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Review Paper

The Essence of the Development of Social Investment Projects for the Economy

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ABSTRACT

The article presents a compelling argument that in the context of contemporary conditions, investments encompass the allocation of capital (in the form of values and resources) into various social and economic activities, provided that such activities comply with pertinent laws and legislative acts. These investments are made to generate economic benefits or produce positive social and environmental impacts. The author astutely observes that investments encompass a broader scope than solely capital investments, as they can pertain to both tangible and intangible assets (real investments) as well as financial instruments such as shares, bonds, and other securities. Capital investments, on the other hand, typically involve the allocation of funds. Notably, investments diverge from capital expenditures in terms of their investment objects. Capital investments align with investments in fixed assets, constituting a subset of capital-forming investments. It is important to recognize that the investment process encompasses more stages than that of capital investments alone. Moreover, the inclusion of procedures related to the accumulation of funds through the issuance of shares, bonds, and securities further enhances the scope of investment considerations. Additionally, the process of distributing income among investors can be regarded as an additional aspect to be addressed. It is crucial to recognize that all the aforementioned points, parameters, and procedures necessitate the establishment of new relationships in administrative, organizational, legal, and psychological contexts. Therefore, studying these relationships within market conditions and on a novel socio-economic foundation emerges as a paramount objective for national science. to facilitate the development of investment programs.

HIGHLIGHTS

- The efficacy of social investments is evaluated based on how social programs impact the company's reputation in the eyes of the investment community.

Keywords: European integration, globalization, social sector, investments, projects

The social investment serves as a means to enact corporate social responsibility by implementing focused programs that address the needs of crucial stakeholder groups, including consumers, employees, and local communities in the operational areas. The appeal of social investments lies in their inherent mutuality and strategic perspective. The term "social investment" itself implies that these

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investments yield returns and entail mechanisms for obtaining additional benefits. For instance, investments in environmental safety, as demanded by local communities, generate returns through the reduction of occupational illnesses, the enhancement of labor productivity, the promotion of political and social stability in the operational areas, the fortification of reputation, and more. Charity policy, akin to dividend policy, inherently encompasses the allocation of a portion of the company's profits, making it subject to general standards of corporate governance. Key among these standards is transparency and alignment with the interests of all shareholders. Accordingly, a comprehensive approach to charity policy necessitates publicly stated guidelines, transparent procedures, and well-defined criteria for selecting funding applications. Furthermore, it entails establishing contractual relations between the company and the recipients of assistance that outline mutual obligations for both parties. Rigorous oversight is required to ensure the targeted utilization of funds, and evaluation of the outcomes achieved is essential. These measures collectively contribute to fostering accountability and effective governance in the context of charitable endeavors. In contrast to investments in production or marketing that directly impact business processes, social investments operate through more intricate and indirect mechanisms to generate returns on investment. Nonetheless, it is important to acknowledge that social investments do ultimately influence fundamental business processes, including the production of goods and services, their promotion and sales, and capital mobilization. The benefits derived from social investments are realized through various avenues, such as the reduction of production costs, the enhancement of labor productivity, the mitigation of losses associated with employee temporary disability, the expansion of the pool of qualified professionals, the mitigation of sanctions and penalties arising from environmental impact, and the potential for production reorganization and workforce reduction.

Typically, investments that demonstrate their effectiveness through their impact on the production process involve programs aimed at personnel training (both current and future), social environment development, social infrastructure improvement, and enhancing the quality of municipal governance in the operational areas. These programs have a direct influence on labor productivity and establish mechanisms for retaining qualified personnel that are more cost-effective than simply increasing salaries. Additionally, they contribute to reducing losses resulting from employee disloyalty. These return mechanisms of social investments are particularly relevant for companies with extensive and densely populated production facilities, especially if these facilities play a pivotal role in shaping the surrounding cities or regions. By strategically implementing social investment programs in these contexts, companies can effectively enhance their production processes, optimize workforce management, and create sustainable environments that benefit both the company and the local communities in which they operate.

The objective of the article is to study the peculiarities of the development of social investment projects for the economy.

MATERIALS AND METHODS

The following general scientific methods were used in the work on the material: comparative, contrastive, analytical, historical, and others.

THEORETICAL BACKGROUND

The theoretical background of the study is based on the methodological guidelines formulated in monographic studies of recent years, which reveal the features, trends, and conceptual principles of the above-mentioned issues: Bagwell K., Staiger R.W. (2016), Bekkers E., Teh R. (2019), Caliendo L., Feenstra R.C., Romalis J., Taylor A.M. (2015), Cipollina M., Salvatici L. (2010).

Renowned investment economist Ethier W.J. (2011) highlights the close relationship between the concepts of investment climate and investment attractiveness. While these concepts share similarities, they also exhibit distinct differences. Investment attractiveness, as characterized by Ethier, is viewed as the outcome or result of the prevailing investment climate. In other words, a favorable investment climate can be established within a specific region or zone, yet investment activity may not necessarily experience a corresponding increase.

In the realm of the social sector, an investment project refers to a comprehensive undertaking comprising various actions such as works, services, acquisitions, management operations, and decisions. These actions are specifically designed to accomplish a predefined objective and necessitate financial investment. On the other hand, an investment program entails a collection of investment projects that are often interconnected and mutually dependent. The primary purpose of an investment program is to work towards a shared, overarching goal by strategically implementing and coordinating multiple projects.

The interpretation of the concept of an investment project among domestic scholars exhibits notable ambiguity. To gain a deeper understanding of this concept, let us explore various scholarly perspectives. Scholars define an investment project as a comprehensive framework encompassing a range of organizational, technical, financial, and economic components, along with corresponding documentation and measures. These components are indispensable for attaining a specific goal, such as the development of technical and economic infrastructure, initiation of production, or the implementation of novel methods or forms of activity. These endeavors are undertaken within the constraints of limited available resources, while also necessitating the achievement of a positive economic or social impact Bandyrska (2009), Bondarenko (2009), Herasymenko (2012), Libanova (2006, 2010), Suprun (2009).

Alternative viewpoints propose distinct definitions of an investment project. According to some scholars, an investment project is comprised of a combination of investments and associated activities, which are characterized by specific goals, addressing the challenge of achieving desired outcomes within the constraints of limited financial resources and a defined project timeline. Furthermore, the existence of certain external conditions, such as institutional, economic, and legal factors, influences the project. These perspectives emphasize the interdependence between the processes of allocating various resources (monetary, financial, intellectual) and the attainment of results. Conversely, another group of scholars defines an investment project as an investment endeavor that involves the allocation of resources intending to accomplish predetermined objectives. This definition underscores the interrelatedness of activities within the project, all directed towards accomplishing tasks within a predetermined budget and specific time frame Grossman G.M. (2016), Horn H., Mavroidis P.C., Sapir A. (2010), Nahornyi, V., Tiurina, A., Ruban, O., Khletytska, T., & Litvinov, V. (2022), Redko, K., Borychenko, O., Cherniavskyi, A., Saienko, V., Dudnikov, S. (2023), Yermakov, O.U., Hrebennikova, A.A., Nahornyi, V.V. & Chetveryk, O.V. (2019).

To evaluate the investment potential of the social sphere, it is imperative to assess its creditworthiness. Creditworthiness encompasses a range of characteristics that enable the evaluation of the investment potential of a social structure, as well as the financial condition and status of its fixed assets.

The presence of multiple participants in the investment process inevitably leads to divergent interests and varying perspectives regarding the prioritization of different project options. The income and expenses associated with the investment project shape different forms of efficiency from the viewpoint of each participant. It is important to acknowledge that the positions of project participants are reflected in the initial information and the establishment of specific cash flows before the calculation of performance indicators. Consequently, these participants may arrive at different assessment results, influencing their decisions regarding project participation. Presently, various types of investment project efficiency are generally recognized. The assessment of overall project performance serves the purpose of project presentation and determining its attractiveness to potential investors. By evaluating the project's overall performance, including financial viability, potential returns, and alignment with strategic goals, stakeholders can gauge its appeal and feasibility for investment.

Overall effectiveness encompasses the socio-economic impact of a project on society as a whole. It goes beyond the direct results and costs associated with the project and takes into account the external costs and benefits that extend to related sectors of the economy. This assessment considers a broad range of factors, including economic, social, and non-economic effects. The evaluation of overall efficiency is particularly relevant for socially significant investment projects that have implications for multiple countries rather than just one.

RESULTS AND DISCUSSION

Social performance indicators play a crucial role in capturing the socioeconomic impacts of investment projects on society as a whole. These indicators encompass not only the direct results and costs of the project but also the external effects that extend to related sectors of the economy, as well as environmental, social, and other non-economic factors. It is recommended that external effects be quantified whenever possible, utilizing appropriate regulatory and methodological guidelines. In cases where these guidelines are unavailable, estimates from independent qualified experts can be utilized, particularly when the external effects are significant. When quantification is not feasible, a qualitative assessment of the impact should be conducted. Furthermore, these considerations also extend to regional efficiency calculations, as the effects of investment projects can have varying impacts on different regions. Social efficiency indicators are designed to assess the technical, technological, and organizational aspects of the project from an economic standpoint.

In certain projects, expert review by public authorities is not required, so the development of public performance indicators is unnecessary.

The commercial efficiency of a project refers to the economic outcomes resulting from its implementation for the project initiator. This assessment assumes that the initiator bears all the costs associated with the project's implementation and fully benefits from its results. Commercial efficiency is often considered synonymous with overall project efficiency. It is commonly understood that commercial efficiency reflects the economic aspects of the project, including its technical, technological, and organizational solutions.

The commercial efficiency of participation in the project is assessed to determine whether the project meets the commercial goals and interests of its participants. Commercial efficiency of participation in the project includes:

- commercial efficiency of participation in the project (efficiency of investment projects for participants);
- commercial efficiency of investing in a social project (efficiency for shareholders of investment project participants);
- commercial efficiency of participation in the project of higher-level structures concerning the participants of investment projects, including regional and national economic efficiency - for individual regions and the state as a whole,
- sectoral efficiency - for certain sectors of the economy, financial and industrial groups, associations of enterprises, and holding structures;
- budgetary efficiency of investment projects (efficiency of the state's participation in the project in terms of expenditures and revenues of budgets of all levels).

Determining the effectiveness of participation in a project is crucial to assess the feasibility of the investment project and the interests of all its participants. The primary focus of evaluating participation efficiency lies with the project owner or potential shareholders. This type of efficiency is commonly referred to as efficiency for the project's own capital or shareholder capital. The efficiency of participation in the project encompasses various types, including the efficiency of participation by higher-level structures and the budgetary efficiency of the investment project. These different types of efficiency contribute to a comprehensive assessment of the project's viability and impact on stakeholders. The results obtained from evaluating participation efficiency are significant and will be discussed in the following sections.

The evaluation of social projects can be conducted using individual performance criteria or multiple criteria. In cases where multiple criteria are utilized, one criterion is typically designated as the primary criterion, while the others serve as auxiliary criteria. The evaluation process involves analyzing the available internal and external investment resources, considering the constraints imposed. Projects are then selected based on these considerations, aiming to maximize total efficiency according to the chosen system of criteria.

The process of forming a strategic investment plan is a complex phenomenon characterized by a multilevel structure. To gain a thorough understanding of the processes involved in this phenomenon, it is crucial to attempt to model the underlying patterns and develop a decision-making model for investment.

The identification of investment projects to be implemented under conditions of limited investment resources presents a significant challenge in practice. This challenge arises from the fact that investment decisions often impact the interests of numerous stakeholders. It is widely recognized that the successful implementation of an investment decision can only be achieved if the interests of all involved parties are carefully balanced.

These circumstances determine the particular importance and responsibility of finding and selecting an investment solution for social projects. It should be noted that when developing an investment strategy, a decision must be made:

- mandatory investments;
- investments aimed at reducing costs;
- investments aimed at expanding and updating the material base, acquisition of financial assets (formation of strategic alliances);
- apart from these areas of investment activity in the social sector, a special place is occupied by investments in the development of new services and markets, as well as the acquisition of intangible assets (franchising).

Indeed, the decision-making process in developing a strategic plan for social sector investment activities can benefit from the use of a simulation model that combines both mathematical and informal methods. Such a model allows for the integration of rigorous formalized models with expert opinions, enabling a more comprehensive and accurate representation of the complex decision-making dynamics involved. Mathematical models provide a systematic and quantitative approach to decision-making, allowing for the analysis of various scenarios, optimization of resource allocation, and assessment of potential outcomes.

Modeling the investment strategy provides a valuable framework for assessing the impact of various factors within the investment environment on the final results of investment activity in the social sector. By employing modeling techniques, decision-makers can systematically analyze and evaluate different investment options based on a set of indicators, enabling them to make informed choices that contribute to the development of the social sector within a competitive environment.

Hence, applying investment strategy modeling in the social sector can lead to the development of a realistic plan for attracting and utilizing investments, ultimately enhancing competitiveness.

To facilitate an investment decision, it is crucial to establish a robust information base. This information must be reliable and integrated into a coherent monitoring system, which necessitates efficient organization for data collection, processing, analysis, and presentation. Through monitoring, it becomes possible to assess the effectiveness of investment activity, identify priority areas, recognize trends in development, and identify promising sources of financing. Moreover, it enables the consideration of factors influencing investment attraction, the development of mechanisms to influence investment processes, and the implementation of tools for monitoring the efficiency of investment resources.

The monitoring system for investment activity in the social sector is conceptualized as a comprehensive framework for organizing continuous processes of collecting, processing, analyzing, and presenting documented information. This system captures key indicators of investment activity and existing development systems, aiming to provide information support for the management of the investment process.

Thus, it is advisable to build and operate a system for monitoring investment activity in the social sector based on the principles:

- systematic approach, development, and adequacy;
- the integrity of the monitoring system, scientific validity;
- complexity;
- effectiveness;
- universality;
- hierarchical structure;
- consistency;
- cyclicality;
- efficiency;
- usability;

- focus on financial and economic benefits, including social and environmental effects.

CONCLUSION

In contemporary conditions, investments encompass the allocation of capital (in the form of values and resources) into various social and economic activities, adhering to the laws and legislative acts of the respective country. The primary objective of investments is to generate economic benefits or achieve social and environmental outcomes. It is important to note that investments encompass a wider scope than capital investments, as they encompass both tangible and intangible assets as well as financial instruments such as shares, bonds, and securities. In contrast, capital investments typically pertain to the allocation of funds. Investments distinguish themselves from capital expenditures by the nature of the investment objects. While investments are directed toward any activity that generates income, capital expenditures primarily contribute to the reproduction of fixed assets. Capital investments are conceptually equivalent to investments made in fixed assets, which form a component of capital formation in the context of overall investments. The process of investing encompasses more stages than solely capital investments. For instance, it involves procedures for accumulating funds through the issuance of shares, bonds, and other securities, as well as the distribution of income among investors. These aspects, parameters, and procedures necessitate the establishment of new relationships in administrative, organizational, legal, and psychological dimensions. Consequently, the examination of these relationships within market conditions and under a new socio-economic framework stands as one of the foremost tasks for national science. This endeavor aims to develop targeted investment programs to promote the growth of prioritized industries and the broader economy.

The impact of social investments on a company's reputation within the investment community and the evaluation of corporate governance quality are crucial factors in determining the benefits of such investments. The perception of social programs and their effectiveness can significantly influence the company's reputation, which, in turn, can affect its standing and attractiveness in the eyes of investors. In light of comparable financial performance, a company that engages in environmental pollution utilizes child labor and exploits local communities' human and infrastructure resources is perceived as less appealing to investors compared to a socially responsible company. The implementation of an effective social and environmental policy mitigates risks and indirectly signifies the company's commitment to exceptional corporate governance across all aspects of its operations, including its ability to identify and address issues promptly. Consequently, this leads to a reduction in resource costs associated with development and enhances the company's overall value.

Typically, this repayment mechanism is effectively employed by companies that intend to or have already listed their shares on international trading platforms. The reduction in the cost of borrowed resources can also be attributed to the growing presence of institutional investors who advocate for the interests of small shareholders – ordinary citizens who frequently encounter instances of corporate social responsibility or irresponsibility in their daily lives and demonstrate a vested interest in the development of socially responsible business practices.

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