

EXPLORING INVESTMENT STRATEGIES FOR SUSTAINABLE DEVELOPMENT IN AN UNCERTAIN LANDSCAPE

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DOI: <https://doi.org/10.59642/JRTMED.1.2023.05>

Universal Decimal Classification: 336.76

JEL Classification: Q01, G21, D92, E22, G24, H54

Abstract

Current study examines the opportunities for individuals to invest in various money and capital market instruments, ranking, grading and analyzing each of the eleven options proposed. This issue is very relevant and affects all citizens, because in times of insecurity, crisis and war, people are scared and looking for alternatives to preserve their money's worth and "escape" from rising inflation.

At the same time, European directives in the last decade put sustainable development, the transition to a circular economy, "green" financing, etc. at the center of economies. The extent to which the economies of Eastern Europe are prepared for this transition is a matter of debate, but it is indisputable that large-scale investments are needed for its implementation.

Investment choice has always been at the center of every economic activity. That's why we turn our attention to possible investment options in today's uncertain times.

Keywords: *investment, banks, stock exchange, securities, mutual funds, cryptocurrency, gold, emergency fund*

1. Introduction

We live in difficult times. The world has changed radically in a few years. The financial crisis of 2008 was a harbinger of what is happening today. This is because in order to overcome the financial shock, billions of dollars were printed at the time and due to this domestic and foreign debt increased, hundreds of banks and financial companies went bankrupt. It was clear to macroeconomists and financiers that this would sooner or later lead to inflation, which will be most felt in economies that are dependent on energy resources and raw materials.

Many experts have warned about this, and Bill Gates even in an interview in 2017 hinted at a possible epidemic caused by unknown viruses. No serious attention was paid to this fact then, or at least ordinary people did not have such information. As if life had returned to normal after 2012, economies were recovering at both a faster and slower pace. But then came 2019 and the world was rocked by a health crisis, the COVID-19 pandemic.

We are witnessing the collapse of health systems, high mortality, the forced closure of businesses, the loss of millions of skilled workers, limited access to institutions, the closure of borders, and so on. All this undoubtedly affected production, consumption, income, savings, investment opportunities, buying and selling real estate, financial instruments, currency,

precious metals and more. These instruments are traded on the financial markets and it is logical that they react first and sometimes the collapse is more than expected.

The new year 2022 did not foreshadow a war, but it nevertheless happened. The problems are multiplying, as some of the factors influencing the economic development of the countries are already political. The prices of gas, oil and energy are decisive in production and their increase in markets leads to higher prices, and speculation in times of crisis is the greatest. So today the world is already in galloping inflation. It is natural for both individuals and legal entities to worry about their income, meeting their expenses, paying taxes and fees, protecting their savings.

The causes of the global financial, energy and environmental crises are rooted in the intensive and irrational extraction and use of natural resources together with poor management. As people began to realize the dangers of using this development model, the conviction that the world needed a new solution to the problem was increasingly confirmed. Environmental threats undoubtedly create new economic and financial responsibilities. The "green economy" is a new economic paradigm in which every participant bears responsibility for the environment: citizens are called to be responsible consumers; companies are called upon to be responsible producers of goods and services; regions are called to be responsible territorial managers; countries are called upon to respect the limits of economic growth.

2. The degree of investigation of the problem at the present time, the purpose of the research

The problem of investing by individual clients has been widely discussed in theory and practice. Opinions of prominent scientists in this field are analysed. The purpose of the study is to rank the possible investment options by degree of applicability, with special attention being paid to investing in energy-saving energy sources in households and switching to ecological consumption. The relationship between theory and practice is vividly expressed through supported empirical data from the banking system and the stock exchange of Bulgaria.

3. Applied methods and materials

In the article, the methods of induction and deduction are mainly used, and comparative characteristics of some of the investment methods considered, such as the method of comparison, the method of grouping and the method of detailing, are made.

4. Results obtained and discussions

GRADING AND ANALYSIS OF INVESTMENT OPPORTUNITIES IN CONDITIONS OF FINANCIAL, HEALTH, POLITICAL CRISIS

Economists know the most commonly used ways to invest during a crisis [4, p. 58-69; 2, p. 4-6]. Of course, every investment has its pros and cons. We need to focus on maintaining the purchasing power of our money and overcoming the effects of inflation. It is possible that it

will remain at the current or higher levels for a few more years, which means that we may lose significantly if we do not find options to invest our free cash.

If we have to sort by size and preference the opportunities for investing in times of crisis and war, then the ranking could look like this:

1. *Most funds are kept in banks in various accounts - current, savings, deposit.*

The amount of household bank deposits in our country by the end of March 2023 is BGN 73,180,641 thousand and increases compared to the same period last year by 9.4%. be drawn, and the big ones to increase. Thus, deposits on a one-year basis up to BGN 1,000 decrease in number by 4.5%, and in volume by 3.1%, those from BGN 1,000 to 2,500 decrease in both number and volume by 1.3%, from 2,500 to 5,000 BGN by 0.9 and 0.8%, respectively. From here on, household deposits increase, with the largest increase observed in those from BGN 200,000 to BGN 500,000, respectively in cash by 20.2% and in volume by 19.4%, and deposits grow the most over BGN 1 million - by 25% in cash and by 25.3% in volume [14]. That is, the poor get poorer and the rich get richer. At zero interest rates on deposits, this investment is no longer an investment, on the contrary, negative returns are observed due to the high fees and commissions that are paid. The legal guarantee of BGN 196,000 of deposits in banks makes Bulgarians confident in bank deposits, but rather the reason for the growth in large deposits lies in the low investment culture, the fear of investments in the capital market, the small selection of quality securities, as well as in the poor knowledge of the market of precious metals.

2. *Bulgarians like to invest in real estate and that is why in the last two years there has been a new boom in the purchase of housing.*

The main reasons are increased demand, weaker supply, high inflation, the pandemic and the war in Ukraine. There are also many pitfalls in this type of investment. On the one hand, interest rates on mortgage loans are currently low - about 2-3%, but the expected increase in these levels may lead to inability to pay mortgages and problems for both banks and investors [10]. On the other hand, a real estate investment, when intended for rent, would have a return if it is repaid from the rent for 10 years. In our country this indicator is twice as high, i.e., the return is 15-20 years. Experts predict a "property bubble", but at least for now the market is stable and construction is growing. The market is extremely dynamic, and the banks also contribute to that. The number of transactions is growing by about 20% on an annual basis, with demand continuing to outpace supply [8]. The share of purchases made with a mortgage loan is also increasing - if by the fall of 2020 they were about half of all transactions, today external financing is used by about 60% of property buyers. It is good to choose this asset only if we have this opportunity and know what we are doing. Renting is not as easy a business as it seems.

3. *Investing in insurance, supplementary pension funds, insurance.*

There are nearly BGN 17.5 billion in the second and third pillars of our pension system [12]. Some insurance companies and pension funds offer flexible schemes and there is a positive return.

4. *Investing in securities on the stock exchange.*

The trading on the Bulgarian Stock Exchange - Sofia AD is carried out through the mediation of the so-called stockbrokers who are individuals and work under an employment or civil

contract with commercial banks and financial brokerage houses that are members of the stock exchange. The latter are called investment intermediaries. In order to reach trading, clients must submit written exchange orders to banks or investment intermediaries in person or through the COBOS system. The issues of financial intermediation are studied in great detail in the works of Prof. Petranov, Prof. Yordanov, Prof. Assenova [1, 2, 3] Associate Professor B. Krastev [5, 6] and others.

There are two markets for securities in Bulgaria: BSE Main Market and BSE Alternative Market [7]. On the Main Market, the BSE Main Market, which is elite, regulated, has the following market segments:

- Premium Equities Segment
- Standard Equities Segment
- Bonds Segment
- Exchange traded Products Segment
- Special Purpose Vehicles Segment
- Government Securities Segments
- Compensatory Instruments Segment.

The securities of these market segments must meet strict requirements in order to be admitted to trading or listed on the stock exchange. The ones that do not meet the requirements or the companies that are in the process of bankruptcy or liquidation are traded on the so-called BSE Alternative Market. It has only two segments: Equities Segment and Special Purpose Vehicles Segment.

The Standard Equities Segment has a higher market turnover and respectively a higher market capitalisation because the requirements for this type of segment are minimal. Unfortunately, many companies are on the Alternative Market because the market serves companies with serious problems and those in bankruptcy. The stock exchange is a place where investors take the risk of investing themselves, but it also provides great opportunities for raising capital, opening companies to the world, increasing profits, saving some taxes and more.

The Small and Medium Enterprises (SME) Growth Market Beam is a special market organised by the Bulgarian Stock Exchange (BSE) which allows small and medium companies in Bulgaria to receive financing. The Exchange has been granted an approval by the Financial Supervision Commission to create the new SME Growth Market **beam** at the end of 2018.

For innovative investors wishing to trade securities on world exchanges, an international market called MTF BSE International was created, which works with the platform of the German Stock Exchange.

In Bulgaria, the small investors who live in small towns and especially in rural areas are not active in the capital market. This is because they have not the necessary knowledge and are afraid of investing in securities. In addition, they have not investment advisers nearby, as the latter are located in the headquarters of banks and financial brokerage houses, and they are located mostly in the capital. What investors hate about the stock market game is uncertainty. There is also good news during the crisis, and that is that some shares are quoted quite well and last year the yield on them reached double digits, even up to 30%. Practice shows that investing in sectors such as healthcare, utilities, basic consumer goods, military industry,

energy and fuels performs well on the stock market, despite the general situation of recession and collapse of markets due to the crisis and war.

5. Investing in the so-called collective investment schemes.

These are the well-known in European and American investment funds, mutuals funds that offer collective investment in securities and other assets. There are over 120 collective investment schemes in Bulgaria, which belong to commercial banks and financial brokerage houses and manage over BGN 2 billion [11]. Some of them, even in these difficult times of crisis, have double-digit returns on their structured products. For the last year the best mutual funds have an annual return of 30 to 40%. Such peaks have not been seen for years, and now they are due to the stock market boom, not only around the world but also in Bulgaria. Currently, there are few alternatives that can surpass collective investment schemes in terms of profitability. The above values, of course, are for a limited range, with a high-risk profile, but even some balanced schemes of a conservative nature can beat inflation or property returns.

6. Investing in precious metals - gold, silver, and diamonds.

Gold has been shown to best preserve its value in times of war and crisis. Therefore, since the crisis in 2008, many investors have turned to the "yellow" metal. The most direct way to own gold is to buy physical gold bars or coins, but they can be illiquid and must be kept safe. Gold exchange traded (ETFs) and mutual funds are also popular, and if you have access to derivatives markets in your brokerage account, you can also use gold futures and options.

7. Export of capital abroad.

Statistics show that for a ten-year period from 2010 to 2020, Bulgaria exported 37 billion euros, and the inflow of foreign capital was 16 billion euros [12]. These are funds that are not invested in the country, despite the fact that we have some of the lowest taxes in the EU. Obviously, the reasons are different and they are known - insecurity, corruption, poor infrastructure, problems in the judiciary, lack of skilled labor and more.

8. Investing in cryptocurrency.

The process of "mining" of cryptocurrencies such as bitcoin, ethereum and others requires a tremendous amount of energy. Some European countries have already begun to restrict and even ban such practices. Under conditions of inflation, the crypto market is not responding well. Bitcoin has fallen by 50%, yet it is a new asset that has not yet been well studied how it reacts to various events. Eventually, the market would move when real cryptocurrency purchases become a reality. In Portugal, a property was bought with bitcoins, in Bulgaria there are some shops that sell in cryptocurrency, but these are still isolated cases [9]. Maybe big countries with many players would also affect the market. Such are India and Vietnam. However, bitcoin mining is banned in Kosovo for example. Young investors definitely prefer this asset, and the digital economy is also conducive to its development.

9. Investing in education.

Education can improve both your life and the standard of your family. Investing in education and vocational training is an investment in the future. The more you learn, the better you understand the world, and the more likely you are to build a full-fledged career that improves your life not only with money. If you want to change your profession with a more lucrative or calmer job, it is never too late to invest some time and money in retraining. The investment

can be for example in a language course, innovative and modern courses in mathematics, bachelor's and master's degrees at home and abroad, sports schools and the development of professional sports skills.

10. *Investing in energy-saving energy sources in households and switching to ecological consumption.*

The purchase of small photovoltaic systems is becoming more and more profitable. The use of renewable sources, together with the rational use of energy, is an important driving force of sustainable development and at the same time ensures the achievement of the goals of security of energy supply and reduces dependence on sudden changes in oil prices, contributes to the reduction of trade imbalances and stimulates the creation of new jobs. The wide use of renewable sources and the introduction of energy efficiency measures are among the priorities of the country's energy policy and correspond to the goals of the new energy policy of Europe. Generating energy from renewable energy sources has many environmental and economic advantages. It will not only lead to an increase in the security of energy supplies, by reducing the dependence on oil and gas imports, but also to a reduction of the negative impact on the environment, by reducing carbon emissions and greenhouse gas emissions. The production of energy from renewable sources also contributes to the improvement of the competitiveness of enterprises, as well as the possibility of creating new ones, thus encouraging innovations related to the production of energy from renewable sources and biofuels. The traditional sources of energy, which are widely used in Bulgaria and more specifically in our homes, in business and for transport, belong to the group of exhaustible and non-renewable natural resources - solid fuels (coal, wood), liquid and gaseous fuels (oil and its derivatives - gasoline, diesel and propane-butane; natural gas) [13]. Considering the global trend of increasing energy consumption, the danger of energy dependence should not be underestimated. On the other hand, the high production and consumption of energy leads to environmental problems and specifically to the most serious threat facing the world, namely climate change. For these reasons, it is necessary to rethink the ways in which energy is produced and consumed. In response to growing consumption, rising energy prices, high dependence on imported energy resources and climate change, come renewable energy sources - sun, wind, water and biomass.

11. *Investing in an "emergency fund".*

You can best determine the amount needed according to your personal needs and preferences. It should bring you a sense of calm and comfort in meeting unexpected expenses. For some people, this "emergency fund" makes sense to be even higher (up to 12 month of expenses) if the household's income is difficult to predict and volatile.

5. Conclusions

These are some of the investment opportunities we have today. The choice is personal and is related to the ability to take risks, the investment culture, the size of the investment, age, computer skills, priorities, knowledge, morals, mentality of the individual or family as a whole. One thing is clear, in conditions of galloping inflation, which can escalate and in hyperinflation, savings are "melting", the purchasing power of money is declining, fear and

uncertainty are growing and it is necessary to make informed investment choices. The practice offers many and varied options for this choice.

Sustainable development affects not only economies as a whole, but also the individual. That is why today, when the world has turned its attention to protecting the environment and moving to a low-carbon and green economy, more than ever it is important that households are aware of the new opportunities and above all have the knowledge, courage and responsibility to inform themselves and they use them.

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Rezumat

În studiul respectiv se examinează oportunitățile persoanelor fizice de a investi în diverse instrumente ale pieței monetare și de capital, clasificând, clasând și analizând fiecare dintre cele unsprezece opțiuni propuse. Această problemă este foarte relevantă și îi afectează pe toți cetățenii, deoarece în vremuri de nesiguranță, criză și război, oamenii sunt speriați și caută alternative pentru a-și păstra valoarea banilor și a „scăpa” de inflația în creștere.

Totodată, directivele europene din ultimul deceniu pun în centrul economiilor dezvoltarea durabilă, trecerea la o economie circulară, finanțarea „verde” etc. Măsura în care economiile Europei de Est sunt pregătite pentru această tranziție este o chestiune de dezbatere, dar este incontestabil că sunt necesare investiții la scară largă pentru implementarea acesteia.

Alegerea investițiilor a fost întotdeauna în centrul oricărei activități economice. De aceea ne îndreptăm atenția asupra posibilelor opțiuni de investiții în vremurile incerte de astăzi.

Cuvinte-cheie: investiții, bănci, bursă, valori mobiliare, fonduri mutuale, criptomonede, aur, fond excepțional

Аннотация

В данном исследовании рассматриваются возможности для физических лиц инвестировать в различные инструменты денежного рынка и рынка капитала, ранжируя, классифицируя и анализируя каждый из одиннадцати предложенных вариантов. Этот вопрос очень актуален и затрагивает всех граждан, потому что во времена нестабильности, кризиса и войны люди напуганы и ищут альтернативы, чтобы сохранить ценность своих денег и «убежать» от растущей инфляции.

В то же время европейские директивы последнего десятилетия ставили в центр экономики устойчивое развитие, переход к экономике замкнутого цикла, «зеленое» финансирование и т. д.

Насколько экономики стран Восточной Европы готовы к этому переходу, является предметом дискуссий, но то, что для его осуществления необходимы масштабные инвестиции, бесспорно.

Инвестиционный выбор всегда был в центре любой экономической деятельности. Вот почему мы обращаем наше внимание на возможные варианты инвестиций в сегодняшние неопределенные времена.

Ключевые слова: *инвестиции, банки, фондовая биржа, ценные бумаги, паевые инвестиционные фонды, криптовалюта, золото, чрезвычайный фонд*

Received 20.05.2023

Accepted 28.06.2023

Published 30.06.2023