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**INCREASING THE INVESTMENT ATTRACTIVENESS OF THE  
REGION ECONOMY**

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**Abstract**

The article is devoted to the disclosure of the problems of region economic development, and their solution in the context of increasing its investment attractiveness. The purpose of the article is to establish the reasons for the region economy underdevelopment and to solve problems, providing the effective methodology formation for increasing the investment activity of the region. The study followed a systematic approach to substantiate and solve the problems of investment attractiveness of agriculture in the region. It also applies general logical research methods. In particular, the authors use methods of generalization and analysis. The article shows that in order to attract investments to the region, it is necessary to determine the nature of investment. The proposal to develop a program for the introduction of digital technologies both in the production process itself and in the process of organizing and managing production is substantiated. This will ensure an increase in the efficiency of production organization and products sale, provide the production of high-quality, high-tech goods able to compete on international level, which will be a factor in increasing added value and revenue from the sale of manufactured products, and expanding the tax base in the region. It is established that investing in economy implies the focus on attracting real investments regarding the nature of investment, direct investments according to the participation in investments and by the duration of long-term investments. It is proved that the unsatisfied state of fixed and circulating funds.

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## **1. Introduction**

The socio-economic state of the region is an indicator, the development of which depends on many factors. Therefore, the socio-economic development of the region depends on the qualitative and quantitative state of these factors and the consistency of their interaction. One of such factors influencing the socio-economic development of the region is its investment supply (Gelil, 2018). The financial state of the region determines the investment supply.

If the regional financial system is able to provide the region with financial resources sufficient to ensure economic growth, then investment activity can develop by internal financial resources. In this case, the main entities investing in the economy of the region are the organizations engaged in economic activity. If the regional financial system is not able to ensure economic growth, then there is a need to attract investment required for socio-economic development of the region. Therefore, the entities investing in the economy of the region are external domestic and foreign organizations and individuals.

The subject of this article is the economy of the agricultural sector of the Chechen Republic. The agricultural sector of the republic is in developmental phase. Its own financial resources are insufficient for the expanded reproduction of the industry (Ruba & Thikraiat, 2014). These conditions cause the necessity to attract investment. In order to achieve this goal, the republic should take measures aimed at increasing the investment attractiveness of the region. Nevertheless, it should be emphasized that the Chechen Republic has achieved some success in improving the investment attractiveness of the region.

## **2. Problem Statement**

Development of a mechanism for the formation of conditions to increase the investment attractiveness of the agricultural sector in the Chechen Republic. These conditions include: 1) establishing the relevance of the problem, the availability of an adequate resource base to create conditions to solve the problem; 2) determining the optimal set of conditions for solving the problem; 3) forming a methodology for solving the problem; 4) selecting a list of economic and organizational tools providing the application of the developed methodology for solving the problem.

## **3. Research Questions**

Creation of conditions for solving the problem. Consideration of the problem related to the increase in investment activity of the agricultural sector of the republic. Study of the relevance of the problem of increasing the investment attractiveness of the republic agricultural sector. Investigation of the resource base to create conditions to solve the problem of increasing the investment attractiveness of the region agricultural sector. Research the conditions for solving the problem in order to optimize resource costs. Development of a methodology for solving the problem. Establishing a list of economic and organizational tools, providing the application of the developed methodology for solving the problem of increasing the investment attractiveness of the Chechen Republic agricultural.

#### **4. Purpose of the Study**

The purpose of the research is to increase the investment attractiveness of the agricultural sector of the region economy by maximizing the use of the resource base of the region and the formation of a mechanism for attracting funds from external organizations and individuals.

#### **5. Research Methods**

In order to increase the investment attractiveness of the region, it is necessary to investigate the factors influencing the possibility of attracting investments and their effective use for accelerated development. These factors include:

- i. the state of production funds of agricultural organizations;
- ii. the state of labor resources, their ability to implement investment projects for the development of the region agricultural sector;
- iii. the state of land resources, the possibility, if necessary, to increase the area of land used, in order to implement investment projects;
- iv. the economic policy implemented by regional authorities, which determines the political stability in the region and the reduction of risks for investors in agriculture of the region;
- v. political and economic guarantees of financial benefits for investors on their investments in the agricultural sector of the region;
- vi. availability of production factors reserves in the region, which provides an additional opportunity for the implementation of investment projects in the republic.

The presence of these factors and compliance with the conditions of their implementation guarantee the development of investment projects on time, which is necessary for the innovative industry development (Pauceanu, 2021; Troshin et al., 2019). Since the agricultural sector of the Chechen Republic has been chosen as the object of the research, we will analyze the above-mentioned factors and conditions, affecting the attraction of investments to the republic. It also provides an opportunity to assess economic development and determine the investment attractiveness degree of the agricultural sector of the region economy (Kosolapova & Svobodin, 2018; Nifontova, 2019).

Each of the listed factors has the specifics of participation in the production activities of the agricultural sector of the republic, which determines the nature of the funds assigned as investments.

Based on the fact that the purpose of the research is to increase the investment attractiveness of the agricultural sector of the economy engaged in the production of agricultural products, in our opinion, it is necessary to focus on attracting real investments regarding the nature of investment, direct investment according to the participation in investments and by the duration of long-term investments (Ivanchenko, 2014; Zaitsev, 2015).

Having decided on the conditions for investing in the agricultural sector of the Chechen Republic, we will analyze the most important, from the perspective of investment attractiveness of the above factors, and establish what the conditions for attracting investments for the development of these factors may be. In our opinion, these factors include the main production assets and labor resources engaged in the agricultural sector of the republic.

The types of machinery used are determined by the specifics of agricultural production. However, in order to assess the compliance of agricultural machinery with modern requirements, the presence of modern, high-tech equipment in enterprises should also be noted. The use of such machinery is possible only in high-tech production.

It causes the necessity to study the structure of agricultural machinery for the availability of modern equipment developed using the latest achievements of science and technology. The use of modern machinery in agricultural production indicates the effectiveness of the agricultural production development policy implemented in the region. This is unquestionably a positive aspect for increasing the investment attractiveness of this region.

For this purpose, we will compile Table 1, the data of which will allow us to characterize the state of the production assets of agricultural organizations in the Chechen Republic.

**Table 1.** Availability of various types of agricultural machinery in agricultural enterprises of the Chechen Republic (at year-end, in pcs)

Type of agricultural machinery	Years				
	2016	2017	2018	2019	2020
Tractors	981	921	697	596	575
Cultivators	336	310	196	189	173
Seed drills	454	419	265	244	233
Combine harvesters of all types	359	380	194	181	178
Sugar beet harvesters	7	7	7	6	6
Mowing-machines	74	65	52	58	62
Balers	89	70	43	37	39
Windrowers	61	57	28	25	19
Sprinklers and irrigation machines	38	39	14	20	17
Mineral fertilizer spreaders	50	49	47	56	54
Machines for applying organic fertilizers	6	4	8	10	9
Tractor sprayers and dust applicators	174	180	133	153	151

The data in Table 1 reflects the state of agricultural machinery in the agricultural sector of the Chechen Republic at year-end for the period from 2016 to 2020. During the study period, there was also a marked decrease in the number of almost all major types of agricultural machinery.

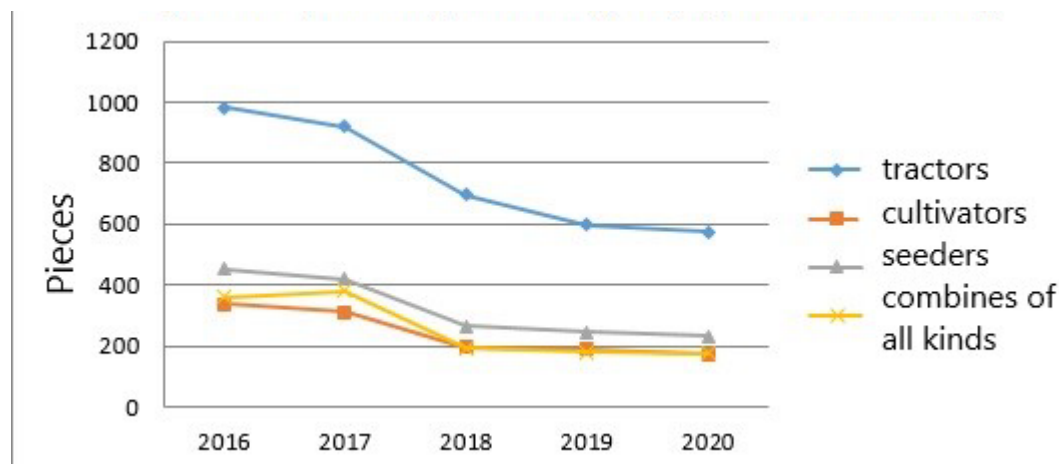
Regarding the fact that the machinery has been replaced with modern, more productive one, it should be noted that in the republic it is mainly replaced with new, but not high-tech equipment.

In the matter of replacing the old machinery with a new, similar equipment, this is happening, and this is evidenced by the depreciation degree of fixed assets. If in 2016 the depreciation degree of fixed assets in the agricultural sector of the Chechen Republic in total amounted to 47.4 %, then in 2020 it was 23.3 %. This signifies the process of updating the technical park of the republic agricultural sector.

The number of basic types of equipment has almost halved. For example, for tractors, in 2016 the number of which amounted to 981 units, in 2020 their number amounted to 575 units, which is almost half the number of tractors in 2016. For cultivators – in 2016 336 pcs., and in 2020 – 173 pcs., two times less. For combines of all types – in 2016 359 pcs., and in 2020 – 178 pcs., 2 times less.

Such a ratio of the machinery amount at the beginning and at the end of the study period indicates not only the renewal of the equipment itself, but also the reduction of the required amount of this

machinery in the republic agricultural sector. Figure 1 presents the graphs showing the dynamics of the main types of agricultural machinery application in the Chechen Republic.



Source: compiled by the author according to Table 1

**Figure 1.** Dynamics of the agricultural machinery application in the Chechen Republic.

The graphs in the figure show that over the past seven years, the number of agricultural machinery of all major types tends to decrease. Such a reduction in agricultural machinery can be explained by:

- i. firstly, the reduction in the number of outdated equipment, due to the write-off dates;
- ii. secondly, in connection with the introduction of new, more productive machinery and high technologies for growing and processing agricultural products;
- iii. thirdly, the development of small business in agriculture, especially in mountainous areas, where, practically to this day, the share of human physical labor is high in the costs of all production factors. Thereby, in the Chechen Republic, as in other North Caucasian subjects of the Russian Federation, the volume of agricultural products produced by small agricultural enterprises and households is high compared to agricultural products produced by large and medium-sized agricultural enterprises of the republic.

Although all above-mentioned factors are relevant for agricultural production, the third factor becomes the determining one, the transition of the main burden of agricultural production to households and small agricultural enterprises (Altukhov, 2020).

It is known that households (population households) and small enterprises, as a rule, do not use large agricultural machinery due to the limited parameters of its economy, and the production is based on old-fashioned methods of cultivating land, growing products.

In this regard, it should be noted that in such conditions it is difficult to attract organizations and citizens to invest in the agricultural sector (Semenova, 2020). The investor will not invest in this production due to the high financial risk.

The next factor influencing the increase in the investment attractiveness of the region is the state of labor resources, their ability to implement investment projects for the development of the region agricultural sector (Fedorova, 2014; Starodubtseva, 2014). To analyze this factor in order to increase investment attractiveness, Table 2 shows data characterizing the state of labor resources employed in agricultural production of the Chechen Republic.

**Table 2.** The annual average number of employed population in agriculture of the Chechen Republic, by type of economic activity in 2016–2020. (thousand people)

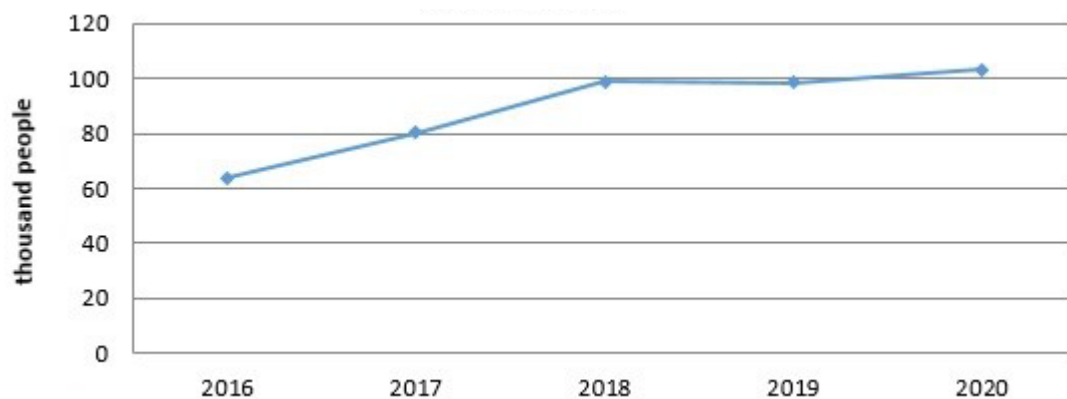
Economic sector	Years				
	2016	2017	2018	2019	2020
Agriculture, hunting, and forestry	63.9	80.3	99.0	98.5	103.3

The data in Table 2 show that the number of employed people in agricultural production increased by more than two times during the study period. Moreover, the number is increasing in the conditions of population outflow from the republic to other regions of the country and abroad.

The reasons for such an increase in the number of citizens who wished to engage in agricultural production may be:

- i. firstly, the profitability of agricultural production;
- ii. secondly, the production of agricultural products in household plots does not require state registration, and in the absence of jobs opportunities in other sectors of the economy, such an opportunity to work and sell surplus agricultural products grown through their own labor is a profitable way to support themselves and the family;
- iii. thirdly, agriculture is becoming a very attractive branch of the economy in the Chechen Republic.

Figure 2 presents a graph of the dynamics of the Chechen Republic population engagement in agricultural production.



Source: compiled by the author according to Table 2

**Figure 2.** Dynamics of the population employed in agricultural production of the Chechen Republic over the period 2016–2020

In the Chechen Republic, regional authorities are conducting an effective policy to create production infrastructure, including in the agricultural sector. The creation of certain conditions for the sale of self-produced agricultural products attracts the population to open small agricultural enterprises, it becomes profitable to grow crop products in backyards.

In this regard, returning to the points listed above, we can say that all these factors lead to the increased number of employed people in agricultural production. The effective economic policy of the

republican authorities and increased activity of the population in the agricultural sector lead to increasing the investment attractiveness of the agricultural sector in the Chechen Republic.

## 6. Findings

The study considers the forms and types of investment in the economy. It has been also established that in order to attract investments to the region, in particular for the agricultural sector development in the Chechen Republic, it is necessary to determine the nature of investment. Moreover, it is necessary to focus on attracting real investments regarding the nature of investment, direct investment according to the participation in investments and by the duration of long-term investments (Kidwell et al., 2016).

Analyzing the influence of factors on the increase in investment activity, it was found that there are main factors whose influence is of the greatest importance for increasing investment activity in the agricultural sector of the region. Such factors include the main production assets and labor resources of the republic agricultural sector.

The study shows that the main production assets of agricultural organizations are obsolescent and depreciated, which was a major reason for economic underdevelopment of the agricultural sector. This was the key issue in the transition of the main burden of agricultural production to households and small agricultural enterprises.

The renewal of agricultural machinery and, accordingly, the use of advanced technologies in the agricultural sector for growing, processing and storing agricultural products occurs mainly in large enterprises. In small agricultural enterprises and population households, this process practically does not occur.

According to the study, at the present stage, the main production assets of agricultural organizations are being updated slowly, which resulted in the technological backwardness of the industry. In particular, this resulted in the low investment attractiveness of the Chechen Republic agricultural sector.

It should be emphasized that over the past decade in the Chechen Republic, the republican authorities have implemented an effective economic policy, which contributes to strengthening the investment activity of agricultural organizations and rural population, providing the increase in the investment attractiveness of the Chechen Republic agricultural sector.

## 7. Conclusion

- i. The article shows that in order to attract investments to the agricultural sector of the region, it is necessary to determine the nature of investment. Investing in the agricultural sector of the Chechen Republic implies the focus on attracting real investments regarding the nature of investment, direct investments according to the participation in investments and by the duration of long-term investments.
- ii. An approach to the analysis of factors influencing the increase in the investment attractiveness of the agricultural sector of the Chechen Republic is proposed. This allows

allocation of the main factors: production assets and labor resources of the agricultural sector.

- iii. The reasons for the economic underdevelopment of the main production assets of the agricultural sector in the Chechen Republic are determined, in particular, the transition of the main burden of agricultural production to households and small agricultural enterprises.
- iv. It should be specified that households (population households) and small enterprises, as a rule, do not use large agricultural machinery due to the limited parameters of its economy, and the production is mainly based on manual labor.
- v. It is proved that the state of fixed assets of agricultural enterprises in the republic is a factor that reduces the investment attractiveness of the region agricultural sector.
- vi. The effective economic policy of the republican authorities and increased activity of the population in the agricultural sector lead to increasing the investment attractiveness of the agricultural sector in the Chechen Republic.

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