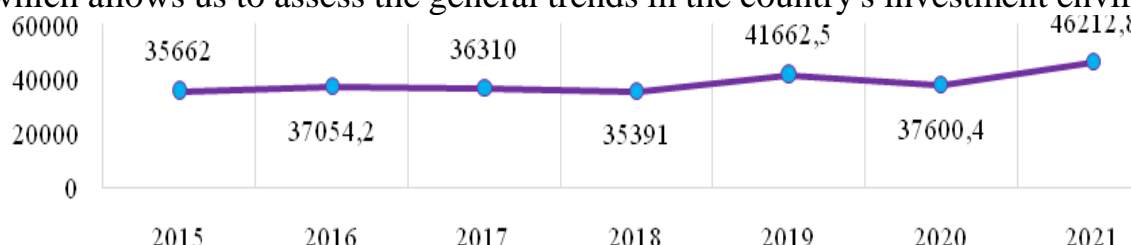


## **ECONOMIC FACTORS AFFECTING THE ACTIVITIES OF AN ENTERPRISE WITH FOREIGN CAPITAL**

Today, companies with foreign capital play an important role in the economy. Their activities affect not only the economic development of the country, but also the competitive atmosphere that contributes to the creation of new jobs and the improvement of infrastructure.

Foreign investments are the values invested by foreign investors in investment objects in accordance with the legislation of Ukraine in order to make a profit or achieve a social effect [1].

One of the important indicators characterising the economic activity and attractiveness of a country for international investors is the volume of foreign direct investment (FDI). Fig. 1 shows the changes in FDI in Ukraine over the period from 2015 to 2022, which allows us to assess the general trends in the country's investment environment.



*Figure 1. Dynamics of foreign direct investment in Ukraine from 2015 to 2022 (USD million) Source: compiled on the basis of data from [3].*

Considering the data in Figure 1, it is worth noting that the volume of foreign direct investment attracted to Ukraine remains relatively low, given the needs of the national economy for financial resources to ensure sustainable development. This situation is a consequence of the specifics of the investment climate in Ukraine, the level of confidence of international investors, and the risks associated with political and economic stability. In addition, the transparency of the business environment and the effectiveness of legal regulation, which remain key factors for increasing the country's investment attractiveness, have a significant impact.

Business entities with foreign investment include the following enterprises:

- with equity participation of foreign investors (JVs), as well as their subsidiaries and branches;
- with 100 per cent foreign investment in the authorised capital;
- branches of foreign legal entities.

Nevertheless, the performance of such enterprises depends to a large extent on many economic factors.

Economic factors influence both the overall economy and individual businesses, deriving from aggregated data across sectors. Investors prioritize measurable and trackable factors to identify trends [2].

These factors can be categorized by their impact. Macroeconomic conditions, including financial stability, exchange rates, inflation, and economic growth, are fundamental. Industry-specific factors reflect market conditions, while financial aspects such as taxation, credit availability, and investment resources shape foreign investment decisions. Market and socio-economic factors, including consumption patterns and income

levels, influence demand. Regulatory and legal stability also play a crucial role in long-term business strategies.

Classifying economic factors clarifies their impact on foreign-owned enterprises. Macroeconomic stability, particularly economic growth, inflation, and exchange rates, is essential for investment decisions. Instability increases risks, potentially deterring foreign investors.

Financial factors, including capital availability, credit conditions, and taxation, significantly influence investment decisions. Countries with low interest rates and favorable tax policies attract foreign capital, as seen with Toyota and Volkswagen in Poland and the Czech Republic. Conversely, high taxes and bureaucracy deter investors.

Regulatory stability also impacts investment attractiveness. Strong legal protections encourage foreign capital, while corruption and excessive regulation undermine confidence.

Socio-economic factors, such as income levels and consumption patterns, shape market opportunities. High-income countries attract businesses targeting affluent consumers, while lower-income markets require adapted business models focused on affordability. In conclusion, enterprises with foreign capital are a significant factor in the development of national economies, but their activities are largely dependent on economic factors. These factors create both opportunities and risks for their operations. In order for such enterprises to continue to grow in the future, it is important to constantly monitor the external environment, create flexible business models and cooperate with government authorities to create a favourable investment climate.

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