

## WAYS TO ENSURE FINANCIAL SECURITY OF CO-INVESTORS

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Due to limited resources investors unite in order to ensure efficient realization of business-projects. However, contributions of investors may be not equal, their intentions may change because of unpredictable circumstances.

Thus, it is essential to think about the system of checks and balances, tools to reduce/ minimize the risks of misunderstandings, tools to minimize risks of negative consequences for the object of investments at the beginning of cooperation.

From our perspective, attention should be focused on: written fixation of agreements between business partners; keeping bank accounts secure; performing legal actions on behalf of the company; safety of documents and databases (including accounting databases); security of assets of the company; proper arrangement of employee relations structure.

### **1. Written fixation of agreements between business partners.**

The institute of shareholders agreements was implemented into Ukrainian legislation in 2018 [1]. We suggest always using shareholders agreements when business projects are realized by two or more investors.

### **2. Keeping bank accounts secure.**

Nowadays usage of funds on bank accounts is regulated by acts of the National Bank of Ukraine, in particular by Instruction on the procedure for opening and closing accounts to users by payment service providers for servicing accounts, approved by the Resolution of the NBU Board as of July 29, 2022 No.162 [2].

The mentioned act does not stipulate that only officials of the company have rights to dispose of the funds on bank accounts. Consequently, we recommend prescribing a few-levels signing procedure of banking documents (the transaction should not be conducted without banking signatures of each decision-makers).

### **3. Performing legal actions on behalf of the company**

In accordance with corporate legislation of Ukraine, shareholders can apply restrictions on legal actions in company charters. It is suggested to set limits on amounts of legal actions that can be performed by the executive body at its own discretion, to prescribe that agreements and other significant documents should be signed by at least two signatories.

Taking into consideration that nowadays documents can be signed with electronic digital signatures, which have the same legal power as “wet” signatures

according to the Law of Ukraine “On electronic trust services” [3], we suggest applying cloud electronic digital signatures and to not share these signatures with other people.

#### **4. Safety of documents and databases (including accounting databases)**

There is a risk of conflicts between co-investors, between co-investors and the executive body, between the business entity and consulting companies, which render services for this entity. In case of conflicts documents and/or databases can be damaged.

In order to minimize this risk, we suggest: **a)** not giving statutory documents and corporate stamps to third parties; **b)** implementing electronic document flow and backing up data (documents) on external media or on the Cloud Platform periodically; **c)** making scanned copies of paper documents and to storing such scanned copies on external media or on the Cloud Platform. Originals should be kept in a safe place. Any third parties (including consulting, accounting companies etc.) should not have access to such place.

#### **5. Security of assets of the company**

In practice sometimes some assets (for example, laptops) are transferred to employees, contractors without proper documenting. In our opinion, such carelessness is not acceptable. Transfer of any assets should be well-documented.

If business is large and successful, dividing a business between, for instance, two companies (*the first company owns all assets and rent them out to the second company; the second company runs the main business activity and takes all operational risks*) can make sense.

#### **6. Proper arrangement of employee relations structure**

Quite often employers only issue orders concerning employment, but do not conclude detailed employment contracts, non-disclosure agreements, non-compete agreements (applicable only to gig-specialists [4]), do not sign job descriptions. Considering the unpredictability of circumstances in today`s reality, we insist that all these documents should be prepared and signed.

Summarizing the above, we can conclude that current legislation prescribes a lot of tools to ensure financial safety of co-investors, and they can be applied in practice more often. Following the recommendations, specified in this article, business partners can minimize risks of joint business activity and in case of conflicts – efficiently and legally resolve the issues with minimum negative consequences.

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## **THE ROLE OF ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT**

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Entrepreneurship is the process of identifying a business opportunity and assuming the risk of creating and running a business in order to exploit that opportunity. There are two types of entrepreneurs, the innovative one who brings new products and services and the replicative one who enters existing markets with unique selling propositions.

Entrepreneurship has long been considered a driving force behind economic growth and development. By creating new products, services and technologies, entrepreneurs create jobs, increase productivity and create value for consumers. Furthermore, entrepreneurship has the potential to contribute to social and economic development, especially in developing countries where job creation and economic growth are critical to poverty reduction.

Entrepreneurship also promotes economic growth by encouraging innovation. Entrepreneurs are often motivated by desire to develop new products or services to satisfy unmet consumer needs. As such, they can stimulate technological innovation, which increases productivity and economic growth.

For example, Schumpeter argued that entrepreneurs were responsible for the creation of new industries and products that led to economic growth [2]. More recently, the Global Entrepreneurship Monitor (GEM) has been monitoring entrepreneurship activity in over 100 countries, highlighting the importance of entrepreneurship in economic development [3].

Some scholars, for example, differentiate between the global market and the supply factors of entrepreneurship. The resource side throughout entrepreneurship corresponds to the collection of relevant interests, expertise and services within the economy. Shepherd D. A refers to all of these as either the 'Schumpeter' influence and the 'immigrant' influence, and this is expressed in their empiric nature by incorporating the subgroups of entrepreneurship described in the GEM database [1]. GEM identifies three main factors or motivations for individual involvement in