

SCTMG 2020**International Scientific Conference «Social and Cultural Transformations in the
Context of Modern Globalism»****BASIC TRENDS IN INVESTMENT POLICY DEVELOPMENT OF
THE REPUBLIC OF KALMYKIA**

Kazakova Gerenzel Yashkulovna (a)*, Kazakov Konstantin G. (b), Samaeva Elena V. (c),
Goryaev Vladimir Mihaylovich (d), Sangadgieva Elena Vladimirovna (e)

*Corresponding author

(a) Kalmyk State University named after V.V. Gorodovikov, 11, Pushkin str., Elista, 358000, Russia,
kazakova.gerenzel@gmail.com

(b) Kalmyk State University named after V.V. Gorodovikov, 11, Pushkin str., Elista, 358000, Russia, koka68@inbox.ru

(c) Kalmyk State University named after V.V. Gorodovikov, 11, Pushkin str., Elista, 358000, Russia, samaeva@mail.ru

(d) Kalmyk State University named after V.V. Gorodovikov, 11, Pushkin str. Elista358000, Russia, goryaeff@mail.ru

(e) Kalmyk State University named after V.V. Gorodovikov, 11, Pushkin str. Elista, 358000, Russia, sangel96@mail.ru

Abstract

The article considers the investment policy of the Republic of Kalmykia, with emphasis on creating some optimal conditions for generating the financial sources supporting the investments in the region. In the course of the study, the authors give an overview of modern financing sources directed to some investment activities of agricultural producers of Kalmykia and evaluate the efficiency from it. The authors note that the Republic of Kalmykia has a low investment attractiveness and low investment rating. In light of the need to quickly eliminate the Republic's serious backlog in economic development, compared to most constituent entities of the Russian Federation, the article recommends choosing the most technologically advanced way of developing the economic model of the region based on existing domestic and foreign practices. The authors also propose a phased implementation of the mechanism for financing investment projects initiated and launched in the region. To create an image of the investment attractiveness of the Republic, as a whole, and its enterprises as well, the article defines some measures to support investments. The conclusions, set out in the article, are applicable to the work of state authorities and either in the work experts, who develop and run the regional investment policy targeted at improving the investment situation, as well as in the work of some specialized organizations dealing with investments' attraction, including the work with investors in the regions of Russia.

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1. Introduction

At the present stage of development in the Russian economy, there is an acute need for significant economic transformations that contribute to expanding the opportunities for entrepreneurship in “weak” subsidized regions. This is due to a number of reasons, among which a) the sanctions' policy of Western countries, which reduced access to cheaper financing sources directed to business support and development, b) changing the strategy and tactics of the Russian economy and, as a result, reducing the regional economy to the level of enterprises (Avramenko et al., 2015).

Currently, it requires an operational review of the investment policy of enterprises, which is impossible in the current economic conditions without focusing on the national policy in these matters (Yuzvovich, Harutyunyan, 2012). The system of financing the investment process of any enterprise should consist of a unity of financing sources directed to the investment activity and of some financing methods.

2. Problem Statement

Creating conditions for generating the financing sources directed further to investments in the Russian economy is one of the urgent and main challenges for the Russian enterprises. This issue is extremely relevant for the regions with a weak, subsidiary-based economy and the Republic of Kalmykia is one of these regions (Kazakova et al., 2017). Given this, the Republic needs to develop a vector regarding the investment policy that will help to expand the existing sources of external and internal financing of enterprises' investment activities, including the creation of new enterprises that will result in increased employment in the region's economy.

To the general challenge covering a search, selection, and justification of any financing sources of enterprises' investment activities we refer the lack of knowledge among most entrepreneurs in the investment field. This challenge for the Republic of Kalmykia is extremely acute because of the absence of large industrial enterprises, a large outflow of professional staff and the inconsistent economic policy of the region with its investment unattractiveness (Kazakova et al., 2019.).

The Republic needs an organizational and economic model that helps to attract external and mobilize internal financing sources for the investment projects on guaranteed returnable long-term conditions with certain minimum profitability.

3. Research Questions

The subject of the research is to develop the investment policy of the Republic of Kalmykia.

4. Purpose of the Study

The purpose of the study is to define a direction in the investment policy development, which corresponds to the territorial factor and to expectation and prospects in the total development of the Republic and also to general tendencies of the global trends and priorities for the Russian Federation.

5. Research Methods

The methodology of the study is based on a system approach. As a research tool, there are used the methods of dialects and synergy, subject-logical, functional and situational analysis.

6. Findings

To compensate for the deficit of investment resources that has developed in the region, there is required a system for attracting external investments and maximizing the involvement of the region's funds into the Republic's economy development. At the moment, in Kalmykia, there is no effective organizational and economic model for attracting and implementing the financing sources directed to investment activities of enterprises as compared to other regions of the Russian Federation (Maksimova, 2017). The main economic policy of the region is based on the state budget loans and current available agricultural and other support mechanisms as it used to be under the prevailing corruption system of previous leaders of the region. In the framework of this study, we propose a program for the development of a mechanism targeted at financial support of investment activities and individual entrepreneurial initiatives that ensure the development of the following forms of entrepreneurial activity in the region:

- a small entrepreneurial activity that ensures the involvement of the population in entrepreneurial business and reduces unemployment,
- the business activity of enterprises related to the mid-size entrepreneurial activity (Evieva et al., 2019).

The Republic of Kalmykia has the following positive characteristics:

- significant agricultural sector output;
- beneficial geographical location to several of the most developed regions of the Russian Federation (Rostov Region, Krasnodar and Stavropol Territories);
- location at the intersection of the federal and international transport corridors "North, Center, Caucasus";
- a small distance from the external potential markets of Iran, Armenia, Georgia, Azerbaijan, Kazakhstan and from the international seaports of Dagestan and the Astrakhan region;
- own airport in Elista city;
- a beneficial geographical position, endowed with the beauty of nature and prehistoric fauna and flora where the additional feature is an exotic mix of cultural and historical heritage serving as the attraction to the touristic business;
- access to the shipping Volga and the Caspian Sea, inter alia, large, medium and small water resources;
- natural resources' deposits.

Based on the foregoing, we propose the following development trends regarding the mechanism of enterprises' investment activity in the region, the implementation of which, despite the difficult financial situation, is highly dependent on the budget inflows and loans. It will allow, under consistent systemic implementation, to create a transparent investment model of the region. The proposed directions in the

investment policy development correspond to the territorial factor and to expectation and prospects in the total development of the Republic, and also to general tendencies of the global trends and priorities for the Russian Federation.

At the moment, it is premature to talk about the place of the Republic of Kalmykia *in the global trends of* geopolitical and technological development. Since, for example, technological development matters the availability of developed IT systems and the digital economy, robotics, and smart technologies. These processes should be based and developed on the existing platforms and enterprises that need to be created and brought out of the “grey area” of the economy (Akimov, 2018; Arkhipova & Sirotnin, 2019). In this regard, the first step is to create an economic base in the region by ensuring balanced and sustainable development of the investment economy of the Republic.

1) Balanced development presupposes the principle of equal economic development of all forms of entrepreneurial activity in the region and is based on open legal access for all, including some potential, entrepreneurs from the Republic's residences, namely the access to:

- information (maximum availability);
- the region resources;
- the state investment resources and means of state support (leasing, credit programs, grants, benefits, subsidies);
- non-financial types of support (training systems, practical inter-regional and international experience exchange);
- the strategy development programs of the Republic and the results of their implementation.

2) The sustainable principle of investment policy in the region provides long-term investments in specific areas and different forms of entrepreneurial business when the established target indicators have been achieved at each stage within the chosen scenario and along with the balance principles concerning economic, social, juridical and ecological processes.

In light of the necessity to quickly eliminate the Republic's serious backlog in economic development, compared to most regions of the Russian Federation, we recommend choosing the most technologically advanced way of developing the economic model of the region based on existing domestic practices and other countries experience. The Republic of Kalmykia, unfortunately, is a region with a low level of well-being among the population, with an uncomfortable, unattractive environment for life and business, with inefficient state and municipal government. The region belongs to undeveloped economies, which are based on livestock (cattle and small cattle), and in some administrative regions – on crop production. At the same time, the post-Soviet time almost destroyed all industrial and agricultural infrastructures that were built up in the Soviet Union epoch, among them – processing industry, building and engineering industries, fisheries, fur farming, fur-leather production workshops, gardening, vegetable growing, and poultry farming (Kazakova et al., 2019).

Given this, the first step is to do some changes the entrepreneurial environment of the region and create at the first stage a sustainable elite of successful entrepreneurs who will form the main part of the gross product of Kalmykia, capable of ensuring the maximum possible funds adequacy to be self-and-own-financing to participate in the federal programs targeted at regions' development (Table 01).

Table 01. Entrepreneurs clustered within industries and by size of business

	Large enterprises	Mid-size enterprises	Small business enterprises	Micro entrepreneurship
Industry	X	X	X	-
Agricultural production	X	X	X	X
Processing of agricultural products	X	X	X	X
Civil building	X	X	X	X
Tourism	X	X	X	X
Objects of cultural heritage			X	X
Transport and Logistics System	X	X	X	X
Social Entrepreneurship	-	-	X	X

Considering that the Republic has a serious deficit of own resources and does not have sustainable access to external investments but at the same time has certain territorial and landscape positive characteristics, we propose a phased implementation of the mechanism used for financing regional projects targeted at investment support and development (Table 02).

Table 02. Center for Economic Development of the Republic of Kalmykia (Competencies description)

	Government of the Republic of Kalmykia	Sectoral Ministry	Ministry of Economic Development	Ministry of Finance	National Hural	Tax authorities, Statistics Department	District administrations, municipalities
Opening the Regional Development Center of the Republic of Kalmykia	Subordinacy, summary reporting	Participation in competitive admissions and development of industrial programs	Budgeting and development strategy	Analysis of results, participation in setting the budgeting indicators	Presenting projects' results, developing communication channels, meeting deputy inquiries	Finding information to monitor results	Coordination, project selection, budget assessment, monitoring
Development of the global IT-platform in the region							
Creating a project database							
Attraction of investments and investors, development of public-private partnership							
Projects contest							
Project outcomes monitoring							
Extension of the project database							
Consulting support							
Help in organizing business processes							
Work with banks, leasing and insurance companies, support and investment funds							

It is assumed that the Center for Economic Development (CED) of the Republic of Kalmykia should actively work with all sectoral ministries of the Republic under the direct subordination to the

Government of the region. The Center work effectiveness depends on the possibility of creating the global IT-platform, which allows getting the full information to an entrepreneur, no matter to what form and size of business that he/she belongs to. Besides, the platform involves a common database through which any state executive, control, or supervisory authority can receive information about the business sector of the region. In addition, the competitive admissions are held in a public (even online) mode. If needed, and in line with the consent of an entrepreneur, a prospective investor from a number of banks, leasing, and investment companies can receive reliable and up-to-date information for operational analysis and for taking a decision on opening financing (Arkhipova, Sirotin, 2019, Pryadko et al., 2018).

The objectives of the Center are 1) to attract investment in the region, 2) to develop some regional investment projects, 3) to monitor and support these projects, 4) to create an advantageous investment business climate in the Republic (Table 03).

Table 03. Key performance indicators of CED of the Republic of Kalmykia

Indicator	Quantitative	Qualitative
Industrial development	A number of supported projects.	Profitability by industries; The average level of profitability of an enterprise by industry; Tax remission by the industry and the average tax remission value in dynamics
Reforming the investment policy of the region	A number of attracted investors. volume of attracted investing resources.	Investments in fixed assets of enterprises in dynamics; Increase of an enterprise average size; Processing industries in dynamics.
Achieving common regional key indicators	Unemployment reduction (number of people). Population welfare growth	Increase in population well-being, the ratio in% compared to the previous years and to be indexed to the rate of inflation; Decrease in unemployment (in dynamics),% The growth of consumer expenditures per capita in dynamics,% Decrease in unemployment (in dynamics),% The growth of consumer expenditures per capita in dynamics,% Evaluation of population expenditures in dynamics and by type of expenditure.
Setting targets for every project.	Investment projects	Annual growth in a number of investment projects (growth dynamics of investment projects) The involvement of the population funds in the investment environment of the region (crowd-funding, cooperation, social entrepreneurship).

It is necessary to determine the development direction of each administrative unit of the Republic, depending on the ethno-historical activity of the population, climatic conditions, natural resources and territorial location, including the availability of infrastructures (Table 04).

Table 04. Defining the target areas for administrative units development

Administrative districts	Industry	Agriculture	Agriculture Processing	Civil building	Tourism	Cultural heritage objects	Transport-logistic system	Social Entrepreneurship
Elista	X		X	X	X	X	X	X
Gorodovikovskiy		X	X	X	X	X		X
Gorodovikovsk	X		X	X	X	X	X	X
Iki-Burulsky		X	X		X	X		X
Lagansky	X	X	X		X	X		X
Lagan	X		X	X	X	X	X	X
Maloderbetovsky		X	X		X	X		X
Oktyabrsky		X	X		X	X		X
Ketchenerovsky		X	X		X	X		X
Priutnensky		X	X		X	X		X
Sarpinsky		X	X		X	X		X
Tseliny		X	X	X	X	X		X
Chernozemelsky		X	X		X	X	X	X
Ustinskiy		X	X		X	X	X	X
Yashaltinsky		X	X		X	X	X	X
Yashkulsky		X	X		X	X		X

Within the framework of the Center for Regional Development, a broad information campaign to create a positive image of an entrepreneur should be launched. The Center's strategy ought to include the actions aimed at earlier identification of propensity for professional skills and competencies, as well as involving young people aged 14–17 in entrepreneurial activity (Table 05).

The Center will be used as a platform to unite business mentors from among successful entrepreneurs of the Republic and neighboring regions in order to conduct some practical seminars aimed at business support and development. Besides, it is planned to create basic standard (boxed products) solutions in the areas of entrepreneurial activity, adapted for the conditions of the Republic.

Table 05. Examples of typical solutions (boxed products) for small entrepreneurs by economic industries

Name of industry	Small business enterprises	Micro entrepreneurship
Industry	Bricks and ceramic tiles production plant; Industrial parts plant	Service center (repairing and maintenance support); Roofing workshop.
Agricultural production	Agricultural production farm (livestock); Agricultural production farm (crop growing); Agricultural artel (fish farming); Agro park for year-round berries growing, inter alia, herbs and green housing vegetables.	Personal farm holding – a rabbit farm; Private farm holding – a quail farm; Family dairy farm; Farm for growing and fattening cattle;

Processing of agricultural products	Leather and fur processing factory; Powdered milk production plant (milk drying); Plant for slaughtering, deboning, and packaging of meat products.	Workshop for preserves jams and canned vegetable production. Workshop for pre-packed products production; Mini-bakery.
Civil building	Constructing multi-flat houses, low-floor houses	Construction work (painting, repairing, etc.)
Tourism	Touristic cluster; Agrarian tourism	Guided tours
Social Entrepreneurship	Social tourism; Social homes for the aged, Beds for the homeless.	Honest microfinancing; Social bakery

Currently, in almost all regions of Russia, there have been instituted the Support Programs to stimulate investment activity protecting investors' interests and rights and giving them some specific benefits and guarantees (Shabykova & Maldaeva, 2017). But in order to put in one line the principles of attracting investments and guarantees for repayments on the initially agreed terms, an effective regulatory framework and transparent economic investment process are needed. To make a decision, an enterprise of any form and production size, needs:

- an investment project should be as effective as possible;
- a multi-variety of attracting the government support, which reduces enterprise expenses and increases the maximum profit and revenue for an enterprise;
- to create the best conditions for potential investors through complete, reliable, relevant information, advantageous legislation.

To make an image of the investment attractiveness of the Republic and its enterprises, it is necessary to intensify and streamline the activities of the region's executive authorities that implies applying the following measures as investments' support:

- to develop the state support programs and mechanisms for investment activities of the Republic's enterprises;
- to make up a list of priority investment projects and programs of the Republic and describe the procedure of monitoring over their implementation;
- to publish the information about tax benefits;
- and about private, including foreign investments.

As part of the Center for Economic Development activities, an effective system for promoting and supporting investment projects needs to be designed. As well, we need to design a public, step-by-step and simple system of permitting and conciliation procedures for enterprises that are actively attracting sources of financing for their investment activities. Additionally, we propose to develop a business map of the Republic and provide equal access to it in the online mode for all Republic's enterprises at the level of municipalities and administrative centers.

The business map of the Republic of Kalmykia should be detailed:

- by territory and administrative units;

- by natural and climatic zones, with recommendations relating to the development of some possible industries in these zones, taking into account the specificity and resources availability;
- by socio-economic aspects;
- by the costs on gasification, energy supply, transport infrastructure;
- with phone numbers and coordinates of the executive authorities, responsible for the implementation of economic indicators;
- by infrastructure facilities.

7. Conclusion

In order to involve the regional institutions in the system of state support programs and expand access to sources of state financing of investment activities, it is necessary under the Government to create the Center of Economic Development on a public and transparent IT-platform. The Center should become a co-author and co-executor of all projects in the region. It should have a sufficient level of competence in terms of staff training requirements for entrepreneurs who are ready to invest their funds in the development of new production capacities. The Center should develop and coordinate a business card for the Republic, which in turn should be accessible to any entrepreneur in the region and potential investors.

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