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DIAGNOSTICS OF THE INVESTMENT ATTRACTIVENESS OF
REGIONAL SOCIO-ECONOMIC SYSTEMS

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Abstract

A systemic analysis of the development dynamics of regional socio-economic systems, as well as diagnostics of the investment attractiveness of a separate municipal district, is carried out in the paper which made it possible to identify the problems and features of the formation of a positive investment climate in the region. Potential “growth points” are the most investment-attractive industries. As a result of the study, the team of authors reveals an increase in the main socio-economic indicators of the region development and the standard of the population living. Besides, changes in the sectoral structure indicators of the gross region, in particular, a decrease in the share of agriculture and an increase in the share of manufacturing industries are noticeable. A separate municipal district is considered in the paper where the oldest ski resort is based and the highest European mountain Elbrus is geographically located. Therefore, one of the priority areas for the development of the Elbrus Municipal District is the tourist and recreational cluster, as well as the multiplier effect produced by it which arouses particular interest in consideration, and implies a SWOT analysis of its basic indicators. The developed SWOT analysis of the Elbrus Municipal District reveals the presence of strengths, the prevalence of weaknesses over them, an insignificant number of threats and existing opportunities for the growth of the entire district and its main advantages that are available. However, the fact that these opportunities are not practically used and remain in stagnant is alarming.

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Keywords: Investments, investment potential, investment attractiveness, region



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1. Introduction

The development of regional socio-economic systems is closely related to the results of ongoing investment processes and to the investment policy chosen by local self-government bodies, the main goal of which is to achieve a high level of population life quality on the basis of the economy sustainable development of the Kabardino-Balkarian Republic.

2. Problem Statement

“Growth points”, that is, promising industries are highlighted in order to expand the investment attractiveness of the regional socio-economic systems of the Kabardino-Balkarian Republic: agro-industrial complex, food industry, tourism, and recreation. We assign a priority role to tourism and recreation having a multiplier effect which allows us to: provide income not only to business entities in the industry but also to related industries that ensure supplementary services without a direct tourist nature; afford the growth of commercial activity, employment, and productivity, namely, key economic indicators.

3. Research Questions

The research subject is the processes and mechanisms reflecting the socio-economic development and investment potential of the Kabardino-Balkarian Republic, as well as the Elbrus Municipal District which is of economic interest for the economy development of the entire republic and the center of mountain skiing and tourism in the region.

4. Purpose of the Study

The purpose of the paper is to conduct a statistical analysis of the socio-economic situation of the Kabardino-Balkarian Republic at the first stage in order to identify potential investment-attractive industries, and at the second stage, conduct a SWOT analysis which will reveal the strengths and weaknesses of the Elbrus region as a base territory for the development of tourism and recreation.

5. Research Methods

A set of methods, including statistical methods of data processing and analysis, SWOT analysis was used to study the objectives.

6. Findings

The current situation in the region is reflected in the basic socio-economic indicators. Indicators such as population size, migration growth, the number of economically active and unemployed population, and average per capita money incomes will be of particular concern to potential investors. Moreover, one of the most interesting indicators is investment in fixed assets. The study of the indicators will reflect the socio-economic state of the region.

Table 1. Basic socio-economic indicators of the Kabardino-Balkarian Republic

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Population, thousand people.	859.8	859.1	858.9	858.4	860.7	862.3	864.5	865.8	866.2
Migration balance, population decline (-): thousand people.	-4.3	-5.5	-6.2	-6.2	-1.8	-4.1	-2.9	-2.8	-3.9
Average per capita income, rubles.	11290.0	12636.2	13717.2	15297.0	16603.5	19101.7	19830.2	20384.5	21371.5
Number of people employed the economy, thousand people.	330.6	328.7	350.6	378.5	394.5	357.0	358.9	362.6	379.2
Number of unemployed (on average per year), thousand people	48.2	38.8	34.1	44.2	41.2	43.2	44.5	45.3	47.0
Gross regional product, mln. rub.	77086.4	90594.5	105992.4	113229.8	117596.6	120528.8	135416.7	138489.2	145658.2
Number of enterprises and organizations (at the end of the year)	12318	12143	12280	12612	12660	12386	12587	12739	12681
Paid services to the population, mln. rub.	14925.1	17368.1	18972.7	21880.5	24030.2	26197.7	27761.7	29356.0	32041.0
Retail trade turnover, total, mln. rub.	62861.0	73110.7	80549.5	89855.4	100117.8	112947.6	118274.7	12396.1	127518.3
Consolidated budget revenues, mln. rub.	22488.2	24869.0	24589.3	26654.2	28100.3	29549.7	31224.3	29390.4	35996.6
Consolidated budget expenditures, mln. rub.	23198.8	25091.4	24963.4	27674.3	30098.3	32637.0	34117.4	32087.4	34130.7
Fixed capital investments, mln. rub.	20958.2	20855.5	25652.2	22070.7	27040.6	28328.0	36235.4	34827.1	35507.1

The data in Table 01 indicate (Tselovalnikova, 2019) that the population increased by 6.4 thousand people over the period under review. The number of people employed the economy increased by 48.6 thousand people. It should be noted that the peak of employment was in 2014 and amounted to 394.5 thousand people. In 2015, we observe a sharp drop in this indicator which is directly related to the global financial crisis (Gurtuev et al., 2020). To date, this indicator has not recovered to its previous level. The constant increase in migration losses is alarming and indicates that part of the population moves outside the region. This happens for the purpose of finding a job, getting an education, and for other reasons.

The number of operating enterprises increased insignificantly (363 enterprises). However, the investment growth in fixed assets (6,082.4 million rubles) was not proportional to the increase in the number of enterprises and organizations (Tselovalnikova, 2019). This reflects only an increase in the amount of capital investments which is not an indicator of economic growth. Besides, the negative balance of the republic consolidated budget gives evidence to this.

Table 2. Basic socio-economic indicators of the population living standard of the Kabardino-Balkarian Republic

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average per capita income (per month), rub.	11290.0	12636.2	13717.2	15297.0	16603.5	19101.7	19830.2	20384.5	21371.5
Tangible disposable income, % of the previous year	104.0	100.2	99.6	102.6	102.2	100.5	97.4	99.2	97.8
Average monthly nominal accrued wages of employees, rub.	11663.2	13011.5	16314.4	18623.6	20322.7	20866.1	21531.5	22781.7	25760.71
Tangible accrued wages, % of	99.6	101.0	117.8	105.5	102.2	88.3	96.2	101.2	110.8

the previous year									
Average size of assigned pensions at year-end, rub.	6246.1	6726.6	7390.8	8049.2	8694.8	9550.3	4814.5	10498.7	11085.8
Average per capita minimum subsistence amount, rub. per month	4437	4891	5043	6585	7071	8784	10586	10757	10633
Population with incomes below the minimum subsistence amount, thousand people	134.8	131.5	122.2	160.0	159.3	180.9	222.4	214.6	209.5
Correlation with the value of the minimum subsistence amount, % of									
average per capita income	254.5	258.4	272.0	232.3	234.8	217.5	187.3	200.5	201.0
of average monthly nominal accrued wages	246.1	248.3	301.1	267.7	271.8	226.2	196.3	105.8	113.1
of average size of assigned pensions	167.8	173.5	183.3	149.6	147.1	135.8	181.0	124.4	132.9

The indicators in Table 02 (Tselovalnikova, 2019) reflect the low standard of the republic population living. This is evidenced by the increase in the number of residents whose monetary incomes are below the minimum subsistence amount (this indicator increased by 156 %, as well as a decrease in the ratio of average per capita monetary incomes and average pensions to the minimum subsistence amount, and the indicators enlarged slightly over the period under review). Real disposable cash income decreased by 6.2 % over the period under consideration from 2010 (104.0 %) to 2018 (97.8 %).

Indicators of accrued wages increased insignificantly. However, the rise of such indicators as the average size of assigned pensions (4839.7 rubles) and the average monthly nominal accrued wages (14097.5 rubles) is positive (Makhosheva et al., 2020).

Indicators of the gross regional product enhanced (40510.2 million rubles). In the structure of the gross regional product, leading positions are taken by such types of economic activities as agriculture, hunting and forestry (a share decline in the gross regional product by 1.7 %), manufacturing (an increase in the share of 4.1 %), wholesale and retail trade; repair of motor vehicles, motorcycles, household goods, and personal items (decline by 1.9 %) (Galachieva et al., 2020). The trend reflects the predominance of manufacturing over the sale of various goods (including agricultural), and the services provision to the population.

One of the priority directions of the republic's economy is the development of tourism. The most attractive tourist area in the republic is the Elbrus Municipal District. In this regard, the extension of the Elbrus Municipal District is of economic interest for the economy growth of the entire republic. It is essential to consider its development level.

Table 3. Population of the Kabardino-Balkarian Republic (KBR) and the Elbrus Municipal District (at year-end, thousand people)

	2014	2015	2016	2017	2018
KBR – total	860.7	862.3	864.5	865.8	866.2
including:					
urban	467.9	466.3	465.1	448.9	449.7
rural	392.8	396.0	399.4	416.9	416.5
Elbrus Municipal District – total	36.3	36.1	36.0	36.0	35.8
including:					
urban	21.0	20.8	20.8	20.7	20.5
Rural	15.3	15.3	15.3	15.3	15.3

Table 03 (Tselovalnikova, 2019) shows that the population is on a downward trend in the Elbrus metropolitan area. Thus, the population decreased by 0.5 thousand people from the base year of 2014 (36.3 thousand people) to 2018 (35.8 thousand people). The urban population decreased by 0.5 thousand people from 2014 (21.0 thousand people) to 2018 (20.5 thousand people), and the rural population did not undergo significant shifts. Changes in the number were not observed from 2014 (15.3 thousand people) to 20.8 (15.3 thousand people) (Makhosheva et al., 2020; Galachieva et al., 2020)

The number of the arrived population increased by 305 people in the Elbrus Municipal District from the base year of 2014 (28) to 2018 (593). The number of leaving people increased by 239 from 2014 (431) to 2018 (670). The balance of population migration was negative in each year under review; it was 143 people in 2014, and 77 people in 2018 (Tselovalnikova, 2019).

The average number of employees in the organizations of the Elbrus Municipal District decreased by 0.7 thousand people from the base year of 2014 (4.7 thousand people) to 2018 (4.0 thousand people). The number of the registered unemployed population decreased by 312 people from 2014 (871) to 2018 (559). The number of unemployed citizens receiving unemployment benefits also decreased by 295 people from 2014 (794) to 2018 (499) (Tselovalnikova, 2019).

The value of the average monthly nominal accrued wages annually increased in the Kabardino-Balkarian Republic. It increased by 8659.5 rubles from the base year of 2014 (11663.2 rubles) to 2018 (20322.7 rubles). The average monthly nominal accrued wages tended to grow in the Elbrus Municipal District, it increased by 7666.2 rubles from 2014 (11130.9 rubles) to 2018 (18797.1 rubles). (Tselovalnikova, 2019).

The volume of performed work, rendered services, goods shipped in the manufacturing sector enhanced by 80.4 million rubles in the period from the base year of 2014 (22.8 million rubles) to 2018 (103.2 million rubles). The volume of performed work in the field of production and distribution of electricity, gas and water decreased by 32.4 million rubles from 2014 (82.4 million rubles) to 2018 (50.0 million rubles) (Tselovalnikova, 2019).

The volume of agricultural products of all farm categories in the Elbrus Municipal District is 799.1 million rubles. 567.5 million rubles are for incoming investments in fixed assets, the Elbrus municipal district sold goods worth 197.1 million rubles for retail trade turnover (Tselovalnikova, 2019).

The balanced financial result of the enterprises activity of the Elbrus Municipal District tends to decrease by 161.8 million rubles from the base year of 2014 (-330.5 million rubles) to 2018 (-492.3 million rubles) (Tselovalnikova, 2019).

SWOT analysis was carried out in order to identify the strengths and weaknesses for the development of investment activities in the Elbrus region (Armstrong & Taylor, 2003; Fedorova, 2018; Lakhmetkin, 2016; Plotnikov, 2017; Reilly, 2008) (Table 04).

Table 4. SWOT analysis of the Elbrus Municipal District

Strengths	Weaknesses
Political stability in the country.	Formed investment policy of the district does not provide for close cooperation with the general economic policy.
Good ecological condition of the area.	Subsidization of the district budget.
Favorable natural and climatic conditions.	District budget depends on federal transfers.
Increase in the indicators of the average monthly nominal accrued wages of enterprise employees that do not belong to small businesses.	Lack of highly qualified workers, competent managers.
	Population migration: the number of people leaving the

<p>Small amounts of overdue wage arrears of enterprises and organizations (at year-end). A small number of unemployed people, most of them receive unemployment benefits. Availability of labor resources (there is a certain labor potential).</p>	<p>country exceeds the number of people arriving annually. Unfavorable demographic situation. Low level of investment activity. Products and services produced by the region enterprises have low competitiveness. Low performance indicators in such types of economic activities as: manufacturing, mining, agricultural manufacturing; production and distribution of electricity, gas and water; the amount of work performed by the type of “construction” activity. High level of entrepreneurial and investment risks. Proper investment sources of enterprises are in short supply. Social and engineering infrastructure is poorly developed. Low level of development of the banking system and financial mechanisms. Negative values of indicators of the balanced financial result (profit minus loss) of the activities of large and medium-sized organizations.</p>
<p>Opportunities</p>	<p>Threats</p>
<p>Implementation of an investment policy aimed at creating an attractive investment and business climate, as well as supporting entrepreneurship. Enhancing the development of innovation and high-tech sector of the economy. Development of the tourism sector in the territory. Development of a resort area capable of attracting tourists. Mountain skiing development. Development of a sports and recreation complex in the area to increase the tourists’ attractiveness. Increase in the volume of the population services.</p>	<p>Lowering the level of investment activity in the region Stagnation in the development of modern technologies. Decrease in the level of economic development. Increased criminal, social and financial risks.</p>

The program “Kabardino-Balkarian Republic - Center for Tourism and Recreation” is part of KBR development strategy and is designed for the accelerated development of the tourist and recreational complex which provides for the reconstruction of functioning and construction of new hotels, tourist centers and sanatoriums, as well as the construction of modern ski slopes and improvement transport and entertainment infrastructure. The program implementation will make the food industry and agriculture focused on ensuring domestic consumption and the developing tourism sector of the economy with necessary food (Doronina, 2018; Kochkaeva, 2019). However, the following problems will remain relevant during the program implementation:

- problems associated with investments (low activity, lack of own sources of investment);
- budgetary problems (budget subsidies, negative values of the balanced financial result of the activities of large and medium-sized enterprises);
- demographic problems (high migration, population decline);
- low competitiveness of manufactured products;
- shortage of competent and highly skilled workers.

The direction “Kabardino-Balkar Republic – Center of Health and Effective Environmental Management” is part of KBR development strategy which provides for the phased growth of a ski resort in the Elbrus resort and recreation complex, on the northern slope of Mount Elbrus, as well as the extension of a SPA resort in Nalchik and in the area of Dzhily-Su. The implementation of this direction presupposes the use of the resource potential to the full extent and more efficiently. One of the tasks is the accelerated development of the agro-industrial complex and products manufacturing that have significant demand outside the republic, where large-scale exports and accelerated extension of high-tech building

materials industry are envisaged. The manufactured products will be competitive both at the regional and interregional levels. Such scale increase will enhance the population employment and reduce the number of unemployed among the rural population.

7. Conclusion

The implementation of “Kabardino-Balkar Republic – Center of Health and Effective Environmental Management” program will increase the competitiveness of products. However, the problems of a shortage of highly qualified workers in organizations, the problem of a high level of investment and entrepreneurial risks, a low level of development of the banking system and financial mechanisms, problems of budget subsidies and demographic problems remain relevant. Moreover, the threats of a decrease in the investment activity level of the region, in the level of economic development and an increase in criminal, financial and social risks claim attention. At the same time, the possibilities for enhancing the growth of innovative activity and the high-tech sector of the economy remain unrealized. It should be borne in mind that both directions do not have the goal of changing the investment policy, improving the investment climate and problems of population migration. The decline in the number of residents is the reason for such problems emergence as the lack of labor force to implement the selected areas of development.

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