

Prospects for Developing the Investment Potential of the Regions of the Russian Federation

Galina V. Golikova

Department of Economics and Organization Management
Voronezh State University
Voronezh, Russia
E-mail: ggalina123@yandex.ru

Julia S. Gyandzhieva

Department of Business Process Management and Socio-economic Systems
Voronezh Branch of REU G. V. Plekhanova
Voronezh, Russia
E-mail: gyandzhieva1989@mail.ru

Alexander V. Proskurin

Department of Business Process Management and Socio-economic Systems
Voronezh Branch of REU G. V. Plekhanova
Voronezh, Russia
E-mail: s075sn@yandex.ru

Maxim V. Mraev

Department of Business Process Management and Socio-economic Systems
Voronezh Branch of REU G. V. Plekhanova
Voronezh, Russia
E-mail: mmraev@yandex.ru

Abstract—Under current conditions the investments are regarded as a tool enabling a country, an industry or a region to emerge from the economic crisis, form “the appropriate” structural shifts in the economy, and make qualitative improvements in the business activities at the meso- and the macro levels, hence the relevance of a comprehensive study on the investment activities. The article is devoted to analyzing the investment processes occurring in the modern economy of Russia’s regions, as well as the prospects for developing their investment potential.

Keywords—investment activity of the regions; investment potential of the territories; multi-level territorial formations; life cycle stages of the territories

I. INTRODUCTION

The establishment and the effective functioning of the investment support system for the territorial formations are defined to a large extent by the level of their investment potential. The investment processes in the setting of the Russian economy have always been heterogeneous in nature. [8] [15] The territories with the natural resource base, and Moscow as a center of financial and managerial competencies, turned out to be more attractive to investors. This has increased uneven investment flows both by industries, and by regions, and the key objective of the investment policy of the State becomes to establish a favorable climate for enhancing the inflow of investments, supporting the competitive production enterprises and infrastructure facilities.

Until 2017, there has been the drop of investment activity and the decline in the average level of the investment attractiveness in Russian regions. After 2017, the national economy has started to adapt intensively to the new macroeconomic trends and external shocks, which has been,

to a certain extent, conducive to the Russian economy coming out of recession. Besides, due to the improvement in the institutional conditions for doing business, the development of the infrastructure and implementation of the development projects, many Russian regions have started to emerge gradually from the crisis. The analysis of the sources of financing the investment projects has shown that the level of the self-financing of the enterprises is increasing and the investments from the federal budget and extra-budgetary funds are decreasing. The reasons behind the unbalanced growth of investment activity lie in the peculiarities of the state regulation.

II. ANALYSIS OF THE INVESTMENT DEVELOPMENT OF THE RF REGIONS

The analysis of the investment development of the regional economies has shown that the predominant share of investments (over 50%) has been made in the territory of 11 constituent entities of the Russian Federation, among which: Moscow (12.4%), Yamalo-Nenets Autonomous District (6.8%), Khanty-Mansi Autonomous District (5.9%), Moscow Region (4.2%), Saint-Petersburg (4.1%), the Republic of Tatarstan (4.0%), Krasnodar Territory (3.0%), Krasnoyarsk Territory (2.7%), the Republic of Sakha (Yakutia) (2.4%), Leningrad Region (2.1%) and Sverdlovsk Region (2.1%) [17]. In 2017 nearly 60% of all investments into the fixed capital of the Russian Federation were absorbed in Central Federal District (26.1%), Urals Federal District (18.0%) and Volga Federal District (15.1%). [2], [3], [7] The investment growth has occurred, most notably, in the largest agglomerations of the cities of federal significance with the highest concentration of effective demand.

The structural analysis of the activities in the area of investment shows that the clear precedence in terms of

volumes of investment is taken by extraction of mineral resources (25.1%), as well as transportation and storage (18.1%), and also manufactures (16.0%). In relation to the latter, the investments decreased by 0.8%, and the investment in construction decreased by 3.7%. The maximum flow of investments is directed to financial and insurance activities (+63.4%), the activities in the area of culture, sports, organization of leisure and entertainment (+34%) and in the area of health care and social services (+12.7%). [8], [17]

However, there has been no broad-based growth in investments at the regional level: the investment activity has increased only in 41 constituent entities of the Russian Federation, whereas in 44 constituent entities the decline in investments has been registered. The closing positions in the investment dynamics rating are held by underdeveloped regions, in particular Kurgan Region, the Republic of Komi and the Republic of Ingushetia. In some cases the decline in investments in such regions is associated with the conclusion of the period for implementing the major investment projects, producing the effect of “high base” of the previous periods.

The main reasons for the downfall in the investment indicators shown by the outsiders is the slow pace of infrastructure development, the weak economy, devising of ineffective local budgets, high debt load, differentiation of the Russian regions at different life cycle stages of the investment potential of their territories. All these factors impeding the investment development of the regional economies lead to the objective necessity of an individual approach to the development of a mechanism for managing the regional investment processes oriented towards the development of the investment potential of any given region of the Russian Federation.

III. PROBLEMS OF DEVELOPING THE INVESTMENT POTENTIAL OF MULTI-LEVEL TERRITORIES OF THE RUSSIAN FEDERATION AT VARIOUS STAGES OF LIFE CYCLE

The investment support of the multi-level business entities makes part of the economic problems, which are actively discussed in the economic literature. One of the major components of this problem is definition and assessment of the investment potential of a territory. However, despite the attention, given to this component in scientific developments and analytical reports, up until now no generally-accepted definition of “the investment potential” category is formed and its place in the conceptual apparatus of the investment issue is not determined.

Studying the problem of investment support of multi-level territories from the viewpoint of peculiarities of their development at various stages, on the one part, is closely interrelated with the development of theoretical framework of investment, because it allows to extend the list of factors, which are objectively involved in formation of the investment process, and, on the other part, is of a great importance for choosing and substantiating the investment priorities for the development of territories and the territorial management of the regional economies.

Modern publications in investment potential field (V.N. Shcherbakov, A.V. Dubrovsky, Yu.V. Mishin, A.V. Solodilov, I.A. Suntsov, S.V. Mamazhonova, G.O. Turdikulova, et al) analyze both theoretical and methodical aspects of this category, and its applying in the practice of managing the multi-level business entities (an enterprise, a region or a country as a whole). [5], [9], [11], [15] However, with all the attention paid by the researchers in this area of investment issue, many scientists have repeatedly stressed their incompleteness. This aspect of the problem is particularly significant for the territorial management, because it underpins the subsequent development of the tactics and the strategy of investment support of the territorial development.

As a result of studying the substance of “the investment potential” category, three groups of approaches have been singled out; each of them is based on a different criteria framework of a category under consideration – with a focus on factors, resources and results.

The first of the highlighted approaches considers the investment potential as a set of conditions and factors that form it, which can be expressed by the interpretation offered by A.N. Asaul as “a set of the objective economic, social, natural-and-geographical and other factors conducive to the attraction of investments in a region.” [1], [4], [13], [14], [16]. Because these conditions and factors are presented by different-scale indicators, modeling them down to a dimensionless value allows for performing ranking and rating procedures, in the course of which, for all factors taken into consideration and influencing the development of the investment processes within territories, the ranges of variation of the indicators characterizing them are being formed. Thus, the different-scale indicators are brought into a unified measurement system, which allows for modeling them down to a single cumulative index. Moreover, not inconsiderable is the circumstance that, when using this approach, the content of the category “investment potential” is substituted for the conditions and the factors of formation of its level. The latter are important in forming the value of investment potential, but in no way replace it, which limits the scope of application of this approach by the range of comparative estimates and building of rating lines.

The second approach is based on the resource principle, according to which the totality of resources available in the framework of a territory is equated to the value of investment potential. The standpoint of the representatives of this group is stated in S.G. Serikov’s work, in which it is noted that the investment potential is “the concentration of investment resources taken from certain territories of a region for the strategic development of the economy.” [4], [6], [18] This identification leads to conflation of the categories in the conceptual apparatus of the investment issue and entails deformation in the methodology toolbox used for assessing them.

The third (result-focused) approach, in our opinion, reveals the content of the category under consideration most adequately. This being said, due to the divergence of the main purpose of the potential, correspondingly, its

definitions are also being transformed. Thus, L.M. Yusupova and T.V. Nikonova consider the investment potential "... as a cumulative ability to support, under prescribed conditions of investment climate, the investment processes on the scale and with account of the goals that have been set by the economic policy of a region." [5] In N.I. Lakhmetkina's opinion, "...the term "investment potential" reflects the extent of opportunity for placement of funds (combination of monetary funds and other capitals) in active assets (combination of property funds of the business entities), which, through time, provides a steady economic income (effect)." [6] I.A. Sultanov thinks that the investment potential ... "represents a combination of opportunities coming from the use of investment resources and their sources in making direct and portfolio investments for obtaining results in the framework of the set indicators." [7] [12]

Besides, there are definitions which sweepingly involve abilities, opportunities and resources. For example, I.Z. Toguzova claims that "the investment potential reflects the opportunities allowing for accumulating the necessary and sufficient volume of investment resources for conducting the investment activities. The notion "investment potential" includes "the physical ability of business entities, territorial authorities and the State to place funds into the economy and the opportunity for attracting free funds (savings as potential investments)..." [8], [10]

It should also be noted that in the framework of this approach the majority of the authors consider the abilities and the opportunities with regard to accumulation of investment resources. But in conceptual apparatus of the investment issue and the territorial economy the resources serve as one of the prerequisites for realization of potentials. In hierarchical vertical structure, the term "potential" is placed above its resource-based component. Consequently, with account of the load on the content and the purpose of this category, it is hardly logical to limit the scope of its application by accumulation of resources only. It should be the matter of using it for reaching the end results of functioning and development of the territories, which are universally considered to be added value, gross municipal product and gross regional product.

Grouping the multi-level territorial formations in accordance with stages of their life cycle is a relatively new area of research in the territory issue, because, when forming its theoretical and methodical aspects, the territorial systems (regions and municipal formations) remained outside academic interests of the researchers. This made it impossible to clarify the notion "life cycle" as it pertains to the territories regardless of their hierarchical level. This being said, a life cycle of multi-level territorial formations (a region, sub-regional formations and territorial units belonging to them) was accepted to be a set of periods (stages) of territorial development in the framework of the predominant territorial specialization defining the level of competitiveness and adaptability of the territories to the impact of external and internal challenges. [2], [4]

Unlike the classic scheme of a life cycle, which is in point when it comes to the goods or enterprises, the main peculiarity of staged periodization of a life cycle of multi-level territorial systems was determined to be the possibility of either regression to the previous stages of development, or transition to a new life cycle.

Thus, the systemization of the developments made over the recent years in the area of investment potential of the territories allows for creating a toolbox for the development of the investment potential of multi-level regions of the Russian Federation.

IV. TOOLBOX FOR THE DEVELOPMENT OF THE INVESTMENT POTENTIAL OF MULTI-LEVEL REGIONS OF THE RUSSIAN FEDERATION

The territorial placement of investments in Russia, from theoretical viewpoint, draws upon the theory of hierarchically-organized structure of settlements and upon the prerequisite of the evenness of dispersion. [1] According to the first approach, the investments should be directed towards "the growth points," which are concentrated in the major cities and around mineral deposits. The second approach implies concentrating the investments in depressed regions with soft budget constraints to equalize levels of the social and economic development of the federal entities. As we can see, Russia follows the first path, therefore the leader regions continue to strengthen the base for the economic development, while enhancing the investment attractiveness, and the outsiders "fail", thus increasing the regional inequality.

The most important task of the state policy consists in achieving the balanced development of all territories, consequently, when taking domestic policy action the unevenness of the social and economic development of the federal entities must be considered. Greater attention should be given to the depressed regions. In view of this, the goals of the investment policy at federal and regional levels become conflictual in some cases.

As a result the majority of the regions in the Russian Federation have comparatively low level of attractiveness of the investment climate. This is due to a number of problems, among which the specialists highlight the lack of systematic approach when formulating the state regional policy, the imperfection of legal and regulatory framework for development of the regions, insufficient use of means for stimulation of the investment development of the regions, outflow of labour resources and capital to the big cities, low level of budgetary discipline, etc. [2], [16]

The regional protectionism also impedes increasing the investment activities. Often, in practice the authorities of a federal entity set a limit on public procurement, make corrections in investment memorandums, while demanding to set up a full-cycle production in a region. To solve such kind of problems, it is necessary to move forward on the path of developing inter-industrial, inter-departmental clusters, with a complete production cycle, and also improve interregional and international cooperation.

A powerful regional tool for attracting investments at the current stage is formation of industrial and trading estates, areas of outstripping social and economic development, special economic zones. This allows for creating an infrastructure required for production activities from regional budget resources, while significantly shortening the periods for implementation of investment projects.

Alongside the improvement of infrastructure for doing business, it is necessary to make public-private partnership more active for attracting the investments in social sphere, and also launch the industrial innovative clusters with budgetary investments coupled with attraction of borrowed assets under optimal conditions. The extension of the scope of financing the investments can be promoted by involvement of funds from non-state pension funds, insurance companies and development of mechanisms of concession and infrastructure mortgage.

V. CONCLUSION

From this perspective, the volumes of investments in real assets do not meet the growing needs of the domestic economy. As international practice shows (Japan, South Korea, Malaysia, Chili, India, China and others), the intensive growth of the economy begins with reaching the threshold of at least 25-27% of investment in relation to GDP. For our country this represents an increase in annual investments by 5-6 trillion roubles.

For solving the problems of developing the investment potential of the RF regions, it is suggested to use the grouping of multi-level territorial formations by stages of their life cycle.

To eliminate or soften the negative effects and to accelerate the processes of the investment development in Russia, it is necessary to: tighten financial controls over budgetary expenditures and revenues; strengthen the national financial market; launch the import-substituting productions oriented towards the subsequent export of products; improvement of the competitiveness and the attractiveness of territories for foreign investors by means of holding the investment congresses and expositions; mobilize the enterprises' and the population's free funds for the investment needs by means of raising interest rates on deposits and savings accounts, etc.

The above-mentioned measures to be taken by federal and regional authorities and other entities of reproduction business activities will promote the acceleration of the process of liberalization of the investment activities in Russia, the results of which must be expressed in transparency of the vertical system of investors, extension of financing tools and sources of investments, as well as in increasing availability of financial infrastructure for further development of the investment potential of the regions throughout the country.

REFERENCES

- [1] Vlasova N.Yu. Factors and trends of the development of the social and economic space of major cities / N.Yu. Vlasova // Scientific

- works of Free Economic Society of Russia. 2018. Vol. 209. No. 1. P. 353-364.
- [2] Zubarevich N.V. Investment geography in Russia in times of crisis: business and State priorities / N.V. Zubarevich // *Regional economy: challenges, priorities, strategic reference points: collective monograph*. Ekaterinburg: Publishing House of the Ural State University of Economics. 2017. pages 188-196.
- [3] Investment ratings of the regions [Electronic resource]. Access mode: <https://raexpert.ru>.
- [4] Kiseleva O.V. The Regions of Russia: disproportions in the investment activity / O.V. Kiseleva // "The Russian entrepreneurship." 2012. Volume 13. No. 19. pages 126-130.
- [5] Mamazonova S.V. Activation of the investment potential in the context of the economy modernization / S.V. Mamazonova, G.O. Turdikulova // "Questions of economy and management. 2018. No. 2 (13). pp. 1-3.
- [6] Nikolaev M. Role of territorial factor in economic dynamics / M. Nikolaev, M. Makhotaeva // "The Economist." 2015. No. 3. pp. 42-49.
- [7] Nikulina E.V. Improvement of the mechanism of the investment support of the region's economy / E.V. Nikulina, M.A. Gaivoronskaya // "Regional economy: theory and practice." 2017. Vol. 15. No. 8. pp. 1478-1487.
- [8] Investment market in Russia in 2018 [Electronic resource]. Access mode: <http://center-yf.ru/data/economy/rynok-investitsiy-rossii-2018-v-godu.php>.
- [9] Solodilov A.V. Investment potential of the regions in the context of economic instability: new approaches and perspectives/ A.V. Solodilov // "Bulletin of the Moscow State Regional University." Series: Economics. 2018. No. 1. pp. 92-100.
- [10] Strategy for spatial development of the Russian Federation for the period until 2025 [Electronic resource]. Access mode: <http://economy.gov.ru/minec/main>.
- [11] Suntsov I.A. Essence of investment potential of a region / I.A. Suntsov // "Questions of science and education." 2018. No. 3(15). pp. 90-92.
- [12] Tedeeva R.A. Problems and prospects for the development of the recipient regions / R.A. Tedeeva, I.M. Luksha, A.N. Kovalev // "Bulletin of the Belgorod University of Cooperation, Economics and Law." 2018. No. 4. pp. 30-39.
- [13] Udalov A.N. Regional investments and main provisions of the regional investment policy [Electronic resource] // *Naukovedenie* ("Science studies") online magazine. Volume 8. No. 2. 2016. Access mode: <http://naukovedenie.ru/PDF/7IEVN216.pdf>
- [14] Shvakov E.E. Peculiarities of formation and the substance of the investment policy in different constituent entities of the Russian Federation / E.E. Shvakov // "Regional economy: theory and practice." 2014. No. 4(331). pp. 51-60.
- [15] Shcherbakov V.N. Investment potential and industrial growth. Monograph / V.N. Shcherbakov, A.V. Dubrovsky, Yu.V. Mishin. Moscow: Publishing and Trading Corporation "Dashkov and co," 2018. p435.
- [16] Gogoleva T.N. Economic analysis of investments as a source of economic changes / T.N. Gogoleva, G.V. Golikova, P.A. Kanapukhin // *Russia and the European Union, Development and Perspectives* / E.G. Popkova (ed.). [Springer International Publishing AG]. 2017. p107-122.
- [17] Golikova G.V. Analysis and problems of development of regional consumer complex / G.V. Golikova, G.N. Franovskaya, O.B. Dzyubenko // *The Impact of Information on Modern Humans* / ed. by Prof. E.G. Popkova. [Springer International Publishing AG]. 2018. p248-255.
- [18] Treshchevsky Y.I. The system of state support for small and medium entrepreneurship and evaluation of its effectiveness / Y.I. Treshchevsky, G.V. Golikova, N.A. Serebryakova, S.A. Volkova, T.A. Volkova // *Espacios*. 2018. Vol. 39. No.12, p12.