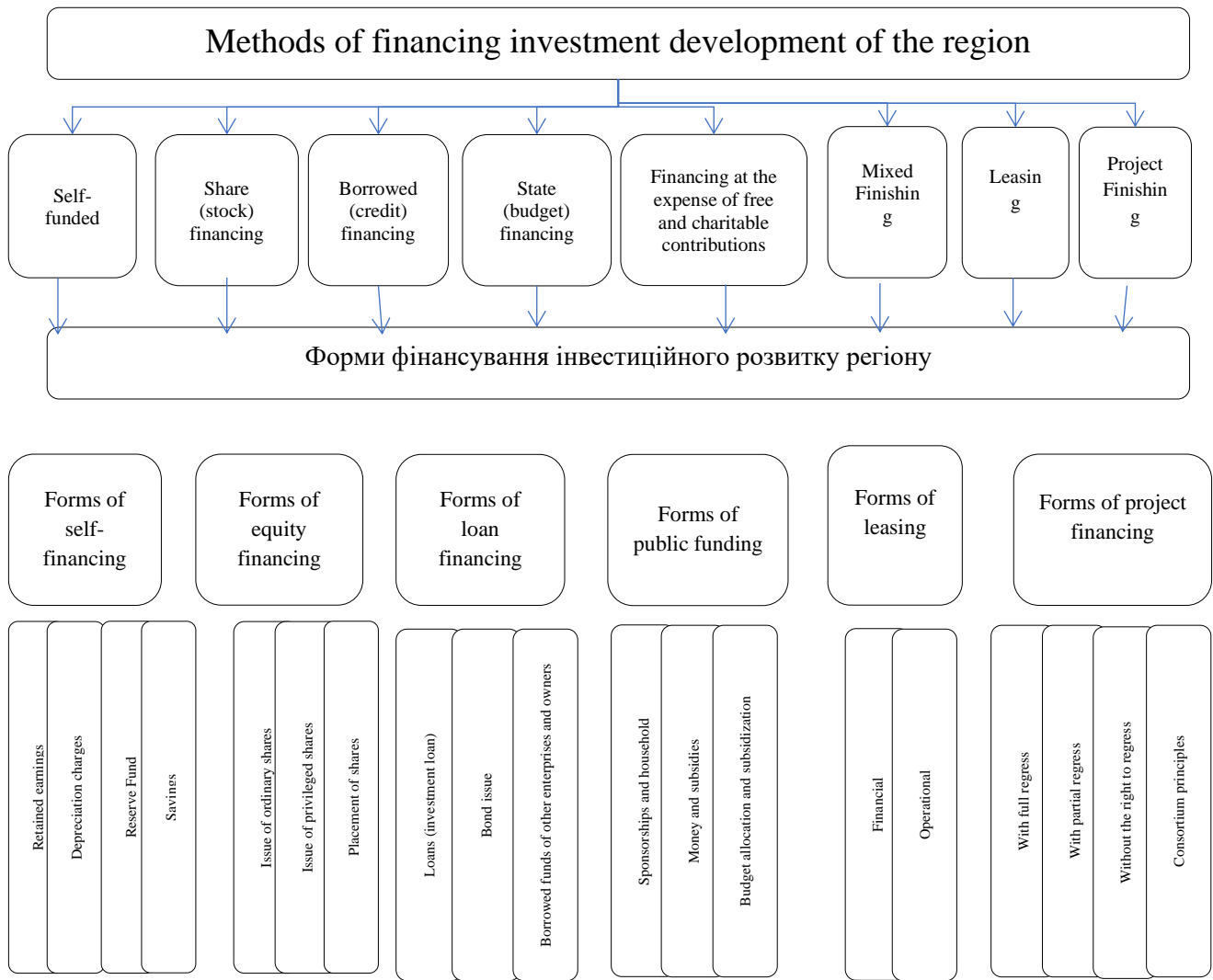


Figure 1. Methods and forms of financing investment development of the region
(developed by the author)

Profit as the main source of financing is most often used for small investments - bank deposits, purchase of securities, investment in the intellectual capital of the enterprise. In addition, profits, the most important source of formation of financial resource of investment activity of enterprises is depreciation deductions. I.M. Boychuk notes that depreciation deductions are part of the proceeds from the sale of products attributed to the cost (not taxed by the income tax) and which is used for the renovation of fixed assets. The higher the amount of depreciation deductions, the lower the amount of income tax, the more funds remains at the disposal of the enterprise for its own development [487].

Another potential source of investment resources is the savings of enterprises and the population.

Share (stock) financing (shareholding) is the next method used to finance large investment projects with significant payback times. Capital is attracted by issuing simple and privileged shares placed among legal entities and individuals, or through issuing options. The attractiveness of the joint-stock form of financing of investment projects is manifested in the fact that the main volume of necessary resources is received at the beginning of its implementation, that is, it makes it possible to finance new enterprises in which there is no more profits, depreciation, collateral property in order to get a loan from the bank [488]. An important source of investment resources for any economy is the funds of the financial and credit system.

Loan financing is used in financing investment projects with a high yield rate (which exceeds the borrowing interest rate) and small payback periods.

Loan financing consists mainly of loans, issue of bonds and borrowed funds of other enterprises and owners.

Credit is a universal tool for the distribution of national income, financial, material and labor resources, the alignment of profitability indicators of the enterprise on the basis of transfusion of capital, which contributes to progressive structural changes in the national economy. The basis of debt financing is an investment loan, which is an economic relationship between the creditor and the borrower regarding the financing of investment measures on the basis of return and, as a rule, with the payment of interest.

To finance investments, both commercial and bank loans are used.

A commercial loan is a commodity loan that provides for a deferral of payment for material and other values set for the needs of the investment process. A bank loan provides for obtaining the amounts necessary for investment activities. It can be obtained in banking organizations on special terms. In some cases, when the development of the enterprise solves national tasks and contributes to the development of the entire economy of the country, the investor is given loans from budgets of

different levels. Such loans are usually provided to meet the primary needs of the social sphere and the development of production infrastructure.

One way to obtain borrowed funds is to issue corporate bonds. In this way, temporarily free funds of the population and other subjects of the market economy are attracted as investments. The validity of such bonds should be slightly longer than the estimated period for the implementation of investments, so that funds for the repayment of this loan can be obtained from the income from the use of realized investments. To place such loans, it is necessary that they be attractive to potential investors. To do this, it is necessary to form conditions that would be quite profitable for them and provide liquidity of bonds in the securities market.

Attracting investment funds by issuing bonds allows you to use the cash resources of small investors who practically do not interfere with the activities of the enterprise and do not prevent it from realizing its goals, to work on certain principles. In addition, the interest rate that these investors receive is fixed and less than the bank loan rate. This allows enterprises to more accurately predict their income and expenses, reduces the risk of critical situations. The disadvantage in terms of using this resource is the system of regulating the issue of bonds by the securities market management bodies and the practical absence of a secondary bond market.

One of the sources of investment development financing is an international investment loan - economic relations between states, foreign banks and firms regarding the financing of investment activities on the basis of return on certain terms and, as a rule, with interest payment.

A new form of lending to capital investments implemented in financial institutions is the provision of funds to clients for the implementation of long-term large-scale projects, through the full repurchase of industrial bonds issued by these customers. In international practice, such an operation is called underwriting. It has wide distribution in the activities of specialized investment banks abroad [489].

An important source of resources for investment is the funds of state and local budgets, that is, state (budget) funding. Currently, budget investments are not paid enough attention. Thanks to this leverage, the state can regulate the investment market

of Ukraine, ensure healthy competition in the market of investment packages, stimulate the optimal market conditions. Such activity ensures sustainable socio-economic development and competitiveness of the national economy.

In turn, budget investments are divided:

- investments in the budget sector;
- investment in infrastructure;
- investments to ensure social protection;
- investment in the real sector of the economy;
- investments of social purpose [490].

In particular, in Ukraine, such ways of investing the real economy at the expense of budgetary funds as contributions to statutory funds and investment loans are often integrated.

State (budget) financing of investment projects provides for state investments in the main objects of economic and social development. Financing of capital investments from the budget under market conditions has its own peculiarities. The state intervenes in the process of financial and credit provision of capital investments of state-owned enterprises.

An important place in the system of financial institutions is occupied by state institutions. At the same time, it is not about replacing private investors with the state, but about the possibility of effectively supplementing private investments with it. At the same time, foreign experience does not give an unambiguous answer to the question of the role of public investment, which is changing at different stages of economic development.

In general, state financial institutions that participate in the investment development of regions tend to include budget and out-of-budget funds, as well as development institutions. Through budgetary funds, state targeted and investment programs for the development of investment attractiveness of regions can be funded. To date, state capital investments from the budget are realized mainly through the system of state targeted programs, which are inherently one of the key tools for implementing an active policy of the state aimed at increasing the competitiveness and

investment attractiveness of the country. At the same time, in conditions of budget deficit, it is advisable to make a significant part of such investments on the principles of co-financing with private capital. In fact, the main purpose of the target programs should be to facilitate the attraction of additional out-of-budget funds for their implementation. In this aspect, the most significant are such state target programs, which are characterized by a tangible multiplicative effect on the expansion of private business activity, when the influx of investments both in the region and in a particular industry are restrained due to the lack of necessary infrastructure.

Financing through development institutions focuses on the system of financial partnerships and occupies an intermediate place between the commercial financing of profitable projects and budget allocations. Development institutions not only contribute to the attraction of long-term investment funds in the priority sectors of the economy, but also to the spread of new technologies, which in turn increases the investment attractiveness of the territory.

Development institutions are defined as "specialized state (quasi-state) corporations (companies) whose activities are aimed at eliminating the" market failures "that inhibit the economic and social development of the country" [491].

The functioning of development institutions is often closely related to the public-private partnership instrument, which, in turn, allows you to create an effective system of partnership relations, providing from the state comfortable conditions for doing business, and from the business side, solving socially significant issues by increasing the level of social responsibility of the private sector. In conditions where the state is constantly facing the problems of lack of budget resources and increasing requirements for services provided, the private sector is becoming increasingly important as a source of investment capital.

In recent years, the process of financing investments at the expense of financial and industrial formations created on the basis of large industrial formations operating in the region and able to concentrate their own, state, collective and private funds, as well as foreign investments has significantly intensified [486].

Mixed financing - based on combinations of different methods of financing investment projects.

During the last century, leasing investment has become popular, which, on the one hand, is associated with the development of innovative activities and the introduction of innovations in the production of various equipment and equipment for all spheres of the economy, and on the other - its significant cost, which makes it impossible for many business entities to purchase it on the basis of contracts of sale and supply. A compromise option that allows you to use the latest equipment without the burden of paying its full cost and maintenance, requiring special knowledge and skills, was leasing [492].

Project financing in international practice means financing investment projects, characterized by a special way to ensure the return of investments, which are based on the investment qualities of the project itself, those revenues that will be created or restructured in the future [493]. The specific mechanism of project financing includes the analysis of the technical and economic characteristics of the investment project and the assessment of the associated risks, and the base of return on invested funds is the income of the project that remains after covering all costs.

A feature of this form of financing is also the possibility of combining different types of capital: banking, commercial, state, international. Unlike a traditional loan agreement, risk allocation between the participants of the investment project can be carried out.

There are three forms of project financing:

1) with full regress on the borrower, i.e. the availability of certain guarantees or the requirement of a certain form of liability limitations of the project creditors. The risks of the project mainly fall on the borrower, but the "price" of the loan is relatively low and allows you to quickly get financial funds for the implementation of the project. Full-regress financing for the borrower is used for low-profit and non-commercial projects;

2) without the right to regress the borrower, that is, the creditor has no guarantees from the borrower and assumes all the risks associated with the implementation of the

project. The cost of such a form of financing is quite high for the borrower, as the lender hopes to receive appropriate compensation for a high degree of risk. Thus, projects with high profitability and resulting in the sale of competitive products are financed. Projects of this form of financing should use advanced production technologies, have well-developed product markets, provide reliable agreements with suppliers of material and technical resources for the implementation of the project, etc.;

3) with limited right to regress. This form of project financing involves the distribution of all the risks of the project between its participants so that each participant takes the risks dependent on him. In this case, all participants undertake specific commercial obligations, and a reasonable price of financing. At the same time, all project participants are interested in the effective implementation of the project, since their profit depends on their activities.

Depending on the amount of ownership powers transferred to a private partner, investment obligations of the parties, the principles of risk separation between partners, the following mechanisms can be identified among the project financing models:

1. Financing for future deliveries of products.
2. WOT (build - operation - transfer) construction - operation - transmission.
3. WOT (built - own - operation - transfer) construction - possession - operation - transfer.
4. BTO (Build, Transfer, Operation) construction - transmission - operation.
5. BOO (Build, Own, Operation) construction - possession - operation.
6. BOMT (Build, Operation, Main, Transfer) construction - Operation - Maintenance - Transfer.
7. DBOOT (Design, Build, Own, Operation, Transfer) design - construction - ownership - operation - transfer.
8. DBFO (Design, Build, Finance, Operation) design - construction - financing – operation [484].

The methods of financing investments are interdependent, but not interchangeable. Self-financing and equity financing are characterized by ease of involvement, since decisions on their use are made by owners without the consent of

other business entities; provides financial stability of the enterprise in the long-term. At the same time, such methods of financing are characterized by certain restrictions in the volume of attraction and significant expansion of the investment activity of the enterprise. In self-financing and equity financing, the company has the highest financial stability, but limits the pace of investment development, since it cannot quickly provide the formation of the necessary additional amount of investment.

The effective functioning of the financial mechanism is influenced by a number of factors and conditions that can be divided into factors of internal and external influence, which in turn are divided into: political, economic, socio-cultural, natural-ecological Factors of internal influence [494]:

1) Political:

- the concept of development (the presence of a plan and development strategy) of the region;

- stability of the legislative and legal framework of the region;

- relations with other subjects (state, branches, regions, enterprises, population);

- state of corruption and bureaucratic barriers in the region;

- protection and level of interference from the country;

- degree of political stability of the region;

- state of the judicial system of the region; etc.

2) economic:

- economic potential of the region;

- GDP level of the region and share in the country's GDP;

- level of economic development of the region;

- state and impact of the tax system;

- the state of the stock market;

- the state of the monetary system;

- inflation rate of free economic and offshore zones;

- the amount of investment in the main capital of the region;

- volume of capital investments in the region;

- state of scientific and technological progress, innovative activity of their quality management of the region;
- state and availability of raw materials in the region;
- the level of need for services and products in the region and consumer preferences;
- presence of competitors and performance indicators of competitors;
- the level of capacity loading in the region;
- the ability to form strategic alliances with the supplier;
- sales of products in the region;
- dynamics of prices for raw materials and products in the region;
- efficiency of the region;
- consumers;
- perspective of development of the region;
- number of enterprises in the region and the share of unprofitable;
- different.

3) socio-cultural:

- development of social infrastructure of the region;
- proportion of poor population in the region;
- crime rate and the share of crime in the region;
- the state of the real estate market and housing in the region;
- the level of purchasing power of the population of the region;
- the volume of the working population of the region and its share;
- accessibility of education, level of education and availability of qualified workforce in the region;
- creation of conditions for increasing the region;
- the average age of the population of the region;
- the population of the region and the share of urban and rural residents;
- unemployment and wage in the region;
- business image of regional employees;
- the potential of culture (rules of behavior, traditions, etc.) of the region;

- etc.

4) natural and ecological:

- state of ecology and environmental friendliness of technologies;

- reserves of natural resources necessary for the development of the region and their specific weight;

- availability and development of transport communications;

- geographical location and favorability of the climate of the region;

- etc.

Factors of external influence:

1) Political:

- the concept of development (the presence of a plan and development strategy) of the country;

- stability of the legal framework;

- level of development of foreign economic relations;

- state of corruption and bureaucratic barriers;

- protection and level of intervention by higher levels (international organizations);

- political situation in the country and the degree of political stability of society;

- state of the country's judicial system;

- etc.

2) economic:

- GDP level;

- level of economic development of the country;

- state of the budget system and state budget;

- state and development of the tax system;

- the state of the stock market;

- the state of the monetary system;

- inflation rate;

- availability of free economic and offshore zones;

- the amount of investment in the main capital;

- volume of capital investments;
- state of scientific and technological progress * innovative activity of their
- quality of country management;
- state and availability of raw materials;
- competitiveness of the country;
- dynamics of prices for raw materials and products;
- prospects of development of the country;
- etc.

3) socio-cultural:

- development of social infrastructure in the country;
- demographic situation;
- proportion of low-income population;
- crime rate;
- the state of the real estate market and housing;
- the level of purchasing power of the population;
- the volume of the working population;
- labor force;
- the average age of the country's population;
- unemployment and wage;
- business image of the country's leaders;
- potential of culture (rules of behavior and traditions, etc.) of the country;
- the potential of the country's health;
- etc.

4) natural and ecological:

- state of ecology and environmental technologies;
- reserves of natural resources necessary for the development and their water supply, etc.);
- availability and development of transport communications;
- geographical location and favorability of the country's climate;
- proximity to world markets;

- etc.

Therefore, the existing financial mechanisms for managing the investment development of the region, taking into account the numerous and systematic problems present, should be significantly improved in the direction of increasing the level of scientific support for such management. One of the directions is the implementation and support of strategic planning of investment development (investment process) of regions, which would take into account the general macroeconomic trends and peculiarities of the financial situation in a particular territory.

To improve the effectiveness of investment management of socio-economic development of regions is possible through the implementation of effective centralized state and regional forecasting, planning and regulation of investment processes in accordance with modern management technologies, including ensuring their balance and consistency, under conditions of state support and application of modern sources of funding.