

SCTCMG 2021**International Scientific Conference «Social and Cultural Transformations in the Context of Modern Globalism»****FEATURES OF THE FORMATION OF A POSITIVE INVESTMENT IN REGIONAL ENVIRONMENT**

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Abstract

The modern level of economic development indicates the need for technical re-equipment and introduction of new technologies in almost all industries, agriculture, transport and energy. The increase in their economic efficiency, environmental safety, resource saving and increase in the competitiveness of production require innovative renewal of industries. In this regard, the relevance of the problem of insufficient investment, as well as the issues of training highly qualified personnel and stimulating the development of infrastructure enterprises, namely leasing, engineering, consulting, auditing etc., is increasing. The digital map of the regions of the Russian Federation is represented by various aspects, levels of socio-economic development and degrees of economic achievements of the territories. In this context, investments act as a fundamental factor in the formation and growth of the national economy, which allows the formation of favorable circumstances promoting the production of competing products and qualitative level of economic growth, as well as increasing the efficiency of production capacities, compliance with the level of environmental safety and the further maintenance of social security and sustainability. This paper shows that such types of economic activities as agriculture, hunting and forestry, mining, public administration and military security, compulsory social security, education, health and social services, as well as the provision of other housing, social and personal services have grown and began to prevail over other activities. It reflects the current situation in economy, where production, construction, wholesale and retail trade, hotels and restaurants, financial activities, i.e. small business and government structures began to prevail over business.

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Keywords: Investments, region, socio-economic system, regional economy



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1. Introduction

The relevance of the topic is connected with the main trends in the modern economic policy of the Russian Federation. Due to the dependence of the current processes of economic modernization on cash injections and material resources into economic entities, the issues of attraction of investment resources acquire special importance for the current stage of the economic development of the country.

The purpose of the mechanism for the development of the investment attractiveness of regional economic systems is to increase investments in regional economic entities. In this context the relevance of its formation is determined, which is also a stimulating factor in the development of the economic situation in the region.

Despite many works devoted to the problems of the formation of a mechanism for investment attractiveness increase at the level of regional socio-economic systems, there is a need for further development of theoretical and methodological aspects of the formation and development of a sustainable investment environment at the regional level. In this regard, the example of the socio-economic system of the Kabardino-Balkarian Republic is demonstrative.

2. Problem Statement

A systematic analysis and study of the dynamics of the development of regional socio-economic systems and investment attractiveness were carried out, which allowed identifying the problems and features of the formation of a positive investment environment in the region.

3. Research Questions

The subject of the research is the complex of economic and managerial relations that are formed in the process of the formation of a mechanism for the increase in the investment attractiveness of the regional economy.

4. Purpose of the Study

The purpose of the paper is to determine the problems and features of the formation of a positive investment environment in the region.

5. Research Methods

During the study of the research tasks, a set of methods was used, including statistical methods of data processing and analysis.

6. Findings

The modern state of the regional economy shows that the economy is developing at a slow pace. Investments in fixed capital are extremely necessary, since fixed capital is one of the most important

economic instruments, which leads to the increase in production volumes in the region and to economic growth as a consequence.

Public authorities pay little attention to the regulation of investment activities, despite the fact that investment is the basis for long-term economic growth and the main driving force for the economy and society as a whole (Gusev, 2011).

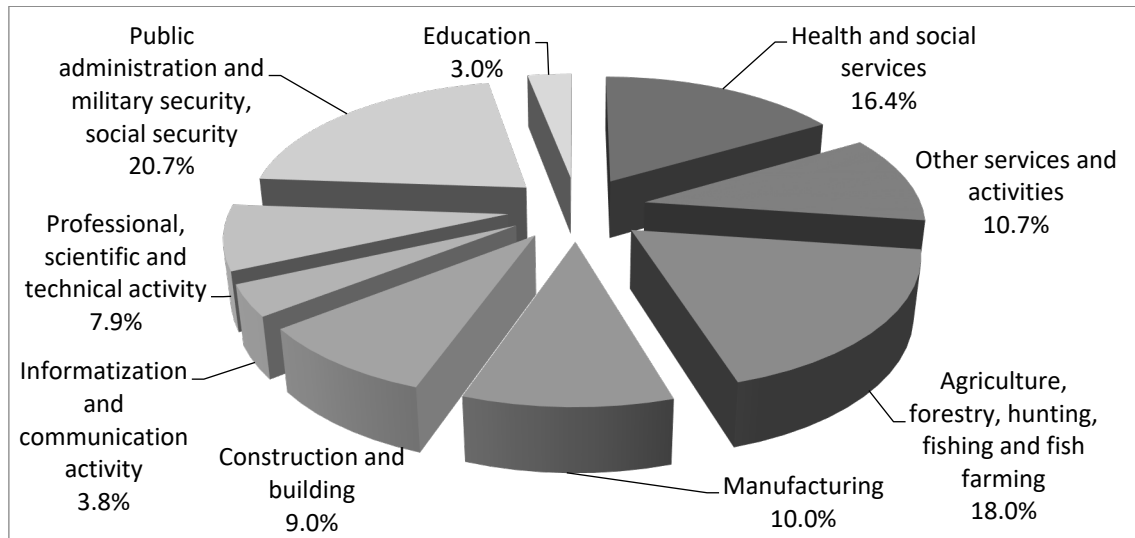


Figure 1. Structure of investments in fixed assets in 2019 (KBR in numbers, 2019)

Cash investments in fixed assets are assigned to dwellings in greater quantities. Investments in buildings and structures have a wavy trend, thus in 2012 the growth rate was 164.4 %, it decreased by 114.9 % in 2015 (49.5 %), and by 2019 (188.6 %) it increased by 73.7 %. The growth rate of the volume of investments in machinery, equipment and vehicles also has a fluctuant trend, in 2011 it amounted to 64.3 %, and by 2018 it was 143.6 % when the growth rate reached its maximum.

Thus, the analysis showed that during the studied period, investments were mainly made in buildings and structures. In 2010, the greater investments were in machinery, equipment, vehicles than in other types of fixed capital. This shows that we have invested in those funds that will not give profit.

The structure of the investment is of a diverse nature, we would like to draw attention to the most important types of economic activity according to our opinion.

Table 1. Number of incoming investments in fixed assets by type of economic activity in the Kabardino-Balkarian Republic (KBR), million rubles (KBR in numbers, 2019)

| Indicators | Years | | | | |
|---|--------|--------|--------|--------|--------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total investment in fixed assets | 27040. | 28328. | 36235. | 34827. | 35507. |
| | 6 | 0 | 4 | 1 | 1 |
| Including by the types of economic activity: | | | | | |
| agriculture, hunting and forestry | 643.2 | 730.1 | 246.2 | 527.2 | 2791.2 |
| fishing, fish farming | - | - | 0.7 | - | - |
| mining | 2.9 | 0.3 | 2632.8 | 779.4 | 214.6 |
| manufacturing industries | 2337.0 | 1098.6 | 775.0 | 1456.5 | 567.1 |
| production and distribution of electricity, gas and water | 1437.0 | 2030.5 | 3162.5 | 1169.3 | 1078.8 |

| | | | | | |
|---|--------|--------|--------|--------|--------|
| construction and building | 1927.9 | 981.8 | 767.2 | 2298.0 | 419.7 |
| wholesale and retail trade; repair of motor vehicles, motorcycles, household goods and personal items | 390.6 | 341.6 | 271.1 | 78.0 | 75.2 |
| hotels and restaurants | 5.4 | 0.1 | 0.3 | 0.6 | 0.4 |
| transport and communication | 695.0 | 1029.4 | 1244.1 | 672.4 | 993.9 |
| including communication | 567.0 | 710.8 | 710.8 | 529.7 | 806.0 |
| financial activities | 897.2 | 138.5 | 48.8 | 42.9 | 236.7 |
| real estate transactions, rent and provision of services | 244.7 | 991.7 | 591.5 | 652.3 | 431.8 |
| public administration and military security; compulsory social security | 734.9 | 1283.5 | 1773.1 | 938.5 | 1696.1 |
| education | 74.1 | 312.2 | 295.4 | 387.5 | 1096.0 |
| health care and social services | 18.4 | 576.0 | 779.5 | 672.1 | 1328.4 |
| provision of other housing, social and personal services | 7.3 | 147.4 | 13.7 | 32.0 | 342.0 |

The dynamics of inflow of investments in fixed assets in such economic activity as mining had a wavy trend; in 2016 (2,632.8 million rubles) investments increased compared to the previous 2015 (0.3 million rubles) by 2,632.5 million rubles and in 2016 (214.6 million rubles) they decreased by 2,418.2 million rubles (Table 01). Investments in manufacturing had a similar trend, so cash injections from 2014 (2,337.0 million rubles) to 2016 (775.0) decreased by 1,562.0 million rubles and in 2018 (214.6 million rubles) they decreased by 207.9 million rubles, which reflected a sharp decline in the investment attractiveness of this type of economic activity, which in 2014 was the most attractive for investment among other indicators. Investments in the production and distribution of electricity, gas and water tended to decrease, for example the investments decreased by 358.2 million rubles from 2014 (1,437.0 million rubles) to 2018 (1,078.8 million rubles).

The analysis showed that investments in such economic activities as agriculture, hunting and forestry, mining, government and military security, compulsory social security, education, health and social services, as well as other housing, social and personal services have grown and began to prevail over other activities. It reflects the current situation in the economy, where manufacturing, construction, wholesale and retail trade, hotels and restaurants, financial activities, i.e. small business and government structures began to prevail over big business.

The high priority of territorial problems makes the search for effective strategies for their solution urgent. The investment strategy is one of the most important regional strategies due to the fact that it is aimed at efficient management of regional investment and innovation projects (RIIP) (Boltina, 2012).

Monetary investments coming from internal funds of enterprises of the region play an important role in the implementation of this strategy.

The increases in the cost of fixed assets at the expense of own funds have a growth trend. This indicates that enterprises have begun to receive more profits. The trend in investment increase from internal fund is positive.

Investments are an important factor in sustainable economic development of the region. The study of investment volumes by ownership and forms that are most attractive to investors, both local and foreign, is also necessary. The attraction of new investors contributes to the activation of investment processes and will become a favorable factor in the economic development of the region. Economic activity, according to Gradov (2005) is "First of all, the activity of individuals, groups, social strata, the

people of the country and humanity as a whole. Moreover, such activities are carried out by certain economic (business) entities” (p. 41). According to Uskova et al. (2011): “one of the conditions for the stable development of regions is investment activities aimed to attract financial and material resources of domestic and foreign investors, as well as their rational use in the most priority sectors of economy” (p. 27). There is no single method for the determination of the investment attractiveness of types of economic activity.

In order to study the investment attractiveness in detail, it is necessary to study the number of operating organizations, the distribution of organizations and enterprises by a type of ownership, the volume of work and services performed on their own (Table 02) (KBR numbers, 2019).

Table 2. Volume of works and services performed by enterprises and organizations in the KBR (in actual prices), million rubles

| Indicators | Years | | | | |
|---|---------|---------|---------|---------|---------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Mining | 126.3 | 109.0 | 177.2 | 174.6 | 172.8 |
| Manufacturing industries | 22267.4 | 27704.0 | 34268.0 | 24125.9 | 29521.3 |
| Production and distribution of electricity, gas and water | 8394.2 | 10226.6 | 8092.4 | 7333.5 | 7566.8 |
| The volume of work performed by the type of economic activity “construction and building” | 4431.2 | 5707.7 | 6734.4 | 7937.2 | 9519.3 |

The dynamics of the volume of shipped goods, performed work and services in the field of mining has an upward trend, thus in the basic 2014 the volume amounted to 126.3 million rubles, and in 2018 it increased by 46.5 million rubles and amounted to 172.8 million rubles. The results of the activity of the sphere of manufacturing industries and the sphere of production and distribution of electricity, gas and water have a wavy trend, thus manufacturing industries in 2016 amounted to 34,268.0 million rubles, and in 2018 they decreased to 29,521.3 million rubles and the production and distribution of electricity, gas and water from 2015 (10,226.6 million rubles) to 2018 (7,566.8 million rubles) decreased by 2,659.8 million rubles, which reflected a decrease in the efficiency of enterprises and organizations of these types of economic activities. The volume of work performed by the type of activity “construction and building” had an upward trend, during the studied period, the volume of work and services increased by 5088.1 million rubles (Makhosheva et al., 2020).

The number of operating organizations in the field of mining had a fluctuant trend. It is necessary to note that enterprises in 2018 increased by 63 organizations compared to the previous 2015. In the field of manufacturing in 2012, there were 1,013 organizations, the number of which increased by 523 organizations in 2016. The number of organizations in the field of production and distribution of electricity, gas and water did not change significantly over the entire studied period. The number of construction organizations increased only by 2016 (1105 organizations), which was 575 points higher than the same indicator for 2015 (530 organizations).

The number of enterprises and organizations of private ownership prevailed over other forms, for the period from 2014 (8589 organizations) to 2018 (9458 organizations) their number increased by 869. There was a significant decrease in the number of organizations and enterprises with state and municipal

ownership. This reflected the potential for private business development in the region (Galachieva et al., 2020).

Investment flow across the region in 2018 amounted to 11,271.9 million rubles, which was 1,330.0 million rubles less than in 2016 (12601.9 million rubles), but more than in 2014 (9415.6 million rubles). Among the sources of investment, there was the tendency of growth of internal funds for investment, however, throughout the entire studied period the attracted funds prevailed over internal funds. This means that the regional economy depends on borrowed funds and investments from internal funds for investment are not profitable.

The dynamics of investments received from borrowed funds includes the investments from budget funds, extra-budgetary funds, bank loans and other sources. The main source of investment in the regional economy is the federal budget, which reflects its dependence on the state budget. We should note the decrease in other sources in 2018 (by 1,066.4 million rubles compared to the 2017).

In order to improve the current situation and increase production in the region, it is necessary to use all investment sources and take measures to attract new sources of financing.

Free economic zones act as one of the factors of accelerated economic growth in the system of global economic relations. This is explained by the mobilization of investments, the intensification of international trade, etc. In this regard, free economic zones are an integral part of international economic relations (Gurtuev et al., 2020). They present allocated territories, where there are preferential taxes, currency, customs regimes, where the inflow of foreign capital into all types of entrepreneurial activities and the development of export capital are encouraged.

The main goals of the formation of free economic zones are:

- The increase in the export potential of the allocated territory;
- The study of modern experience of the functioning of business entities in a market environment, organization and management of production and training;
- The stimulation of economic development in a dedicated area with the active use of foreign investments;
- The formation of production and supply of high quality substitute goods for the domestic market.

The government of the Kabardino-Balkarian Republic has solved the problem of land management and cadastral work, as well as the creation of a planning project for the territory of a special economic zone (SEZ) by the open joint-stock company “Resorts of the North Caucasus”. It is planned to place the mountain and recreational complexes “Bezengi” (Chereksky and Chegemsky municipal districts), “Elbrusye” (Elbrus municipal district) and the tourist and recreational complex “Dzhily-Su” (Zolsky municipal district) on three sites of the SEZ.

After the delimitation of the special economic zone in the Zolsky region, its administration, together with the government of the KBR agreed on a plan for the development of the territory of the all-season tourist and recreational complex “Dzhily-Su”. The plans for the development of the territory include the development of ski and medical tourism, which attracts tourists even there is no infrastructure.

The construction of a tourist cluster in the North Caucasian Federal District will allow increasing the level of its socio-economic development, creating new jobs, which will lead to a stabilization of the

situation on the labor market. The mode of special economic zone implies a number of tax incentives, as well as interest rate subsidies on loans. Local entrepreneurs will enjoy these advantages. This is a unique opportunity to develop the regional infrastructure with significant state support.

The activities of the public authorities, aimed to increase the volume of financial resources and improve the efficiency of their use, are considered as the management of financial resources. Public finance shows economic relations in the use and formation of centralized funds, which are intended to ensure the implementation of the state functions (Reilly, 2008).

The main sources of investment in fixed assets of commercial organizations are profit, depreciation, long-term bank loans, etc. Profits are taxed as cash income of a company.

The redistribution of financial resources is a secondary distribution through centralized funds (budget, extra-budgetary funds, etc.), which ensures the allocation of resources to the non-productive sphere. The redistribution is possible through the withdrawal of a part of profit.

According to Armstrong and Taylor (2003), state credit is one of the forms of existence of public finance along with budgets and extra-budgetary state funds; it also includes a number of the main ways of attraction of additional funds by the state and increase in its financial capabilities. The state can act as a lender, a borrower and a guarantor in relations connected with state loans.

The region offers favorable terms of tax rates for banks and insurance companies, however, for accelerated and sustainable development, the corporate profit rate of 13.5 % is still quite high and does not attract investors. The tax rate of 11.0 % attracts more investors.

7. Conclusion

Thus, according to the current situation it is possible to draw the following conclusions. There is a need for to provide information by state authorities of the KBR regarding the state of the investment environment in the region. Carrying out investment activities, an investor needs complete and timely information to make a decision in a short time, which helps to reduce risks and facilitates the investment process. Prompt and reliable data indicate the effective functioning and interest to assist investors of state agencies.

In recent years, the rank of the investment potential of the Kabardino-Balkarian Republic has increased in comparison with the ranks of the Karachayevo-Cherkessian Republic (KCR) and the Republic of North Ossetia-Alania. However, in 2010, the rank of the potential of the North Ossetia-Alania took more advantageous positions, in contrast to the rank of the KCR, which occupied less favorable positions throughout the studied period.

In terms of the rank of investment risk, the Kabardino-Balkarian Republic was in a favorable zone, with the exception of 2014, when the risk rank was at a critical point and was inferior to the ranks of the Karachay-Cherkessian Republic and the Republic of North Ossetia-Alania. Despite the annual decline in the risk rank of KBR, it remained between the 70th and the 60th place.

The creation of special economic zones contributes to the creation of conditions to attract investments in the economy and also presupposes the creation of new jobs, which contributes to economic development, the increase in the attractiveness of the region and increase in the standard of living.

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