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PROSPECTS FOR INCREASING THE INVESTMENT ATTRACTIVENESS IN RUSSIAN REGIONS WITH A FOCUS ON AGRO-INDUSTRIAL DEVELOPMENT IN KRASNODAR REGION

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ABSTRACT

Investment attractiveness is one of the main financial instruments that contribute to successful development in certain areas, and also help to dynamically move towards achieving sustainable development. In this regard, the assessment of the investment potential of the regions with the aim of developing recommendations to increase the interest of investing in the economy of the territories among potential foreign investors is determined as the main direction of the study. The paper presents an analysis of the priority of the Russian regions on the quality of life, considers the assessment of the investment potential of the regions on the basis of labor, consumer, innovative, institutional, tourism, natural potentials. Testing of the results of the study takes place on the example of the Krasnodar Territory, one of the dynamically developing agricultural regions of the country. The paper considers a group of factors determining the financial interest of potential investors. Based on the identified problems of an economic nature, the paper proposes a scheme for the development of the agro-industrial cluster of the region, which is represented by a mechanism that improves the efficiency of the financial and economic activities of agricultural organizations. The presented results of the study will be useful to regional bodies, researchers and future specialists in the field of improving the financial performance of companies engaged in agricultural production.

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1. INTRODUCTION

In the face of the increasing effects of the global financial crisis, the problem of sustainable

socio-economic development has acquired particular relevance for many regions of the country and the territory of the world economy. One of the directions of its solution is seen in increasing investment attractiveness. Despite a significant amount of research in this direction, the scientific content of this economic category requires clarification and expansion. Some scientists, such as Avdeeva (2006), Selezneva et al. (2011), Tsakunov (1998) attribute the study of investment attractiveness and activity to the disclosure of the investment climate in the region (As a factor in the development of production, activity is considered in the works of Lushba (2009), Serdyukova et al. (2016).

The following interpretation comes down to the definition of investment attractiveness as a system of two elements: investment potential and risk (Levchaev, 2010).

The work of such domestic and foreign researchers, including L. Abalkina, A. Biryukov, L. Gitman, M. Dzhonka, A. Selezneva A.N., Maloletko A.N., is devoted to the issues of attracting and efficient use of additional sources of financing (Biryukova, 2004; Strakhova, 2007).

The works of such scientists as V. Bard, I. I. Grishina, Marchenko, O. Machulskaya, N. Mashegov, I. Roizman, V. Savchuk, are devoted to the methodological support and implementation of practical directions for increasing the efficiency of attracting investments in various sectors of the economy. I. Tikhomirova, E. Fedorova, A. Folomev, D. Chernev and others (Lukashin, 2006; Fedorova 2003).

Turning to clarifying the content of the concept of “investment attractiveness of the agricultural sector”, we note that a number of opinions are aimed at the assertion that the investment attractiveness of the agricultural sector also has a subjective component associated with risks of a natural-climatic nature, life and business priorities and values of investors in a certain period time (Klimova, 1999; Folomev, 1999).

Biryukova (2004) characterizes investment attractiveness - like the opinion of an individual investor, and the investment climate, as a general concept, independent of subjective factors” (Lapo, 2001; Hitachi, 2002).

2. MATERIALS AND METHOD

Previous data of investment in the Russia regions are used as a study tool. In addition assessment 2017-2018 data are considered for investment potential of the regions. The changes in rating assessment are also taken into consideration.

Investments in fixed assets play an important role in the development of the entire regional economy, as they represent investments aimed at the acquisition, creation, and expansion of fixed assets of companies. That is why they must be attracted in the first place in order to make the main direction of regional investment activity.

Foreign investment is, in turn, funds owned by a foreign investor, invested in the business and other types of activities with the desire for profit.

For several decades, various approaches to the study of the investment attractiveness of regional systems have been proposed in world scientific practice. The choice of specific tools depends on the number of tasks, the amount of information covered and the industry specifics of economic activity.

It seems interesting the methodological approach to socio-economic criteria developed by the magazine Kommersant (1993); “Guidelines for assessing the investment attractiveness of the

constituent entities of the Russian Federation” (2001); disclosure of the level of investment attractiveness of the country's regional systems, offered by the Universe agency; calculations based on the allocation of an effective indicator and the assessment of entrepreneurial risk (1993-1995); "Methodology for assessing the investment climate of the regions of Russia" of the Institute of Economics, RAS; “Methodological approach to assessing territorial risks in Russia” (Institute for Advanced Studies - IAS) by order of the Bank of Austria (1995); "The rating of investment attractiveness of Russia", annually performed by the Agency "Expert-RA" (1996-2005); “Methodology for calculating the regions' investment attractiveness indices” (1996) is the result of a joint study by the Expert Institute (Russia) and the Center for the Study of Russia and Eastern Europe at the University of Birmingham (Great Britain) and a number of others.

Substantial analysis of the presented methods indicates their significant difference from each other in such characteristics as:

- “The origin of methodological approaches” (foreign, domestic and mixed);
- on the horizon of application (universal and single);
- according to the degree of coverage of elements (factors) of the investment climate (general and private);
- in the form of a presentation of the results (in the form of a one-dimensional or two-dimensional scale). However, despite the variety of approaches proposed, a consensus on the universalization of a particular technique has not yet been determined.

3. RESULT AND DISCUSSION

The level of investment attractiveness of the country's regions is in different ordinal positions, which are due to the influence of various groups of factors. For many years, most rating agencies put Moscow and the Moscow Region in the first place. St. Petersburg is distinguished by high results of economic activity, which determines its interest in foreign investors see Table 1.

Table 1: Priority of the Russian regions on the quality of life

The subject of the Russian Federation	Rating point in rating (Min-1 / Max-100)	Position in the ranking - 2018	Position in the ranking - 2017
Moscow	76.92	1	1
Saint Petersburg	75.88	2	2
Moscow region	70.55	3	3
Republic of Tatarstan	65.59	4	4
Belgorod region	64.00	5	6
Krasnodar region	62.89	6	5
Voronezh region	61.81	7	7

There is an active interest in the development of projects in the regions of China. Table 2 considers the investment potential of five regions of Russia.

3.1 KRASNODAR TERRITORY

The results show that the Krasnodar Territory, one of the fastest-growing and economically stable regions of the country, is one of the leading regions in terms of priority of social status.

Direct investors in the agricultural sector of the Krasnodar Territory, primarily, are Switzerland and the Netherlands. At present, 26 entrepreneurial structures with Dutch investments are operating in the Krasnodar Territory. It follows that the organizations of the region focused on the agricultural

sector, as we see, are attractive both for domestic investors and for foreign ones.

Table 2: Assessment of the investment potential of the regions

Potential Rank 2018.	Risk Rank 2018	Region	Share in the all-Russian potential, 2018, %	Change in the share in potential, 2018/2017, p.p.	Ranks of components of investment potential in 2018								
					Labor	Consumer	Industrial	Financial	Institutional	Innovative	Infrastructural	Natural	Resource Tourism
1	13	Moscow	14.412	-0.099	1	1	1	1	1	1	1	84	1
2	1	Moscow region	5.860	-0.008	2	2	3	2	3	2	3	51	3
3	9	Saint Petersburg	4.949	0.297	3	3	2	3	2	3	6	85	4
4	4	Krasnodar region	2.981	0.104	4	4	7	4	4	18	5	30	2
5	22	Sverdlovsk region	2.529	-0.022	7	5	4	6	7	6	49	13	7

Krasnodar Territory can be described as a region with many unique prospects, as well as a comfortable climate for the development of business. From year to year, there is a positive trend in the development of the region as a whole in all sectors of the economy. The growing opportunities of the Krasnodar Territory as an economic entity, as well as its relevance, largely explain the growing interest of potential partners in business development and the implementation of large-scale plans in our region. Kuban is open for constructive joint work with other regions of the country and is ready to attract foreign investment into its territory.

Currently, the Krasnodar Territory as soon as possible can offer potentially interested partners the implementation of more than one and a half thousand investment projects in completely different areas of the modern economy. The investment sphere has a wide range of implementation plans, ranging from large infrastructure, construction of modern factories and plants, agricultural facilities to the resort business and the direct construction of residential infrastructure.

Based on the foregoing, it is safe to say that the Krasnodar Territory is the leader in Russia's investment development.

It is also worth noting that the growth of cash investments in the Krasnodar Territory completely depends on the correct and well-thought-out state administration, which is aimed at improving and modernizing the three important components of the region's economy - agribusiness, sanatorium-resort, and logistics.

The agro-industrial complex of the region is the basis of the region's economy where about 7% of gross agricultural production of the whole country is produced. Livestock projects are actively developing in the region. There are large local factories, for example, Agrocomplex JSC, which occupy a large share in the market for the sale of meat and dairy products. The favorable climate allows us to develop crop production, in particular, grape growing and wine production, canning industry, bakeries and other sectors of the regional economy.

It is worth noting that from year to year the share of the Krasnodar Territory in Russia's GDP and in the formation of the federal budget is increasing.

The region's share in all air passenger transportation is about 5% in Russia. In the Krasnodar Territory, there are 106 organizations that carry out scientific activities, 28 educational institutions of

higher education, the development of innovative infrastructure, which indicates the formed scientific and technological potential.

3.2 RATING ASSESSMENT OF KRASNODAR TERRITORY

The rating system for assessing the edge is presented in Table 3. Criteria are also compiled annually by the Agency for Strategic Initiatives to Promote New Projects, as well as Expert RA.

Table 3: Rating assessment of the region in terms of investment potential and risk

Indicator	2017	2018	Change +/-
Investment climate	1A	1A	0
Investment Risks	1	4	3
Weighted Average Risk Index	0.142	0.136	- 0.006
Investment potential of the region	4	4	0

The rating of the Krasnodar Territory has long been fixed at 1A, this indicator was fixed below only in 2011. This suggests that the region occupies a fairly stable position among other regions and there are currently no prerequisites for worsening the investment climate in the region.

All investment projects in the Krasnodar Territory are in the nature of long-term cooperation. Contracts with foreign investors are concluded on the basis of mutually beneficial conditions. Significant partners of the region have been and remain many well-known companies with a worldwide reputation and diverse geographical affiliation. It should emphasize that at the present time more than 300 companies operate on the territory of the Krasnodar Territory, operating from foreign capital. Many of them have been productively working on Kuban land for 20 years.

In connection with the prevailing sanctions propaganda from the West, the policy of import substitution and strengthening relations with foreign investors is actively developing in the region. For example, for the first time at the federal level, a contract was concluded with the developing company KLAAS for the implementation of an investment project, according to which the conditions for doing business have unchanged for all ten years.

3.3 PROSPERITY OF KRASNODAR TERRITORY

By streamlining the investment development strategy, by 2030, the Krasnodar Territory sets itself ambitious plans for the development of the region. In practice, it is necessary to implement the following projects:

1. Krasnodar Territory can be confidently called the breadbasket of the Kuban because it occupies a leading position in harvesting grain crops. In 2017, the volume of harvested crops amounted to 14.7 million tons, which is about 10% of the total crop in the whole country. The strategic development plans next year to collect grain crops, which will exceed 15 million tons.

2. In preparation for the Krasnodar Territory for the Olympic Games in Sochi, grandiose facilities were erected. The territory of the Olympic Heritage is still used for large-scale events, for examples, such as the World Cup 2018, the Formula 1 race, the Russian Grand Prix and others.

3. Krasnodar Territory is an all-Russian resort center. The plans of the Regional Administration include the improvement of existing services. As well as the development of tourism in the region on an all-weather basis. It is also necessary to develop agritourism, improve and transform beach and sea tourism, improve the quality of national standards of service and increase the class of services

provided, develop transport infrastructure.

4. REMARKS

Based on the results obtained, the Krasnodar Territory occupies a confident 4 position among the remaining regions of the country and its share in the all-Russian potential is 2.981% and its risk rank in 2017 is 4, which indicates that the region belongs to IC3 group (high investment attractiveness - third level)

Despite such high effectiveness of the investment strategy of the Krasnodar Territory, there are certain difficulties in improving the investment climate.

Firstly, over the past time, the food market has developed very quickly. On the one hand, this gives the Krasnodar Territory certain advantages and prospects for further development, but, on the other hand, this approach puts forward new requirements and conditions for expanding the range of products, improving their quality, and an important aspect is the creation of competitive advantages for various brands.

Secondly, a serious problem is the fact that the market is not provided with a wide enough assortment of provisions in a processed form, while the Krasnodar Territory has the most favorable agro-climatic conditions.

Thirdly, in the region, there is no high level of development of the territorial infrastructure of the agro-industrial complex, as there is a lack of modern vegetable and fruit storages, procurement and procurement bases.

Fourth, in the region, there are not enough greenhouse complexes, insufficient development of the feed industry and other problems (Nenakhova, [Online]).

Therefore, in an effort to increase the competitiveness of manufactured food products and farmed agricultural products, according to a real strategy until 2025, purposeful and orderly development of the agro-industrial cluster is proposed and recommended.

The increase in agricultural production will allow the creation of the most efficient food processing zones. Also in its further development, the food industry of the region should make every effort to work on its own raw materials, which will make it possible to use the resources we already have with the greatest efficiency.

5. CONCLUSION

From this study, we can confidently say that the Krasnodar Territory is a region with a very favorable investment climate with high investment attractiveness. However, each structure has its own shortcomings and difficulties in implementation, including:

- engineering and transport infrastructure is not sufficiently developed for the required level, there is also a lack of professional logistics centers, an insufficient number of bases for storing fruits and vegetables;

- the need for highly qualified personnel, especially the modern labor market of the Kuban, requires competent specialists who are knowledgeable in the field of information technology;

- it is necessary to pay attention to improving the investment and innovation activity at the legislative level within our region. The fact is that due to the sanctioned Western pressure and the current policy of import substitution, for the sustainable development of the country's economy it is necessary to develop the investment and innovation potential of the Russian regions.

- irrational use of vacant land, transfer of fertile land for pasture;
- the widespread transfer of retail chains under the control of one manufacturer, even despite high production costs;
- manufacturers rarely update special equipment, which leads to a high level of depreciation of fixed assets and loss of production capacity;

Having analyzed the existing range of problems that may arise on the path of the investor, it is possible to propose the following directions for the development of innovative and investment attractiveness of the region. In particular, reduce the level of existing customs duties and, in turn, expand the list of tax exemptions provided; creation of a system for training scientific workers in this field; improvement of the existing market infrastructure in the direction of innovation.

6. AVAILABILITY OF DATA AND MATERIAL

Data can be made available by contacting the corresponding authors

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