

Investment Support for the Digitalization of the Economy in the Context of International Economic Relations

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Abstract

The intensification of the implementation of the latest management technologies at all levels of the economic system requires the diversification of existing practices and institutional forms, revealing the fundamental heterogeneity of the economic environment for the production and commercial activities of a construction company. The rapid development of technologies, large-scale globalization, innovation are the determinants of the transformation of existing methodologies for managing economic systems by incorporating the imperatives of modern concepts, which will contribute to the formation of an effective mechanism for increasing the efficiency level of production and economic systems based on the digital economy. The development of a digital interaction format and its coverage of the vast majority of investors and recipients significantly expands the ability to implement the investment process in the innovation sphere by reducing transaction costs, increasing competitiveness, and ensuring the ability to involve small and medium-sized companies in innovation activities. Thus, the main task of the study is to analyze the investment support for the digitalization of the economy in the context of international economic relations. As a result of the study, current trends and prerequisites for investment support for the digitalization of the economy in the context of international economic relations were revealed.

Keywords:

digitalization, international economic relations, investment support, economy, the innovation sphere.

1. Introduction

At the present stage of development of the world economy, there is a rapid development and introduction of digital technologies, which in turn radically change certain economic processes. New financial instruments emerging as a result of the development of financial technologies create great

opportunities for investors in the context of reducing risks and increasing profitability. The role of the digital economy in investment processes is significant, because thanks to the use of the latest achievements in the field of digital technologies, the infrastructure necessary for the implementation of investment projects is improved, the investment process is greatly simplified, and transaction costs are reduced. The active development of digital platforms helps to reduce the cost of transactions and at the same time simplifies cross-border communications, allowing enterprises to freely contact customers and suppliers in any country. By facilitating the involvement of small companies in the international economic activity, platforms reduce the minimum scale required for global development. As a result of such processes, the benefits of globalization are actively used not only by large transnational corporations, as it was before, but also by representatives of small and medium-sized businesses, which significantly increases competition, stimulates investment and contributes to the rapid introduction of innovative developments.

The investment process is one of the central tools for ensuring the development of international economic relations and the implementation of its competition policy. In the conceptual sense, the investment process is a connecting element of the world economic system between companies and the market environment, because it is in the investment sphere that the internal environment responds to changes in the external environment. Numerous studies have been devoted to the study of these issues, which emphasize the importance of investment and

innovation in sustainable economic development and the impact of global digitalization processes on economic relations. , production and infrastructure system, logistics and sales, are stable and highly resistant to change. If the response of the investment component of the business to external changes corresponds to market conditions, then there is no reduction in the competitive potential of the organization, ie the company is no worse than its closest rivals, even if management takes tough measures and abandons some of its former development plans [1] .

Participants in investment relations, both focused on active activities in the innovation sector, and decide to review investment strategies are forced, under the pressure of technological transformation and business innovation by competitors, are faced with the next dilemma. On the one hand, a successful investment decision must be comprehensive, which attracts the maximum number of partners and attracts maximum funding, and, on the other hand, the complexity of traditional investment decisions leads to more expensive implementation and increased systemic risks. When an investor chooses an innovation sphere as a target, the task becomes more complicated.

He has to work with stochastic indicators of the internal environment in conditions of uncertainty of the external environment. Such a circumstance leads to the emergence of new risks and opportunities in his models of investment development. Let's consider in more detail the main phenomena in the field of attracting investment in innovation, the importance of which will grow in the future [2]:

- the relevance of innovative tools for attracting investment in the innovation sphere, the economy of which is not yet fully understood;
- large single companies are replaced by systems of innovative projects that unite different participants. Accordingly, competition is also shifting from the level of organization to the level of individual innovation projects, which creates difficulties in the distribution of risks and revenues among non-affiliated beneficiaries;
- the terms of innovation processes are distorted. On the one hand, the life cycles of individual innovation solutions are shrinking, which exacerbates the problem of return on investment. On the other hand, the complexity of the system of innovation relations allows to implement chains of long-term multistage innovation projects.

2. Methodology

To achieve the goals set in the study, we applied the following methods: induction and deduction, comparison and systematization; synthesis and analysis; abstract-logical - for theoretical generalizations and conclusions of the study.

3. Research Results and Discussions

Currently, discussions are actively unfolding about the creation and implementation in the near future of breakthrough technologies, the total digitalization of public life, mainly the national economy. This concept has recently entered the economic lexicon of domestic economists. At the same time, it should be noted that in the near future, incredible opportunities are predicted that will open up to business, capable of radically reformatting it, increasing labor productivity while significantly reducing production and distribution costs. In this regard, urgent questions are being raised more and more often about the changing nature of the situation in the Russian labor market [3].

For all its advantages, digitalization also brings with it certain problems: perhaps in the near future, employers will face the problem of a shortage of labor resources that meet the new requirements, but an equally acute problem will affect a significant part of the working-age population, which will not be in demand in the new realities of digital life. Is the domestic economy ready for digitalization in the short and medium term, because the digital world has already entered our daily life, in most of its segments. The digital industrial revolution is a major factor changing the demand for the skills workers need to succeed in manufacturing and other areas of economic activity. Moreover, to capitalize on this shift in science and technology and turn threats into a competitive advantage, it is important to start building a high-quality workforce today to facilitate the rapid adoption of new technologies in the country's economy. The challenge for society is to understand this evolving trend and develop an education and training system capable of developing the abilities of each individual and preparing workers with the appropriate skills. At the same time, the economy must have the appropriate flexibility and be equipped with support mechanisms that allow

companies, human resources and society as a whole to quickly and successfully adapt to the faster and deeper changes taking place in a rapidly changing world[4].

On the one hand, society is most concerned about the problem of job cuts and the exit from the market of many professional niches, on the other hand, it is necessary to intensify the search for solutions to use the emerging opportunities to create new jobs. Jobs could shrink faster than the world's workforce as existing jobs are replaced by automation and other AI-driven systems. In other words, machines, robots and computers will increasingly have an absolute advantage over labor. Let's take a look at the most important discussions about how the number of jobs might change in the future.

A growing number of researchers argue that technological advances in robotics and automation will inevitably lead to significant and permanent job losses or significant wage cuts. In recent decades, job losses have been concentrated among low- and medium-skilled administrative and routine, labor-intensive jobs, such as accountants, machine operators, etc.

Digital technologies are an important tool for public administration reform. The scientist also emphasizes that in the context of public administration it is necessary to introduce "cloud" computing technology, which will lead to more efficient management, as it will increase the level of centralization of accounting and management information, increase the speed of processing such information. In addition, the introduction of technology of "cloud" computing in the activities of public administration will allow[5]:

- significantly improve the level of efficiency of government operations due to the reduction of not only time but also financial costs aimed at creating, improving (reforming) and maintaining the infrastructure of information and communication technologies;
- use the information and communication technology infrastructure only when the need arises, which in turn will reduce the cost of budget funds for information and communication technologies due to the suspension of their use or refusal to use them;
- promptly use those information and communication technologies that are urgently needed;
- group information and communication technologies into a single database;
- use, store and process information remotely;

- to increase the pace of digitalization of the economy in the context of high-quality and rapid introduction of innovative new information and communication technologies[6].

So, today the main negative factors affecting the investment support for the digitalization of the economy in the context of international economic relations are shown in Table 1.

Table 1: The main negative factors affecting the investment support for the digitalization of the economy in the context of international economic relations

<i>№</i>	<i>The main factors</i>
1	Military operations in the country
2	Legacy technologies
3	Low economic development of the region
4	Low government support for business development

In this Modern trends in the development of the digital economy carry certain risks of reducing investment in this sector. An example is the active distribution of cryptocurrencies that are not subject to state regulation and, as experts admit, are often used to implement corruption schemes and money laundering [7]. Leading world economists, including Nobel laureates Joseph Stiglitz, Paul Krugman, JPMorgan CEO Jamie Dimon, Bridgewater Associates hedge fund founder Ray Dalio, BlackRock Chairman Larry Fink, have openly

spoken out in the press against cryptocurrencies and a great threat to potential investors around the world[8]. The development and rapid spread of cryptocurrencies has led to the fact that huge amounts of capital will move from the real economy to the "virtual" one. Those funds that could be invested in the modernization and expansion of production are actually used for the purchase of digital codes. Instead of capital investment, investors invest in waiting. In fact, this is wasted investment potential, wasted social utility. Previously, such threats to global financial stability were created by financial derivatives markets, but never before has there been such a rapid increase in the value of a certain asset and a rapid flow of capital from the real sector to the digital finance sector. New risks for the global financial system have a significant impact on the stability of public finances, which should be taken into account in the strategy for managing public finances in terms of public investment management [9]. The main advantages of stimulating investment support are shown in Table 2.

1	Socio-economic development
2	Technological development of socio-economic systems
3	Development of competition in the market
4	Improving the quality of goods and services

Table 2: The main advantages affecting the investment support for the digitalization of the economy in the context of international economic relations

<i>Nº</i>	<i>The main advantages</i>
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The main challenge in the context of the formation of a new generation investment policy for each state is the development of such postulates and implementation tools that would meet the modern digital development of the global global economy. UNCTAD experts in the World Investment Report 2021 note the need to revise old-generation investment agreements, noting that they are outdated and no longer relevant[10]. After all, companies that actively use digital technologies can now operate without the need for significant physical investments in foreign markets, which has a significant impact on host countries. The use of modern digital technologies is transforming the international operations of TNCs. Confirmation is the statistics showing an 11 percent reduction to \$1 trillion in FDI outflows, mainly due to falling investment by European TNCs. In addition, if we analyze the 100 largest digital TNCs according to the UNCTAD

rating, then only 13% of their branches are located in developing countries and countries with economies in transition; For comparison, for non-digital TNCs, this figure reaches 30%[11]. High-tech companies operating in the digital economy use a fundamentally different model of internationalization of their own activities, which has a great impact on the direction and size of investment. To enter foreign markets, such enterprises need to invest smaller assets and hire fewer workers[12]. This reduces the economic impact on host countries in terms of physical investment and job creation. These are companies operating almost entirely in a virtual environment characterized by limited physical links to their markets. Tangible foreign assets in foreign markets are often limited to corporate offices and data centers. Purely digital TNCs, such as Internet platforms or digital solution providers, show the largest gap between the level of foreign assets and the level of foreign sales, digital TNCs that operate on the basis of mixed models (digital content, e-commerce) show a slightly smaller gap[13]. The average share of foreign assets held by digital companies in the UNCTAD Top 100 Largest Corporations 2015 is 41%, while external sales account for 73%. For the rest of the TNCs, these figures are 65% and 64%, respectively, which reflects a certain balance between the invested resources and the profit received abroad. Most digital TNCs are located in developed countries, in particular, almost two-thirds of the world's digital corporations are based in the United States. Interestingly, only about 50% of subsidiaries of digital TNCs are foreign affiliates, compared to almost 80 percent for other TNCs. In addition, about 40 percent of digital MES subsidiaries are located in the US, nearly double that for other TNCs[14].

New technologies have significantly accelerated business activity and influenced the speed of investment decisions. Firms are actively reorganizing to integrate into the digital economy. In order to operate at the global level of the digital field, Western firms are abandoning the hierarchical decision-making system and moving to a network structure that is market-based in nature. Companies have become transnational, thanks to large-scale digitalization of business activity, modern start-up companies, especially in emerging markets, operate globally from the moment they are created. And Oxford scholars argue that an international firm using an umbrella branding strategy, that is, bringing

together a collection of national enterprises under a global brand, has become anachronistic. Indeed, at the present stage, large international corporations are created as globally integrated organizations in order to take advantage of low costs, the availability of skills or access to natural resources. The development of business intelligence and information technology also allows for more precise control over performance and market development than in the past[15].

The digital economy has a huge impact on the dynamics of the direction of investment flows, at the same time, investments are crucial for digital development. Investments in digitalization contribute to rapid economic development. According to UNCTAD, in 2020 the IT sector, services and high-tech industries are the most attractive for investment. The ranking of the most promising sectors for attracting foreign direct investment found that for countries with transformational economies, these are information and communication services, agriculture and mining.

4. Conclusions

In conclusion, it should be noted that digitalization has two sides: new opportunities and new risks, and the labor market is especially sensitive to them. One of the risks for employers may be a shortage of labor resources that would meet the requirements of the new economic order. At the same time, a significant part of the able-bodied population will face the risks of lack of demand in the medium term. Stimulating the emergence of new segments of the economy and the development of high-tech, innovative industries can activate the demand for specialists who meet the latest digitalization requirements, and innovative changes in the system of education and retraining of personnel can reproduce the corresponding human resources.

Thus, the accelerated pace of innovation poses new challenges for society. In advanced economies, technological change has already forced some groups of the workforce out of business as a result of global competition. In emerging markets, the possibility of automation is a growing threat to low-skilled workers.

The active development of the digital economy has led to structural shifts in the international capital markets, which should be taken into account when developing state investment policy. Recently, there

has been a transition from analog investment policy to digital. Investment rules should be revised based on new digital business models. After all, digital TNCs make investment decisions taking into account the availability of the infrastructure necessary for the development of the digital industry, namely, Internet infrastructure, electricity supplies, and the availability of a highly skilled workforce. While traditional companies make decisions on investments based on an analysis of the resource base, the cost of wages, the availability of tax preferences, etc. Public policy to promote investment in the digital economy should take these factors into account. The digitalization of economic activity simplifies access to international markets. Digital technologies allow not only multinational corporations, but also small and medium-sized businesses to enjoy the benefits of globalization. This has positive consequences for society as a whole, because due to increased competition in the markets, innovative development is stimulated, new technologies are introduced faster, prices are reduced, new jobs are created and the range of services and goods is expanding. However, the active development of the digital economy also poses certain threats to the stability of the global financial system. The growing popularity of cryptocurrencies has led to the fact that capital is withdrawn from the sector of the real economy and sent to the field of digital finance. That in the medium term, in addition to the threat of a rapid decline in the value of the assets themselves, creates a threat of a lack of productive investment.

The digital economy is able to generate innovative tools for attracting financial resources, which is especially important for all countries in the context of finding alternative sources of financing and establishing international economic relations. At the same time, an obstacle to the development of financial technologies in Ukraine is the lack of private investment capital and venture capital, which are the basis for the growth of fintech in advanced economies. The creation of the latest development models aimed at stimulating investment activity, based on innovative technological solutions, is a prerequisite for sustainable economic growth for the transition to the economy of the sixth technological device. Digital technologies are helping to improve the data analytics actively used by investors in making investment decisions in a rapidly changing global market environment. The use of technology to

improve development forecasts simplifies decision-making mechanisms for both officials and corporate directors, predictability affects the stability of investment strategies, and also enhances the stability of global finance.

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