

DOI: <https://doi.org/10.34069/AI/2023.64.04.36>

How to Cite:

Minochkina, O., Adamovska, V., & Skibitska, L. (2023). The role of the state in supporting social investment projects to ensure sustainable development. *Amazonia Investiga*, 12(64), 340-347. <https://doi.org/10.34069/AI/2023.64.04.36>

## The role of the state in supporting social investment projects to ensure sustainable development

### Роль Держави в Підтримці Соціальних Інвестиційних Проєктів для Забезпечення Сталого Розвитку

Received: February 2, 2023

Accepted: April 5, 2023

Written by:

**Olha Minochkina<sup>1</sup>**<https://orcid.org/0000-0002-8513-4360>**Viktoriiia Adamovska<sup>2</sup>**<https://orcid.org/0000-0001-8911-1388>**Liana Skibitska<sup>3</sup>**<https://orcid.org/0000-0003-4600-670X>

#### Abstract

Human, intellectual, and social capital serve as the foundation for the modern global socio-economic environment, impacting the competitiveness of economic systems and playing a pivotal role in their development. However, social responsibility has emerged as a pressing concern, with governments often failing to provide adequate social security to citizens due to various reasons. State-level provisions typically offer minimal social guarantees, leaving urgent issues unresolved and social assistance mechanisms ineffective. This article aims to clarify the theoretical foundations and practical trends in social investment project development, emphasizing their significance for both individual companies and the broader socio-economic context. The research employs analytical and bibliographic methods to examine relevant scientific literature, employing systemic and structural analyses, comparisons, logical and linguistic methods, as well as induction, deduction, information synthesis, abstraction, and idealization for data processing. Additionally, an online questionnaire survey was conducted to identify key issues related to social investment project development. The study's results highlight crucial theoretical aspects of social investment in the economy and explore the perspectives of scientists and heads of local

#### Анотація

Людський, інтелектуальний або соціальний капітал є основою формування сучасного соціально-економічного середовища в усьому світі, визначає конкурентоспроможність економічних систем і є ключовим ресурсом їх розвитку. Останніми роками питання соціальної відповідальності постало особливо гостро, оскільки сьогодні з різних причин держави не в змозі забезпечити прийнятний рівень соціальної захищеності громадян, здебільшого на державному рівні створюються мінімальні соціальні гарантії, не вирішуються нагальні проблеми людей, механізми соціальної допомоги часто демонструють свою неефективність. Метою статті є з'ясування теоретичних основ та практичних тенденцій з питань розвитку соціальних інвестиційних проєктів та їх значення як для окремих компаній, так і для суспільно-економічного середовища загалом. Методологія. Проведення дослідження включає застосування аналітико-бібліографічного методу для вивчення наукової літератури з питань розвитку соціальних інвестиційних проєктів, а також системно-структурного, порівняльного, логіко-лінгвістичного методу, індукції, дедукції, аналізу, синтезу інформації, абстрагування, ідеалізації для вивчення та обробки даних, та анкетного опитування, що було проведено

<sup>1</sup> Doctor of Economic Sciences, Assistant Professor, Department of Economics and Business Technologies, Faculty of Economics and Business Administration, National Aviation University, Kyiv, Ukraine.

<sup>2</sup> PhD in Economics, Associate Professor, Department of Accounting, Taxation, Public Governance and Administration, Faculty of Economics and Business Management, Kryvyi Rih National University, Kryvyi Rih, Ukraine.

<sup>3</sup> Doctor of Economics, Associate Professor, Department of Economics and Business Technologies, Faculty of Economics and Business Administration, National Aviation University, Kyiv, Ukraine.



government departments on its pivotal dimensions and importance for economic and social progress.

**Keywords:** social investments, human capital, corporate social responsibility, social guarantees, social assistance mechanism.

## Introduction

The development of society requires attention to social investment as a targeted investment of resources in the development of the social sphere, i.e. the environment where human, intellectual, and social capital is formed and built. Social investment is the main tool and an important feature of social responsibility at all levels, which is performed to create a beneficial social effect in the future.

The theoretical part of this study substantiates different points of view on the concept, components, and factors of social investment development from the perspective of its impact on the general state and pace of economic development.

The practical part of the study includes an assessment of the priority of social components of the country's development. This is a prerequisite for forming the goal of social investment. The study covers the most effective types of social investment. It also examines the most important areas of social investment processes within individual business entities. The study examines the most effective strategic directions of socially responsible investment in the framework of international cooperation.

The results of the survey revealed the respondents' opinions. In their opinion, the main social components of the country's development mechanism are an effective support for those in need. High quality of life is also an important social component. Furthermore, creating conditions for the formation of effective employees and owners is a prerequisite for development. Indirect and mixed social investments are recognized as the most effective

авторами дослідження в онлайн-режимі для практичного з'ясування найважливіших питань, пов'язаних з розвитком соціальних інвестиційних проєктів. Результати. За результатами дослідження встановлено основні найбільш важливі теоретичні аспекти питання соціального інвестування в економіці, а також досліджено точку зору науковців та керівників відділів органів місцевого самоврядування щодо ключових аспектів соціальних інвестицій та їх значення для розвитку економіко-соціальної сфери.

**Ключові слова:** соціальні інвестиції, людський капітал, корпоративна соціальна відповідальність, соціальні гарантії, механізм соціальної допомоги.

in terms of achieving the social investment goal. The survey participants are convinced that the effective implementation of these social components is a prerequisite for the country's development. The opinion of academics and business leaders was also identified. They believe that the most important area of social investment in terms of its purpose for company employees is social investment related to corporate social responsibility. At the same time, today the most important goal of social investment is to improve the situation in the area of presence and financial efficiency of the implemented social investments. At the same time, the most effective strategic areas of socially responsible investment in terms of international cooperation are the methods of involvement in social investments. These involve investors acting as co-owners of companies or acting within the framework of local investment development programs.

## Literature Review

In the context of the progressive movement of the vast majority of countries toward sustainable social development, the identification and implementation of its main factors are of great importance (Balon, Kottala & Reddy, 2022).

Economists interpret the concept of social investments of companies as material, technological, managerial, or other resources, as well as financial resources of companies. By the decision of the management, these resources are directed to the implementation of social programs developed with due regard to the interests of the main internal and external stakeholders. In doing so, it is expected that a

certain social and economic effect will be obtained from a strategic perspective. (Graafland & Smid, 2019), (Wang, Delgado & Xu, 2023).

Social investment is a way of implementing corporate social responsibility through targeted programs that meet the needs of key stakeholder groups - consumers, employees, and local communities. Social investment shares many of the same characteristics as traditional investment, but with a focus on investing in projects or initiatives that align with specific social or environmental criteria. These criteria shape the selection of investment objects and reflect the values and goals of the investors (Fatima & Elbanna, 2023).

Social investments can also be seen as a voluntary contribution of business to the development of society. Social investments mainly include corporate sponsorship and charity, trusteeship, interaction with the local community, government agencies, and corporate partnership programs (Beji et al., 2021), (Quintana-García et al., 2018).

The processes of achieving social effect through social investments depend on many factors. There is a sequential investment of resources: achieving a social effect, parallel investment and obtaining the result of investment activity, as well as interval investment, which gives an effect after a certain time (Bucaro, Jackson & Lill, 2020), (Jiang et al., 2018).

Social investment is a tool aimed at implementing specific external and internal social programs of a company, a practical way of realizing social responsibility. It can include investments in municipal infrastructure, healthcare, education, and culture. Their payback period is much longer and their net cost is lower, but their return is not only expressed in money. The effect can be in the form of increased trust and a positive image of the company among the community where the investment is made. In Western countries, the practice of ethical investment (socially responsible investment) is

widespread. It requires financial institutions to invest in companies that meet certain social responsibility criteria (Gödker & Mertins, 2018), (Laguir, Laguir & Tchameni, 2019).

### **Aims**

The research aims to determine the position of scholars and local government leaders on the nature and importance of social investment for the economic system.

### **Materials and methods**

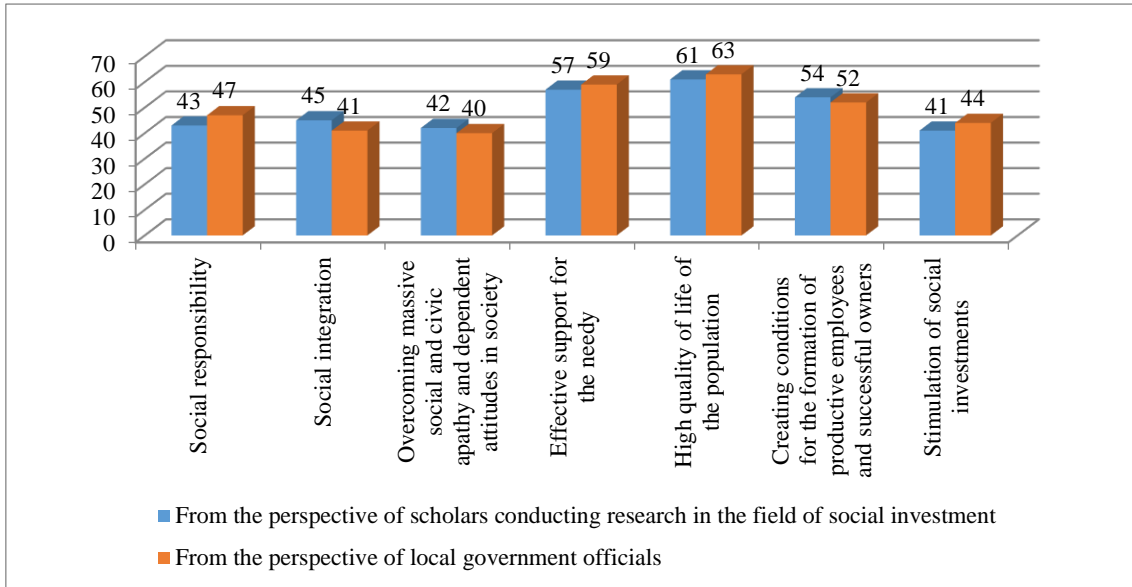
A practical study of current trends in the development of social investment and its importance for the economy was conducted by interviewing 282 scientists and 259 heads of local governments in Poltava, Vinnytsia, Rivne, Zhytomyr, and Kyiv oblasts of Ukraine. The research was conducted using the Simpoll service.

### **Results**

The opinion of the survey participants on the search for optimal ways to achieve effective sustainable economic and social growth was determined. Thus, the main social components of the country's development mechanism as a prerequisite for the formation of the goal of social investment are (Figure 1).

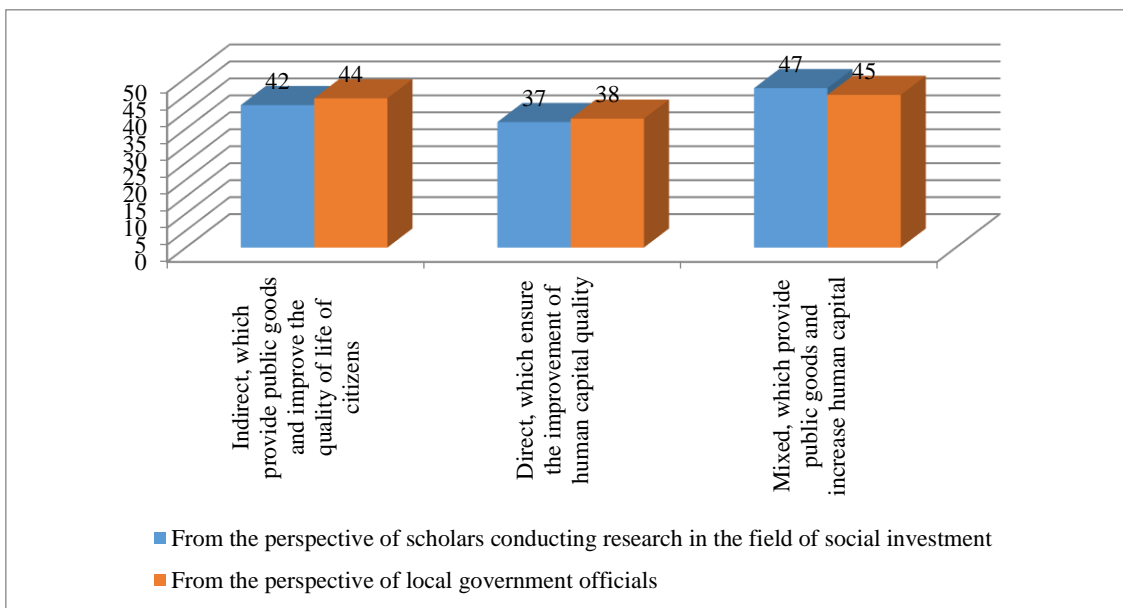
According to the participants of the survey, the inherent factors of sustainable social development of the state are, above all, effective support for those in need, high quality of life, and the creation of conditions for the formation of effective employees and effective owners.

An important result of the survey is to find out the opinion of scientists and local government leaders on the types of social investments by the ways they are implemented and the expected results for the creation and reproduction of human capital in line with the needs of modern economic development (Figure 2).



**Figure 1.** Priority of social components of the country's development mechanism as prerequisites for the formation of goals and directions of social investment, %.

Source: built by the authors.



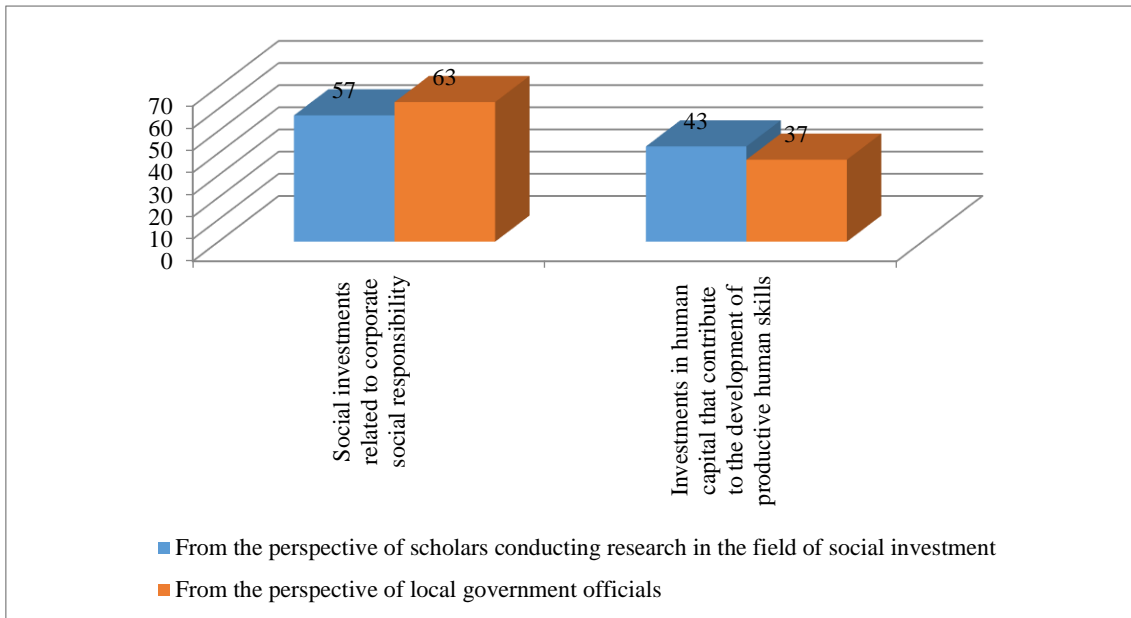
**Figure 2.** The most effective types of social investments using their implementation and expected results for the creation and reproduction of human capital following the needs of modern economic development, %.

Source: built by the authors.

As shown in Figure 2, respondents identified indirect and mixed social investments as the most influential in terms of their effectiveness.

Since the environment of business entities is an important area of social investment, an important issue that deserves special attention in the context of this study is to identify the most important area of social investment in terms of its purpose for company employees (Figure 3).

Figure 3 shows that the most effective social investments are those related to corporate social responsibility. This means that companies carry out social activities aimed at both external and internal goals. For instance, the internal goal is to create a favorable working environment for employees, while the external goal is to create a positive image of the company in the eyes of civil society and provide social benefits to the community.

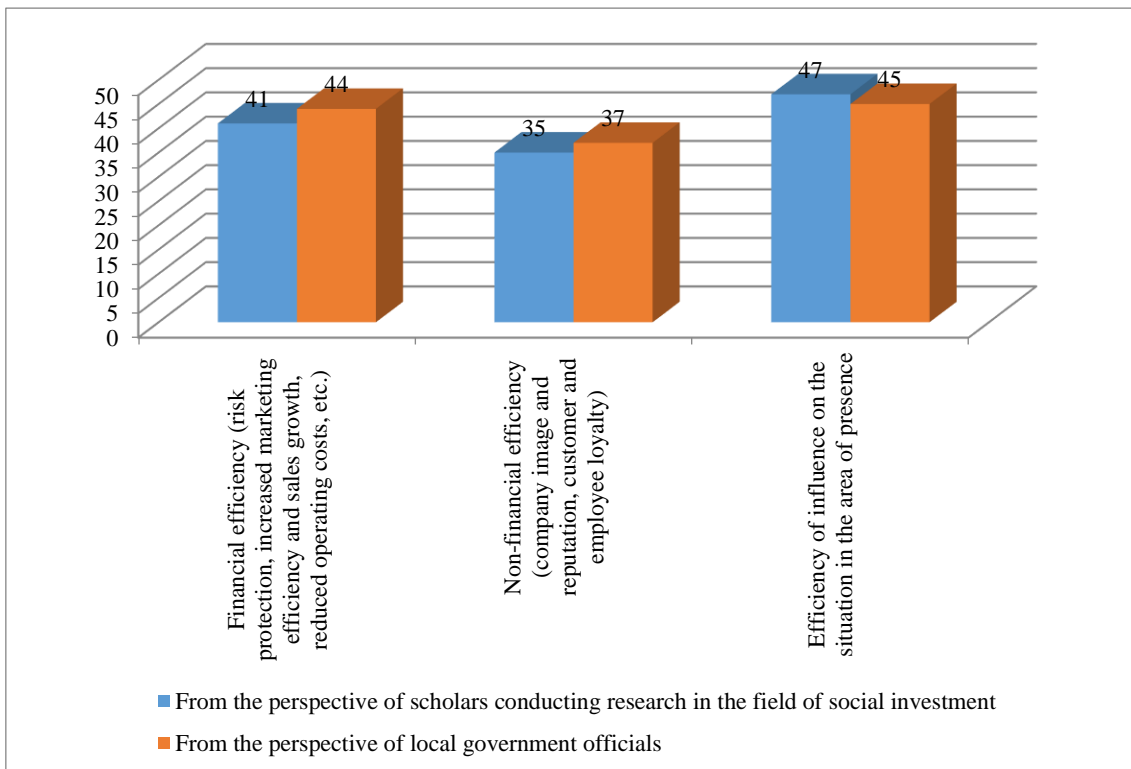


**Figure 3.** The most significant social investment directions within individual business entities in terms of their effectiveness for the company's employees, %.

Source: built by the authors.

The effectiveness of socially responsible investing is primarily related to the achievement of its main goal - the realization of the possibility of combining financial benefits and ethical

values of the investor. The survey revealed the most important goal of social investment, namely the types of effects that social investors mostly expect (Figure 4).



**Figure 4.** Types of effects (goals of social investment) that social investors mainly expect, %.

Source: built by the authors.

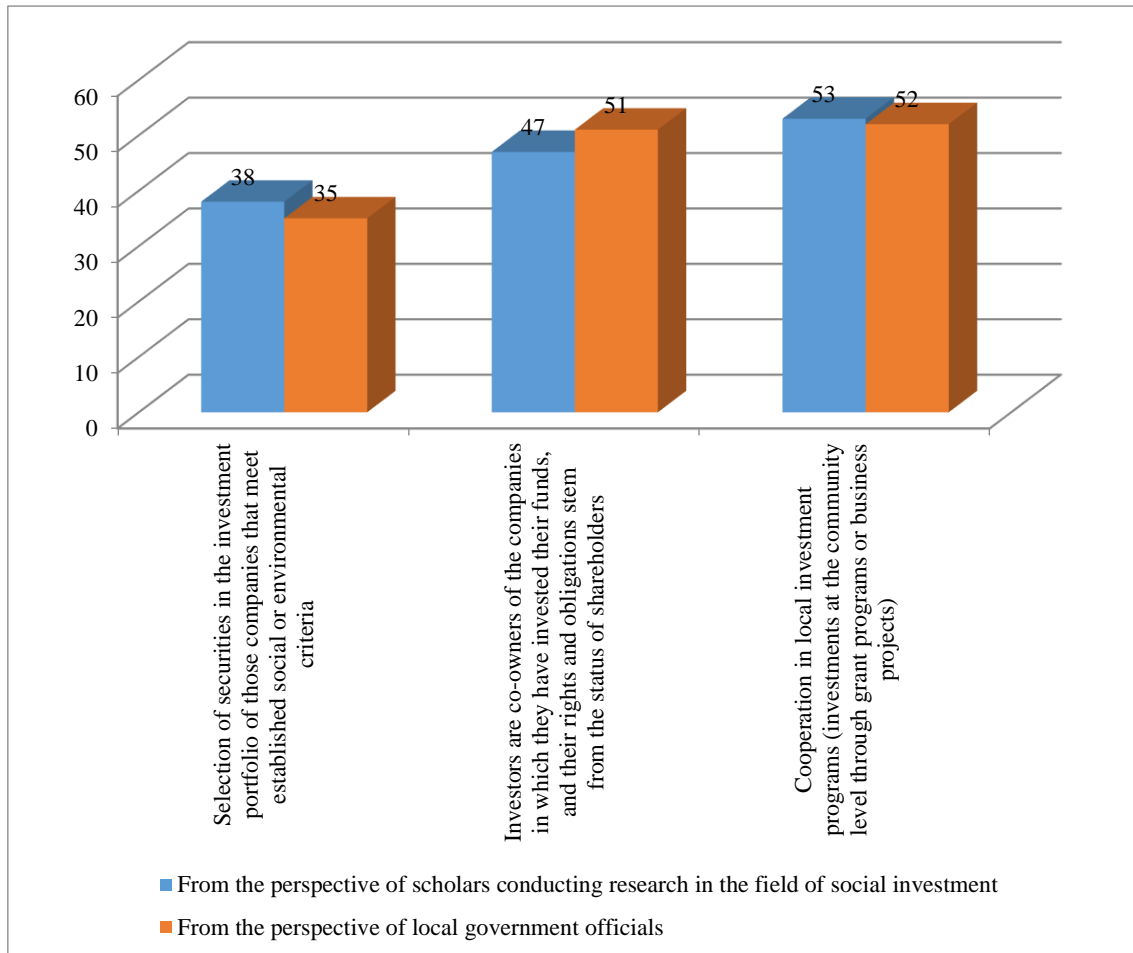
According to the survey results, when planning and implementing financial investments, social

investors mainly expect to improve the situation in the area of their presence. They also expect the

financial efficiency of the implemented social investments.

The survey helped to identify the most effective strategic directions of socially responsible

investment in terms of international cooperation between investment subjects and objects. At the same time, the widespread trend of such investment processes in the world in recent years was considered (Figure 5).



**Figure 5.** The most effective strategic directions of socially responsible investment in the framework of international cooperation between investment subjects and objects, %.

Source: built by the authors.

As can be seen from Figure 5, three strategies of socially responsible investment are generally used in global practice today. Among them, the most effective are the ways of engaging in social investments. These involve investors acting as co-owners of companies or acting within the framework of local investment development programs.

### Discussion

The subjects of social investment at different levels are the state (government agencies at all levels), enterprises of all forms of ownership, commercial and non-profit organizations, and individuals. Meanwhile, the motivation and goals of the social investment may differ significantly depending on the ultimate goal, the problem to be

solved in the process of social investment, and the source of investment (Chu, Chen & Gan, 2020), (Ginder, Kwon & Byun, 2021).

For the state, the goals of social investment can be to improve living standards and national income, as well as to expand opportunities for human development. For commercial entities, the goals of the social investment may include maintaining and expanding market positions and making a profit. For foreign investors and individuals, the goal of a social investment may be to make a profit. For non-profit organizations, the goals of social investment can be to meet specific urgent needs of the community or certain groups of people and to improve the level and quality of life of the population by meeting

material, spiritual and social needs (Farmaki, 2019), (Pham & Tran, 2020).

The current global practice of social investment has problems that impede the implementation of socially responsible programs and the overall level of social responsibility development. These problems mainly include the lack of understanding by entrepreneurs of the role played by corporate social responsibility in the strategic development of companies and dissatisfaction of certain parts of society with corporate social responsibility measures (Khan, 2018), (Platonova et al., 2018).

The actions of all social investment actors - the state, municipalities, and companies - are aimed at achieving very specific goals. Therefore, for a more complete understanding of the category of "social investment", it is also worthwhile to analyze in detail the purpose for which social investment entities make a particular financial investment. A special analysis shows a large number of different positions on this topic in legislation and scientific publications. In particular, a significant number of scholars emphasize that the purpose of non-productive expenditures is to achieve economic and social results or impact. These effects include improvement in working and living conditions, reduction of morbidity, increase in the level of education, increase in free time and its rational use, etc. (George, Walker & Monster, 2019), (Luo, Huang & Lam, 2019).

Socially responsible investment is a process of investment decision-making that takes into account the social and environmental impacts of investments. It is based on the study and selection of companies as acceptable investment targets that conduct open and transparent business practices based on ethical values, respect for employees, shareholders, and consumers, and care for the environment. The basis of socially responsible investment is the so-called triple bottom line concept. Its essence lies in the fact that when evaluating an investment project, an investor takes into account not only future financial results but also the extent to which the company's activities are socially, environmentally, and ethically responsible (Ettinger et al., 2021), (Pedersen, Gwozdz & Hvass, 2018).

## Conclusions

Thus, the analysis of the scientific literature on the research topic and the results of the questionnaire survey showed that the

phenomenon of social investment is deeply rooted in the history of the world economic culture. Recently, this phenomenon has been spreading with renewed vigor in the business environment, mainly in more developed countries.

The widespread adoption of socially responsible business practices by companies will help develop existing markets and create new ones, address social and environmental issues, expand access of companies to international markets, increase their capitalization, and contribute to the sustainable development of society as a whole.

## Bibliographic references

- Balon, V., Kottala, Y. S., & Reddy, K. S. (2022). Mandatory corporate social responsibility and firm performance in emerging economies: An institution-based view. *Sustainable Technology and Entrepreneurship*, 1(3), 100023. <https://doi.org/10.1016/j.stae.2022.100023>
- Beji, R., Yousfi, O., Loukil, N., & Omri, A. (2021). Board diversity and corporate social responsibility: Empirical evidence from France. *Journal of Business Ethics*, 173(1), 133-155. <https://doi.org/10.1007/s10551-020-04522-4>
- Bucaro, A. C., Jackson, K. E., & Lill, J. B. (2020). The influence of corporate social responsibility measures on investors' judgments when integrated in a financial report versus presented in a separate report. *Contemporary Accounting Research*, 37(2), 665-695. <https://doi.org/10.1111/2F1911-3846.12542>
- Chu, S.-C., Chen, H.-T., & Gan, C. (2020). Consumers' engagement with corporate social responsibility (CSR) communication in social media: Evidence from China and the United States. *Journal of Business Research*, 110, 260-271. <https://doi.org/10.1016/2Fj.jbusres.2020.01.036>
- Ettinger, A., Grabner-Kräuter, S., Okazaki, S., & Terlutter, R. (2021). The desirability of CSR communication versus green housing in the hospitality industry: The customers' perspective. *Journal of Travel Research*, 60(3), 618-638. <https://doi.org/10.1177/2F0047287520930087>
- Farmaki, A. (2019). Corporate social responsibility in hotels: A stakeholder approach. *International Journal of Contemporary Hospitality Management*, 31(6), 2297-2320.

- <https://doi.org/10.1108%2FIJCHM-03-2018-0199>
- Fatima, T., & Elbanna, S. (2023). Corporate Social Responsibility (CSR) Implementation: A Review and a Research Agenda Towards an Integrative Framework. *Corporate Social Responsibility (CSR) Implementation: A Review and a Research Agenda Towards an Integrative Framework*. *Journal of Business Ethics*, 183, 105-121. <https://link.springer.com/article/10.1007/s10551-022-05047-8>
- George, B., Walker, R. M., & Monster, J. (2019). Does strategic planning improve organizational performance? A meta-analysis. *Public Administration Review*, 79(6), 810-819. <https://doi.org/10.1111%2Fpuar.13104>
- Ginder, W., Kwon, W.-S., & Byun, S.-E. (2021). Effects of internal-external congruence-based CSR positioning: An attribution theory approach. *Journal of Business Ethics*, 169(2), 355-369. <https://doi.org/10.1007%2Fs10551-019-04282-w>
- Gödker, K., & Mertins, L. (2018). CSR disclosure and investor behavior: A proposed framework and research agenda. *Behavioral Research in Accounting*, 30(2), 37-53. <https://acortar.link/vMumBV>
- Graafland, J., & Smid, H. (2019). Decoupling among CSR policies, programs, and impacts: An empirical study. *Business & Society*, 58(2), 231-267. <https://doi.org/10.1177%2F0007650316647951>
- Jiang, F., Zalan, T., Tse, H. H. M., & Shen, J. (2018). Mapping the relationship among political ideology, CSR mindset, and CSR strategy: A contingency perspective applied to Chinese managers. *Journal of Business Ethics*, 147(2), 419-444. <https://link.springer.com/article/10.1007/s10551-015-2992-7>
- Khan, S. N. (2018). Making sense of the black box: An empirical analysis investigating strategic cognition of CSR strategists in a transitional market. *Journal of Cleaner Production*, 196, 916-926. <https://doi.org/10.1016%2Fj.jclepro.2018.06.075>
- Laguir, L., Laguir, I., & Tchemeni, E. (2019). Implementing CSR activities through management control systems: A formal and informal control perspective. *Accounting, Auditing & Accountability Journal*, 32(2), 531-555. <https://doi.org/10.1108%2FAAAJ-05-2016-2566>
- Luo, J. M., Huang, G. Q., & Lam, C. F. (2019). Barriers to the implementation of corporate social responsibility in the gaming industry. *Journal of Quality Assurance in Hospitality & Tourism*, 20(5), 528-551. <https://doi.org/10.1080%2F1528008X.2018.1563019>
- Pedersen, E. R. G., Gwozdz, W., & Hvass, K. K. (2018). Exploring the relationship between business model innovation, corporate sustainability, and organisational values within the fashion industry. *Journal of Business Ethics*, 149(2), 267-284. <https://doi.org/10.1007%2Fs10551-016-3044-7>
- Pham, H. S. T., & Tran, H. T. (2020). CSR disclosure and firm performance: The mediating role of corporate reputation and moderating role of CEO integrity. *Journal of Business Research*, 120, 127-136. <https://doi.org/10.1016/j.jbusres.2020.08.002>
- Platonova, E., Asutay, M., Dixon, R., & Mohammad, S. (2018). The impact of corporate social responsibility disclosure on financial performance: Evidence from the GCC Islamic banking sector. *Journal of Business Ethics*, 151(2), 451-471. <https://doi.org/10.1007%2Fs10551-016-3229-0>
- Quintana-García, C., Marchante-Lara, M., & Benavides-Chicón, C. G. (2018). Social responsibility and total quality in the hospitality industry: Does gender matter? *Journal of Sustainable Tourism*, 26(5), 722-739. <https://doi.org/10.1080/09669582.2017.1401631>
- Wang, Y., Delgado, M. S., & Xu, J. (2023). Correction: When and where does it pay to be green? – A look into socially responsible investing and the cost of equity capital. *International Journal of Corporate Social Responsibility*, 8, 4. <https://jcsr.springeropen.com/articles/10.1186/s40991-023-00080-w>