

S. Kozlovskyi,

Doctor of Economic Sciences, Professor, Vasył Stus Donetsk National University, Vinnytsia

ORCID ID: 0000-0003-0707-4996

H. Mazur,

Doctor of Economic Sciences, Associated professor, Vinnytsia Regional Council

ORCID ID: 0000-0002-5061-1817

O. Zemliakova,

student, Vasył Stus Donetsk National University

ORCID ID: 0000-0002-3626-1443

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## HOUSEHOLDS AS A POTENTIAL SOURCE OF INVESTMENT IN NATIONAL ECONOMY

С. В. Козловський,

д. е. н., професор, Донецький національний університет імені Василя Стуса, м. Вінниця

Г. Ф. Мазур,

д. е. н., доцент, Вінницька обласна Рада

О. Д. Землякова,

студент, Донецький національний університет імені Василя Стуса, м. Вінниця

### ДОМОГОСПОДАРСТВА ЯК ПОТЕНЦІЙНЕ ДЖЕРЕЛО ІНВЕСТИЦІЙ В НАЦІОНАЛЬНУ ЕКОНОМІКУ

*This article discusses the use of mechanisms of transformation of savings into investments and ways of their structural improvement at the expense of state regulation of the financial sector. The purpose of the article is to identify ways of transforming public savings into an investment resource, taking into account the peculiarities of the financial market of Ukraine. In order to achieve this goal, the following has been done: the importance of transforming unorganized household savings into investment from the point of view of economic development was evaluated; identified factors that influence the formation of savings; ways of their transformation into investments are determined; the dynamics of household investment in bank deposits, co-investment institutions, credit unions are characterized; advantages and disadvantages of using different ways of investing savings are identified. The object of the study is to save households in Ukraine. The subject of the study is the directions of transformation of household savings of Ukraine into an investment resource. The result of the study is that households can be a potential source of investment in the national economy under the conditions of high-quality state regulation of the economy in the short and long term. It is proved that the main functional value of savings is capitalization of incomes, attraction of a part of available incomes into economic circulation, transformation of them into capital. It is determined that the economy of households has a positive impact on ensuring the stability of the macroeconomic development of the state. Increasing the level of investment in the economy of Ukraine by households is possible due to stimulating the development of business activity in Ukraine, since investing in entrepreneurship by registering a natural person by an entrepreneur or creating one or a certain amount of a legal entity contributes to the reduction of savings in a non-organized form. The necessity of stimulating the development of households for ensuring macroeconomic development and growth of the national economy is substantiated.*

*У статті розглядається питання щодо використання механізмів трансформації заощаджень в інвестиції і шляхи їх структурного вдосконалення за рахунок державного регулювання фінансового сектора. Метою статті є визначення способів перетворення заощаджень населення на інвестиційний ресурс з урахування особливостей фінансового ринку України. Для досягнення поставленої мети було зроблено таке: оцінено важливість перетворення неорганізованих заощаджень домогосподарств у інвестиції з точки зору розвитку економіки; визначено фактори, які впливають на формування заощаджень; визначено шляхи перетворення їх на інвестиції; охарактеризовано динаміку вкладання коштів домогосподарствами в банківські депозити, інститути спільного інвестування, кредитні спілки; визначено переваги та недоліки використання різних напрямів інвестування заощаджень. Об'єктом дослідження є заощадження домогосподарств України. Предметом дослідження є напрями перетворення заощаджень домогосподарств України на інвестиційний ресурс. Результатом дослідження є висновки про те, що домогосподарства можуть бути потенційним джерелом інвестицій в національну економіку за умов якісного державного регулювання економіки як у короткостроковій, так і в довгостроковій перспективі. Доведено, що основ-*

*ним функціональним значенням заощаджень є капіталізація доходів, залучення частини наявних доходів у господарський обіг, перетворення їх в капітал. Визначено, що економіка домогосподарств позитивно впливає на забезпечення стійкості макроекономічного розвитку держави. Підвищення рівня інвестування в економіку України з боку домогосподарств можливо завдяки стимулюванню розвитку підприємницької діяльності в Україні, оскільки вкладання коштів у підприємницьку діяльність шляхом реєстрації фізичної особи підприємцем або створення однією особою або певної їх кількості юридичної особи сприяє зменшення заощаджень у неорганізованій формі. Обґрунтовано необхідність стимулювання розвитку домогосподарств для забезпечення макроекономічного розвитку та зростання національної економіки.*

*Key words: households, investments, national economy, state.*

*Ключові слова: домогосподарства, інвестиції, національна економіка, держава.*

## INTRODUCTION

Attracting investment resources for the domestic economy is one of the most important tasks of public policy. The source of these resources may be national savings, which have a special place in the economic process, because they affect the interests of many economic entities: households, credit and banking systems, businesses, and the state. On the one hand, savings are an important indicator of the standard of living of the population, on the other, they are a source of investment. Today, Ukraine is forced to focus mainly on internal sources of investment because, as the analysis shows, the inflow of foreign investment has not only declined, but also shows an outflow in some years. Foreign investors are very sensitive to the volatility of the economic and political situation in our country. The unpredictability of government actions to regulate investment processes, a complex system of doing business is deterring a foreign investor. Therefore, the problem of forming savings and mobilizing them as investment resources is quite urgent and requires special scientific analysis.

Recognizing the importance of the achievements of national and foreign science on the problems of household savings formation and their use for investment activities, it should be noted that, firstly, each development period highlights certain motives for saving and investment activities of households, and secondly, each country has its own characteristics of these processes that need analysis. The steady increase in household cash accumulation in Ukraine indicates that the proposed ways of accumulating savings by financial intermediaries are not working effectively.

The purpose of the article is to determine how to transform the savings of the population into an investment resource taking into account the features that are inherent in each of the areas of investment. To achieve this goal the following objectives were established: to estimate the importance of the informal transformation of household savings into investments from the point of view of economic development; to identify the factors influencing the formation of savings and the basic ways of turning them into investment; to characterize the dynamics of investment by households in bank deposits, collective investment institutions, credit unions; to determine the advantages and disadvantages of using different areas of investment savings; to determine the reasons for the existence of a significant volume of informal savings and how to overcome them. The object of the study is saving households in Ukraine.

The subject of the study is the directions of converting household savings in Ukraine into an investment resource.

## ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS

Since the household savings are a key investment resource in the economy and it is designed to meet pending needs of the population and contribute to the growth of its

wealth, a large number of works, both domestic and foreign scientists, was devoted to their study. The study of the problems of forming savings, turning them into investments, taking into account the population's propensity to save and risk, was carried out by such well-known classics of economic science as S.L. Brew [1], L. Valras, J.M. Keynes [2], K.R. McConnell [1], G. Markowitz, A. Marshall, F. Modigliani, P. Samuelson, A. Smith, M. Friedman and others. Among Russian and Russian scientists, we can distinguish the works of N. Alekseenko, S. Belozero [6], O. Vatamanyuk [3; 4], N. Dorofeeva, A. Duka [7], V. Mishchenko, A. Ramsky [8], T. Kizym [5], A. Moroz, V. Osetskiy, S. Panchyshyn [3], M. Savluk [3], and others. They studied in detail the role of public savings for economic development, the motives for creating savings by households, the mechanism for transforming savings into investment resources, the state and trends of investing savings by the population in the banking system and non-bank financial institutions, and the world experience of institutional investors in attracting public savings. Other representatives of classical political economy, first of all A. Smith, viewed the thrift as a public good. K.R. McConnell and S.L. Bru considered savings as a part of income that remains after taxes, not used for the purchase of consumer goods [1, p. 185]. According to J.M. Keynes, the amount of investment directly depends on the size of household income, and income, in turn, can be determined in two ways: as the amount of consumption and savings, or as the amount of spending on consumer goods and investment [2, p. 63]. M. Savluk highlights the economic, financial, social, and political aspects of the role of household savings in the economy [3, p. 220—221]. The economic significance lies in the fact that the possibility of their creation, reliable preservation and free use creates powerful additional incentives to work, increase its productivity and develop professional qualities of a person. Savings are a form of wealth that is not related to meeting the current needs of households, but is intended to meet consumer needs in the future, so their existence contributes to the growth and diversity of people's needs which increases their motivation to work and increase its efficiency. From a financial point of view savings form offer on the financial market, and hence provide the financial resources that are a source of financing the investment needs of the economy (if trends in the sector of financial and non-financial corporations) and current public needs, non-industrial (financing state and local government). The social role of savings is related to the fact that they are able to generate additional income, which contributes to the improvement of the living standard of the population; to provide protection for households in the event of unforeseen events (natural disasters, illness, loss of work, death of family members, etc.); to allow you to meet the needs for those goods that are not available at the expense of current income. The political component of the importance of savings is that they contribute to the formation of the middle

class and strengthen the financial independence of the population. In his research, O. Vatamanyuk considered household savings as part of national savings, and paid considerable attention to the trends that were characteristic of savings in different periods of economic development in Ukraine and methods for evaluating savings in an unorganized form [4]. T. Kizyma considers savings as a complex and multifaceted economic category that characterizes the relationships that arise within a household or between a household and other economic entities (enterprises, financial market institutions, the state) regarding the distribution of income received and the formation of appropriate funds of funds designed to ensure consumption or growth of income of their owners in the future [5, p. 201]. S. Belozyorov believes that savings represent part of the financial assets of households, which is used to meet individual needs and generate additional income in the future [6, p. 21–22]. In his opinion, the saving strategy is determined by the level of household income, as well as the purpose for which they are formed: creating a reserve, accumulation for further consumption or development. Depending on the level of risk propensity of households to invest, they can follow the following strategies: minimizing risks, maximizing income from the use of funds, and combining reliable and risky forms of savings. In addition, the amount of savings is affected by the propensity of households to consume and save, according to which we can distinguish the strategy of "planned savings" (the propensity to consume is constant and savings are regular) and "spontaneous savings" (the propensity to consume changes periodically, savings are made irregularly). Despite the considerable amount of research of factors of formation of savings and their transformation into investment resources, remains poorly studied issues of bringing informal savings into the economy of Ukraine, especially taking into consideration psychological peculiarities of the population and the motives of his behavior in terms of economic and political crisis. There is no comprehensive study of ways to transform savings into financial and capital investments through financial market institutions and investment in the real economy.

## RESEARCH METHODOLOGY

When writing the article, we used such general scientific methods of knowledge as: the generalization and the systematization — to study the existing approaches to determine the essence of household savings and the directions of their transformation into investments; comparison — to determine the advantages and disadvantages of individual areas of investment savings, grouping — to classify factors that affect the level of savings, the historical method — to study the evolution of approaches to the study of household savings. A graphical method was used for the illustrative presentation of statistical data on changes in the volume of bank deposits, investments in joint investment institutions and credit unions, and a tabular method was used for comparative characteristics of different areas of savings investment. To characterize the trends in the volume of savings in general and in certain areas of investment, the method of analysis of the dynamics series was used, and the structure of investments was determined by using the method of analysis of distribution series.

## THE MAIN RESULTS

An important task facing the state leadership of Ukraine today is to turn unorganized savings into investments. Households in Ukraine, when saving, primarily pursue the goal of providing deferred consumption in the future, rather than generating income, which is caused by distrust of banking and non-banking financial institutions, as well as the lack of real tools for investing in capital and debt securities of economic entities. The transformation of unorganized savings into active ones is beneficial for all

subjects of economic relations. The existence of significant amounts of passive savings prevents the state from regulating the economy, including making it difficult to regulate the money supply in circulation. Transforming savings into investments is the conversion of temporarily available household funds into financial and non-financial assets in order to generate income from these investments.

Household savings occupy a special place among economic phenomena as they are at the intersection of the interests of citizens, the state and organizations that specialize in providing financial services. On the one hand, savings are the most important indicator of a standard of living directly related to the consumption, income and expenditure of the population. On the other hand, the important functional value of the savings of the population is capitalization of incomes, attraction of a part of available incomes into economic turnover, transformation of it into capital.

There is a redistribution of solvent demand from the consumer market to the circulation of business resources, which has a stimulating effect on economic development. Savings and their forms of savings generally contribute to the implementation of the distribution mechanism.

At the same time, it is the level of savings and their subsequent transformation that affects both micro- and macro-economic growth, improving the welfare of society as a whole, which is an important economic indicator.

Considering the process of transforming public savings into investments, it is necessary to divide savings by urgency. So savings can be short-term (up to 6 months), medium-term (up to 1 year) and long-term (over 1 year). In terms of the transformation process, we are interested in medium and long-term savings, that is, from 1 year.

A stable savings process allows you to accumulate the necessary money in financial institutions, without breaking the need for cash. In the absence of sufficient money supply in circulation can lead to additional money issue, which creates the risk of high inflation. An important part of a sustainable savings process is organized savings. Unorganized forms of savings (national and foreign currency cash savings) are not related to financial instruments and the investment process, but are mainly consumer (deferred consumption).

Unorganized savings are more typical of countries with market systems than those of developed markets.

Consider organized savings in more detail, they are a collection of accumulated free cash through their investment in financial market instruments, including deposits in banks and other investment institutions, as well as investments in the real economy (purchase of shares of enterprises, investment in their own business).

Organized savings involve the presence of financial institutions in the country that allow for the transformation of savings into investments. The more developed such savings institutions in the country, the higher the share of organized savings in the total share of savings.

In terms of transformation mechanism, organized savings can be divided into two groups:

- collective investment and independent (individual) investment.

- individual investing — investing an individual in a direct way.

Investment activity of citizens can rightly be regarded as an indicator of the development of market relations. For example, in advanced market economies, individual investors are major players in the investment market, for example, for the average American, it is natural to have shares of a particular company. Occupying a portion of the investment market, individual investors serve as an important stabilizing force in times of crisis.

The main form of transformation of individual savings through the market of financial and real assets. In the financial market, where cash, securities, units, deposits, deposits, bank deposits are traded, and the real estate

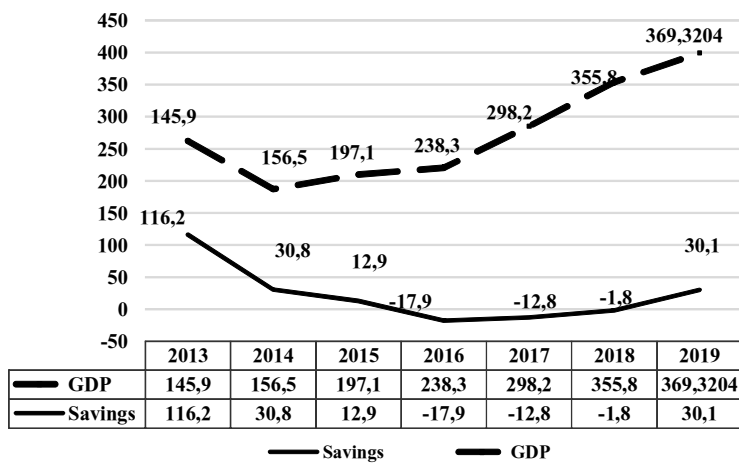


Fig. 1. The relation between household savings increment in terms of financial assets and national measures

Source: developed by the authors.

market is further distributed and redistributed are cash flows.

Investments in the productive sector of the economy (direct investment) are made through investments in small business, construction and purchase of housing, securities, human capital.

Speaking of the stock market, an individual has the ability to conduct transactions with the help of a broker who performs transactions on the account and on behalf of the client on the basis of contracts of commission or commission.

Assessment of the importance of turning savings into an investment resource. It is possible to estimate the amount of household savings based on data from sample surveys of household living conditions in Ukraine conducted by the State statistics service of Ukraine. In 2019 the increase in household savings amounted to UAH 301,600 million, including the increase in financial assets — UAH 1064,668 million. Savings made by households in each year tend to increase although in 2019 there was an increase in the growth of savings compared to 2018 by 14710 million UAH or 10%. The share of financial investments in 2019 was 80.31%, and in contrast to 2017—2018, there was no reduction in investments in non-financial assets. Consequently, every year the savings that are in the hands of the population grow, despite the fact that the increase in savings tends to decrease, therefore, households represented by their members are important potential investors in the domestic economy. To determine the importance of converting people's savings into investments for economic development, let's compare their value with such macroeconomic indicators as GDP, state budget revenues, state budget deficit, and public debt (Fig. 1). In 2019, the increase in population savings was 1.66 times higher than the state budget deficit and is 22.17% of the size of the state debt of Ukraine. Despite the tendency to decrease these indicators, they are large enough for the state to be interested in attracting them to the country's economy as much as possible. Unfortunately, official statistics do not determine the total savings of households, but only provide data on their annual growth based on a sample survey.

Population savings indicators are significant for the economy although the level of savings indicates an insufficient level of income of the population, since only 8.67% of income was directed to savings in 2019, but this indicator tends to increase in recent years (Fig. 2), but even this level of savings leads to an increase in the total amount of resources available to the population. For comparison, in the European Union countries in 2019, this indicator ranged from -1.5% (Denmark) to 16.9% (Norway), but despite the higher level of income in these countries, a large amount is saved in absolute terms.

Classification of factors that influence the formation of savings and determination of their investment's directions. Both economic and non-economic factors influence the formation of savings. Economic factors include the level of household income, the availability of durable goods, and the motives for saving. Psychological and social factors include the propensity of household members to save and take risks, the level of trust in the state and financial institutions, the experience of financial behavior in the past and its subjective assessment, assessment of the current situation in the country and its prospects, knowledge of the main financial instruments, awareness of investment opportunities, information sources used in decision-making [4, p. 229—230]. When making a decision about savings, it is necessary to determine their necessity and the rate of savings, choose an investment instrument, taking into account its risk and profitability, and determine the period of investment. Based on the importance of the population's savings for the country's economy, the state has a task to involve them in economic

turnover as much as possible. The modern financial system has a large number of ways to invest free money, namely:

- depositing funds in the Bank;
  - securities (shares, corporate bonds, domestic government loan bonds, etc.);
  - depositing funds to the authorized capital of enterprises;
  - participation in a credit union;
  - depositing funds to joint investment institutions, etc.
- In addition, free funds can be used for:
- currency purchases to hedge risks from the devaluation of the national currency;
  - purchases of precious metals;
  - purchases of antiques, paintings, and precious stones;
  - participation in construction finance funds and real estate transaction funds;
  - buying real estate and the like.

According to S.A. Belozeroва such investments are "quasi-sites", since they are not liquid enough and do not provide for investment in the financial system [6]. Income in this case can be obtained as a result of an increase in the value of the acquired assets. All of these methods are designed to preserve the purchasing power of savings, but under certain circumstances, and allow you to get income. When choosing between alternative investment options, criteria such as profitability, risk, and availability are taken into account, as well as the period for which the investment is made. Determining the most effective form of investment is a very difficult task, but the correctness of its implementation will depend on the possibility of obtaining income and maintaining the main amount of the investment. The most popular areas for investing funds among Ukrainian households are placing them on deposits in banks, as well as transferring them to foreign currencies such as euros and dollars. Also, if there is a significant amount of savings, the population invests in real estate by purchasing it on the secondary market or primary market, including acting as a participant in the financing of construction and real estate operations funds. Bank deposit as one of the ways to turn savings into investments. Bank deposit is in demand among the population, since it is a less risky tool compared to other investment methods. This is due, first of all, to the existence of a deposit guarantee Fund for individuals whose members are the vast majority of Ukrainian banks, which today compensates depositors an amount within 200 thousand UAH if the bank is declared insolvent. When making deposits to state banks, the entire amount is guaranteed by the state. In addition, this method of investing funds does not require special knowledge in the financial sphere, since it is enough to open a bank account to receive interest, but you also need to take into account the reliability of the bank, so as not to expose yourself to the risk of losing funds. As of the

end of October, household deposits amounted to 52568 million UAH, which is 4,570 million UAH or 9.14% less than at the end of 2019. At the same time, there is an increase in the share of funds stored in current accounts (from 19.68% to 23.26% for ten months of 2019) and an increase in funds placed on deposits from 1 to 2 years (from 49.40% to 42.37%), which indicates an increase in public confidence in the banking system and uncertainty about their future income. Analyzing the dynamics of deposits in national and foreign currencies, we can note an increase in deposits in the national currency by UAH 3152 million or 18.39% during the 10 months of 2019, in contrast to the trend of Deposit growth observed in previous years (figure 3). Deposits in foreign currencies in terms of UAH tend to grow (by UAH 32518 million or 3.80%), but this trend is caused by the revaluation of the national currency, which has been more than 24% against the dollar since the beginning of the year and about 18% against the Euro, if we take into account the exchange rate set by the NBU. If we take into account the revaluation, then according to the approximate calculations of the author, which were carried out by taking into account the structure of the deposit portfolio of banks, the outflow of deposits in foreign currencies amounted to more than 35% during 10 months of 2019.

Rates on deposits in UAH in 2019 range from 8 to 26% depending on the term of placement and reliability of the bank, and in US dollars — 2.5—12.5%. In October 2019, the weighted average rate on household deposits in the whole banking system of Ukraine was 13.2%, including in UAH-18.3%, dollars-8.0%, and euros-7.4%. Since the consumer price index for January-October 2019 was 19.8%, at the current rate of inflation, a bank deposit will slow the depreciation of savings, but will cover inflation only by using the maximum rate. The outflow of deposits from banks is caused by an increase in distrust of banking institutions in Ukraine, which is supported by an increase in the number of banks that have been introduced a temporary administration and those that are at the stage of liquidation. As of December 9, 2019, 23 banks and 16 other banks are being liquidated, and measures are being taken to exclude them from the Unified State Register of legal entities and individual entrepreneurs [13]. At the same time, the number of insolvent financial institutions with temporary administration is constantly growing (as of December 18, 2019, there are 38 of them [14]). Only since the beginning of 2019, the number of banks that have a banking license has decreased by 13 units and as of November 1, 2019 amounted to 167 banking institutions (for comparison, as of September 1, 2019, this figure was 171 institutions) [15]. In addition, this situation is facilitated by political and economic instability in the country and the rapid devaluation of the national currency. Also, the outflow of deposits from the banking system was facilitated by the introduction of restrictions in the amount of 15 thousand UAH, the withdrawal of foreign currency deposits on the day [16] and the uncertainty of depositors that deposits will be returned in the currency of the deposit upon early termination of the agreement. Besides, if the bank is declared insolvent, deposits will be returned in the national currency at the exchange rate that existed on the day of making such a decision, which in the conditions of currency fluctuations leads to an increase in the risks associated with foreign currency. Negative trends in the market are also supported by the NBU's intention to introduce a ban on early termination of deposit agreements. And all this is happening against the background of the fact that confidence in banks has not been restored since the collapse of the USSR through the freezing and depreciation of deposits that remained on

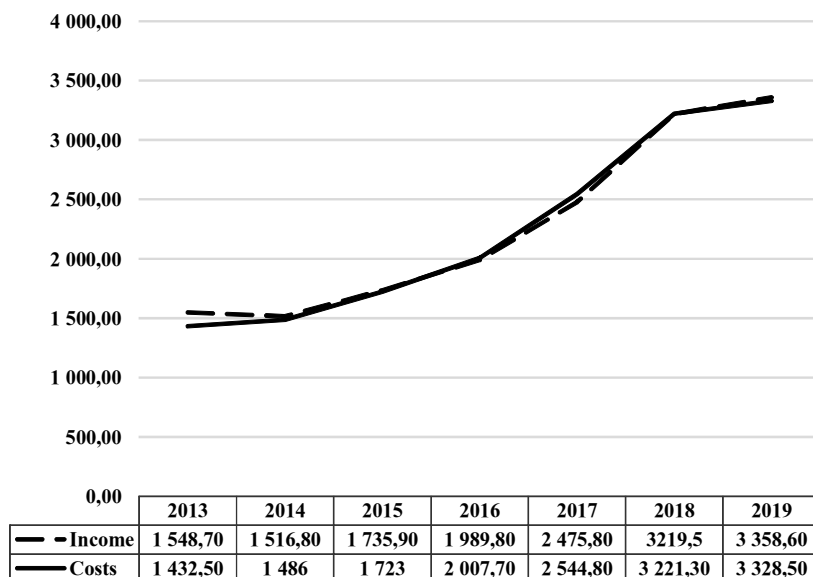
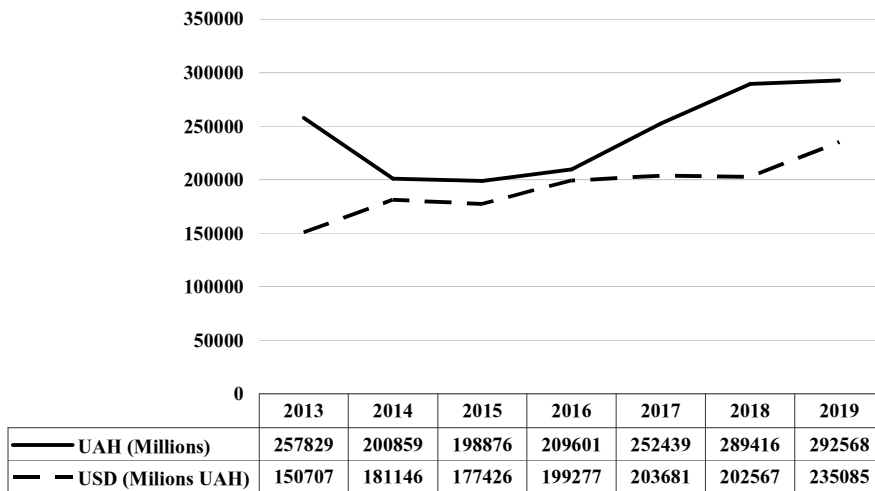


Fig. 2. Household Income and Expenditure Dynamics 2013–2019

Source: developed by the authors.

the accounts of the savings Bank of the USSR (still remain unpaid deposits in the amount of 116.76 billion UAH), as well as high-profile bankruptcies (the incorporated company Bank "Ukraine") and loss of solvency by banks (the private joint-stock company "Prominvestbank", the private joint-stock company "Nadra") already during the independence of Ukraine. The use of institutes of joint investment by households as a way of placing savings. Another option for placement of funds is the use of institutes of joint investment (further — IJI) (corporate (hereinafter the CIF) or mutual Fund (hereinafter — MF)). Investments of individuals in the IJI are growing every year and have grown almost 4 times over the past 6 years, although in absolute terms they remain insignificant compared to bank deposits — UAH 2.63 billion at the nominal value of securities placed as of December 31, 2018 (figure 4). The lion's share of investments in these financial institutions is made by legal entities, although in 2018, compared to 2012, there was a decrease in their share (77.4% and 80%, respectively). The size of the IJI's own net assets (hereinafter referred to as ONA) owned by resident individuals was UAH 8.1 billion at the end of 2018 and has been growing in recent years. Even during 9 months of 2019, despite the decrease in the number of IJI and their profitability, there was an increase in the ONA owned by resident individuals to UAH 10.2 billion, and the share of funds that they own in the ONA increased from 5.1% to 5.7%. The average annual return in 2018 of closed IJI was 16.18%, interval — 7.02%, open-0.64%, and for 9 months of 2019 in the annual equivalent of 17.01%, 4.43% and 14.16%, respectively. But the problem is that at the end of the 3rd quarter of 2019, only 10 out of 28 funds among open IJI showed profitability (the indicator ranged from -14.4% to +10.0%), among interval funds — 7 out of 25 (from -19.5% to +7.3%), and closed funds — 33 out of 94 (from -43.2% to 145.9%).

The advantages of this investment are that it does not require professional skills, since the funds collected from investors are invested by asset management companies in financial and non-financial assets, and the income received is then distributed proportionally among the owners of CIF shares or investment certificates of the mutual fund in proportion to the amount of securities purchased. However, there is a big risk, because the ability to generate income and save all of your invested capital will depend on the quality of the management and investment portfolio of the institution, since there are no guarantees the return of deposits due to the fact that investors are both co-owners



**Fig. 3. Dynamics of domestic and foreign currency household deposits 2013–2019**

Source: developed by the authors.

if, and there is no guaranteed rate of return on securities of IJI, as it will depend on the dynamics of price changes on securities and the amount paid dividends and their interests. That is why in order to choose the right investment object, it is necessary to study the requirements for the quality of asset management. In addition, investments in mutual funds are not always liquid, especially for the securities of close-end IJI. Additional expenses of the IJI participants are that they must pay for the services of asset management companies, although the amount of these expenses can not exceed 10% of the average annual value of net assets. Also, an individual investor can place funds on the foreign exchange market or on the securities market, provided that such investments are made without the participation of financial intermediaries, such investments require special knowledge and practical experience. The return on such investments will depend directly on the investor's qualifications, risk appetite, and ability to assess it adequately. Although such investment has its own advantages, which are the ability to manage risks, respond quickly to market conditions, take into account the liquidity of financial instruments, as well as divert funds from investments if there is a need for it. In addition, if you correctly determine the composition and structure of the portfolio, you can achieve a fairly high return. But such investments are associated with a great risk, because if the financial condition of the enterprise deteriorates or it is declared bankrupt, the investor will not only receive no income, but also lose all the invested capital. Besides, investing in securities without involving financial intermediaries requires constant monitoring of the situation on the financial market for the purpose of operational management of the securities portfolio, as well as conducting technical and functional analysis, which requires special knowledge and practical skills, as well as significant time expenditures. You will also have to incur additional expenses related to maintaining your trading account, accounting for transactions, accessing the trading terminal, paying for broker services, and receiving and analyzing information. The insufficient level of development of the stock market in Ukraine also hinders the development of IJI and investment on an individual basis. In addition, the vast majority of businesses either do not pay dividends, or the amount of dividends is very low, which makes them unattractive from the point of view of financial investments. Minority shareholders who cannot influence the investment and dividend policies of enterprises are particularly vulnerable. Investing household savings in credit unions is another way to invest funds in credit unions. But official statistics show that the popularity of such areas is decreasing every year and evidence of this is that the number of credit unions for

9 months in 2019 decreased by 35 units or 5.6% (from 624 to 589 units) and a decreasing trend observed since 2009 (figure 5). The share of members of credit unions who have deposits on deposit accounts is on average 4% of their total number, which clearly demonstrates the unpopularity of this type of investment, despite the high profitability of such deposits in comparison with deposits in banks. As of September 30, 2019, the balances on deposit accounts of members of credit unions amounted to UAH 1.1 billion which is 227.5 million less than at the end of 2018, although during 2017–2018 there was a tendency to increase this indicator.

Comparative characteristics of the main directions of investment of household savings and the reasons for the existence of savings in an unorganized form of non-fulfillment of obligations by enterprises and financial institutions lead

to the fact that the free money of households is kept outside the financial market in the national currency or a stable foreign currency. According to experts, more than 50% of the Ukrainian economy is located in the shadow sector, including "black" and "gray" wages. Based on this, we can assume that at least 50% of the population's savings are stored in an unorganized form. According to experts of the Association Ukrainian banks outside the banking system is 500–700 billion [19] that by conservative estimates more than 1.3 exceeds the revenues of the state budget of Ukraine for the year 2019 [20], approximately 65% of the direct public debt of Ukraine [21], 2.5 times more than the reserves of the National Bank of Ukraine [22].

To this date, there are no reliable tools for the population to replace bank deposits and savings in foreign currency, so if there is a deferred demand during the crisis, free funds are invested in real estate, vehicles and household appliances. But since September 2019, there has been growth in these markets, and the population still has significant amounts in their hands, which without adequate actions of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine will not be able to turn into an investment resource. It is extremely difficult to estimate the amount of unorganized savings of the population due to the lack of reliable statistical data on the investment of funds by the population in foreign currency, gold, securities and other investment areas. In addition, this process is hindered by the existence of the shadow economy. If we compare household deposits in the Ukrainian banking system with cumulative savings in the form of financial assets that have been accumulated since 2001 and are determined by the results of sample surveys of households, we can conclude that savings in unorganized form are more than 50% and this indicator tends to increase. Conclusions: during 2019, there is a withdrawal of funds by households from the financial system of Ukraine, which contributes to an increase in savings in an unorganized form. This trend is observed against the background of a decrease in both real and nominal incomes of the population. The confirmation of this fact is that from the beginning of 2019 to December, the population purchased foreign currency by 21.3 million dollars more than it sold, which indicates further dollarization of the economy both through deposits and other funds that are withdrawn from the financial system, and by converting current income in the national currency into a foreign one. This also confirms the devaluation expectations of citizens. The main trends that are characteristic of household savings at the current stage of development of the Ukrainian economy are: the dependence of the propensity of households to save and invest on the economic and political situation in the country; the

development, although slow, of relatively new ways of investing savings; the low level of savings of households placed in securities; the growth of unorganized savings, especially those made in foreign currencies; the direction of savings in investments in tangible assets, such as precious metals, apartments, cars, household appliances and other tangible assets. The main reasons that prevent the transformation of savings into investment resource in Ukraine are: the instability of the economic situation; distrust of state and national currency; the existence of the shadow economy; the lack of awareness about investment options; insufficient level of financial literacy of the population; barriers to business activities; insufficient development of stock market in Ukraine; distrust of financial institutions; dividend policy of Ukrainian enterprises; low level of purchasing power of the population; insufficient level of development of the insurance market and private pension funds. The transformation of household savings in the informal form of investments will allow to increase budget revenues, to cut expenditures on social transfers, to provide businesses and government with the necessary resources to increase incomes. This, in turn, will help restore economic stability and ensure economic growth. Despite the fact that the economic and political crisis negatively affects the real income of the population and, as a result, the size of their savings, the investment potential of households remains large, including for storing a significant part of these resources in a passive form. The need to attract household savings to the economy requires the introduction of measures that will increase public confidence in the state, its economic policy, and ensure price and exchange rate stability. It is also necessary to introduce measures that will allow more effective control over the activities of banking and non-banking financial institutions in order to ensure their liquidity, solvency and financial stability, which will reduce the number of cases of abuse in this market, avoid bankruptcy and help protect the interests of depositors. At the same time, measures that will improve public awareness of investment tools should be used.

## CONCLUSION

The importance of converting unorganized savings of the population into investments requires the development of a methodology for estimating their size based on sample surveys. At present, official statistics determine the indicators that characterize the growth of savings, but do not calculate the indicators of their total volume at a certain date, which does not allow us to estimate the size of passive savings of the population. Since in 2019 there is a tendency to withdraw savings from the financial market, a detailed analysis requires directions that should be applied by public authorities to increase the confidence of banking institutions and non-banking financial institutions. The issues of insurance and non-state pension insurance, as well as household investment in non-financial assets, which are also areas of investment of savings accumulated by the population stay outside of the study of this article. In addition, it is necessary to study the ways of stimulating the development of business activity in Ukraine, since investing in business activities by registering an individual entrepreneur or creating a legal entity by one person or a certain number of them helps to reduce savings in an unorganized form.

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