


Investment Activity as a Factor of Stable Economic Development of the Region


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Abstract: In recent years, the Russian economy has been under the constant pressure from external geopolitical and economic challenges, which creates uncertainty and reduces stability of the country's economic development. In the constituent entities of the Russian Federation, new directions of investment development are being formed, aimed at intensifying the processes of attracting investments, as a key factor into the economic growth. The article presents the main approaches to determining "investment activity" and determines its role in the context of ensuring stability of economic development of the territory. System of indicators was proposed and criteria were identified that make it possible to quantify "stability" of economic growth and to display the level of sensitivity of economic growth rates to the volume of investments. This article tested the proposed method according to the data of the Khabarovsk territory. Results of the study can be used in the activities of the authorities of the constituent entities of the Russian Federation as a tool for monitoring and adjusting the regional investment policy.

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1 INTRODUCTION

New foreign economic and geopolitical realities caused the need to form a new trajectory of the country's socio-economic development. Structural transformation of the Russian economy requires intensification of the investment activities, which will ensure stability of the long-term economic growth and improve the quality of life of the population. In the modern world, investments are the most important catalyst for the stable development of the territory and a unique tool for increasing economic growth. Investment activities are aimed at the optimal use of existing assets and formation of the new production capacities, thereby ensuring the growth of the production potential of the economy. Investments are a source of productivity growth, innovation and automation in the real sector, which improves quality and competitiveness of the manufactured products and forms a new level of innovative potential. Stable and sufficient inflow of investments reduces the likelihood of development of crisis processes and acts as a basis for the country's technological leadership in the world space.

The high level of uncertainty, departure of a number of large foreign investors from the country and the tightening of monetary policy measures in Russia significantly reduces business interest in investment activities and increases competition between the constituent entities of the Russian Federation for attracting private capital is constantly growing. In the current conditions, the regional authorities are becoming key players in increasing the investment attractiveness of the territories. To attract investment successfully, the regions are implementing investment policy, within the framework of which they create attractive conditions for business, including improving the institutional environment and legal regulation, taking into account the peculiarities and strategic goals of the development. Along with this, the regional authorities need to carry out permanent analysis and monitor the current state of indicators reflecting the main parameters of the investment activities of the territory. Monitoring the situation will allow the authorities conduct a timely evaluation of effectiveness of tools and methods of the regional investment policy and, if necessary, adjust the applied mechanisms of state support for investments.

The purpose of this study is to substantiate the decisive role of investment activity in the economic development of the region, as well as to propose a system of indicators that make it possible to obtain

quantitative evaluation of "stability" of economic growth and to identify the sensitivity of dynamic of the real production volumes from the level of investment activity.

2 MATERIALS AND METHODS

Idea, that for the effective development of economy it is necessary to stimulate investment demand was formulated at the beginning of the last century by the English scientist J.M. Keynes. In the framework of work "General theory of employment, interest and money," he noted that increase in the volume of investments contributes to an increase in the national income and further expansion of production. Modern scientists quantify the impact of investments on the macroeconomic parameters. Thus, according to the World Bank experts, increase in the private investment in the developing countries by 1% of GDP, all other conditions being equal, increases the average annual growth rate of economy by 0.71% [Menshikova, 2023]. Academician of the Russian Academy of Sciences A.G. Aganbegyan notes that in order to get out of the state of stagnation and recession, it is necessary to come to a forced growth of investments in the fixed assets and in humans, understanding under their annual growth of 10-15% under the forced growth of investments [Aganbegyan, 2016].

In the modern scientific literature, the content of category "investment activity" is considered from three positions:

1) as a degree of intensity of investment activity in the region, which closely correlates with the factors conjuncture, investment attractiveness of the territory [Datchenko and oth., 2021];

2) as a process of effectively realizing the investment potential of the region in the face of existing investment risk [Kolmykova and oth., 2019];

3) as an actual result of complex and dynamic interaction of investment opportunities and a level of probability of achieving the given goal of the investment activity [Smolyanova, 2022].

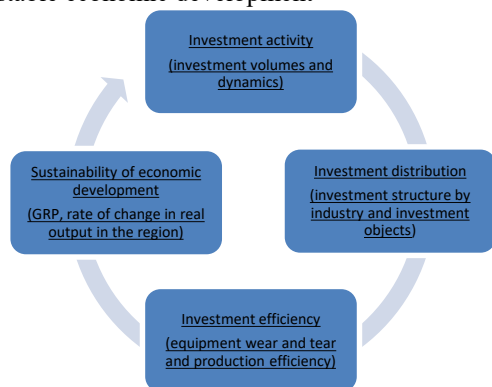
Investment activity is closely interrelated with the categories such as "investment potential," "investment attractiveness" and "investment risk." Investment potential is understood to mean a set of factors that affect the macroeconomic characteristics of the region and the development of investment processes in it [Dvas, 2023, Golaido 2016]. Most researchers agree that investment potential is an

integral value, which is determined by the state of such potentials of the territory as labor, production, natural resources, infrastructure (logistics), consumer, innovative, institutional, financial and tourism [Shkiotov, Markin, 2020, Ivanenko, Shadrina, 2024]. Combination of these factors creates favorable conditions for investment in the region, increasing its investment attractiveness. The investment attractiveness of the territory directly depends on the level of investment potential and closely correlates with the risks and threats of not obtaining the expected effect from the implementation of investment projects, i.e. investment risks. Therefore, in an effort to increase the level of investment attractiveness of the regions, the authorities need to pay special attention to the issues of evaluating territorial investment risks and minimizing them by making the appropriate management decisions. It should be borne in mind that not all risks depend on the regional factors. Some all-Russian trends also play a significant role in the formation of investment risks at the territorial level.

The nature of relationship between the described categories can be represented by the following judgment: investment potential of the region, which characterizes a set of objective prerequisites for investment, i.e. forms the certain expectations that will be transformed into investments in the future [Shkiotov, Markin, 2020]. Attractiveness of the territory for investor determines and ensures a certain inflow of investments.

Investment activity, in this chain of relationships, is the resulting indicator. In terms of ensuring stable economic development of the region, on the contrary, the volume and dynamics of investment resources is a factor that determines the pace and trends of changes in the main macroeconomic indicators.

Fig.1 Role of investment activity in the context of stable economic development



The low level of investment activity entails many negative consequences for the current and prospective development of the region. Insufficient investment resources slow down the pace of updating the fixed assets and introducing technological innovations. High depreciation of equipment stimulates the growth of production costs, which reduces the level of profitability of enterprises and competitiveness of the manufactured products. Many enterprises that use the worn-out equipment in production cannot break losses. As a result, in the long run, the region's production potential and, accordingly, opportunities for the stable economic growth are reduced. Investment resources are aimed only at the reproduction of fixed capital, but also at its expansion. Organization of new industries is accompanied by the creation of additional jobs. Otherwise, the number of unemployed, poverty, crime is growing in the region, which increases the general level of social tension. As a result, people leave the region and move to the territories with more favorable and comfortable living conditions. The constant outflow of population reduces the volume and quality of labor potential of the territory, which is one of the key components of investment potential of the territory. The result of manifestation of these negative processes leads to a decrease in the region attractiveness for potential investors.

Thus, investment activity significantly affects the main macroeconomic parameters of the region, which, in turn, serve as a basis for evaluating the stability of economic development of the territory.

Within the framework of this study, the main macroeconomic indicator - gross regional product (GRP) - will be used to analyze and assess stability of economic growth. This indicator reflects the region's economy state and allows us evaluate the rate of economic growth. Key indicator characterizing the level of investment activity in the region is a statistical indicator - the volume of investments in the fixed assets.

In order to conduct an analysis that allows us quantify the stability of economic growth and determine the degree of its sensitivity to the investment volumes, it is advisable to use the following system of indicators:

- 1) The index of physical volume of GRP in comparable prices to the previous year - reflects the real rates of economic growth in the region. Long-term calculations show that economic growth is stable if this indicator is 103%
- 2) The share of investments in fixed assets in the gross regional product (the rate of investment in

GRP) is an indicator of the investment activity of the region and the potential for its economic growth. It is believed that in order to maintain sustainable economic growth in the region, the share of investments in GRP should be at least 25% (investment rate).

3) The index of physical volume of investments in the fixed assets - the indicator that reflects the change in investments to the same period of the previous year in constant prices. Its minimum value, which will ensure the stable and progressive development of the region, should be 105%.

4) GRP elasticity coefficient for investments is a coefficient that reflects the level (degree) of sensitivity of GRP dynamic to the volume of investments in the fixed assets. This coefficient of elasticity allows us determine by how much GRP if change the size of investment in the region's economy will change by 1% and is calculated by the formula:

$$E_{inv} = (GRP(\%)) / (\Delta I(\%))$$

where E_{inv} - coefficient of elasticity; GRP - gross regional product; I - level of investment activity, which corresponds to the size of investments in the fixed assets.

Positive value of this indicator will allow us conclude that investment activity is a factor stimulating the economic growth. Moreover, the higher the value of the indicator, the higher the level of sensitivity to the level of investment activity:

- if $E_{inv} > 1$, GRP dynamic significantly depends on the volume of investments;

- if $E_{inv} = 1$, GRP change rate corresponds to the dynamics of investment investment volume changes;

- if $E_{inv} < 1$, GRP dynamic is poorly dependent on the volume of investments in the region's economy;

if $E_{inv} = 0$, then it can be argued that there is no interdependence between the dynamic of GRP and the level of investment activity.

It is also possible to include in the system of studied indicators indicator that reflects the volume of investments in the fixed assets per capita. Comparison of the indicator value in the region with the national average will make it possible to evaluate the degree of intensity of attracting investments in the studied constituent entity of the Russian Federation in interregional context..

3 RESULTS AND DISCUSSION

The Khabarovsk territory is one of the subjects of the Far-Eastern Federal District, which in recent years has shown an increase in the level of investment activity. Since 2019, the volume of investments in the fixed assets in the region has grown more than three and a half times (Fig. 1). According to the results of the National rating of the state of investment climate in the constituent entities of the Russian Federation in 2024, the Khabarovsk territory entered the 11th group out of 36 (in 2023 - 14th out of 37). The growth of investment activity in the Khabarovsk territory contributes to an investment increase in the fixed assets per capita. Over the study period, this indicator in the region has grown 2 times and since 2019 its values in the region have consistently exceeded the national average. In 2023, according to this indicator, the Khabarovsk territory ranked 17th among the constituent entities of the Russian Federation and 6th among the regions of FEFD.

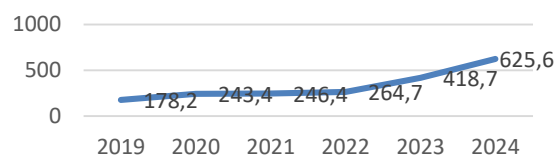


Figure 1: Dynamic of investments in the fixed assets in the Khabarovsk territory.

Source: the Khabarovsk territory: Stat. yearbook./Khabarovskstat - Khabarovsk, 2024 - 195 P.

High investment growth rates in the region are ensured, first of all, by implementation of the large investment projects aimed at modernization and construction of the transport, communal and social infrastructure facilities. Key sectors of the region's specialization also remain attractive to investors. These include mining, manufacturing, transportation and storage, information and communications activities. In recent years, there is an increase in the growth rate of investments in the intellectual property, machinery, equipment and transport, which increases the level of production potential of the territory.

The index of physical volume of investments in the main period 2019-2023 in the Khabarovsk territory significantly exceeded the average value of this indicator in Russia and FEFD (Fig. 2). In 2023, the region entered the TOP-3 in the country in terms of investment growth and took third place in FEFD in terms of investment.

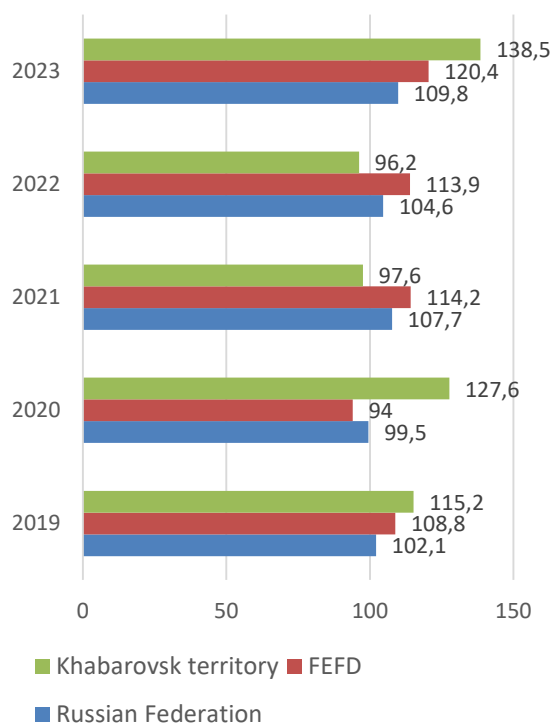


Figure 2: Index of physical volume of investments in the fixed assets in the Khabarovsk territory, FEFD and the Russian Federation (in comparable prices).

Source: compiled by the authors according to: Regions of Russia. Socioeconomic indicators 2024: Stat. Sat/Rosstat. - M., 2024 - 1081 p.

Despite the fact that in the Khabarovsk territory as a whole there is a positive trend in the main indicators of investment activity, some of them demonstrate an unstable growth trend. This negatively affects the dynamic of GRP and reduces the stability of economic growth (Table 1). Throughout the study period, the investment growth in real terms was unstable and ranged from 97.6% to 138.5%. Dynamic of the inflow of investments into the regional economy did not reach the normative value in the crisis years 2021-2022, when the Russian economy faced unprecedented external challenges of epidemiological and geopolitical nature.

In the period 2019-2023, the volume of investments in the fixed assets per capita in the Khabarovsk territory is higher than the national average. Despite this, the share of investments in GRP of the region did not always reach the normative value of 25%, which reduces the potential

of the territory for the stable economic growth in the long term.

Table 1: Assessment of stability of economic growth and the level of investment activity in the Khabarovsk territory.

Indicators characterizing the volume and dynamic of investments						
Investments in the fixed assets, % of GRP	> 25					
Index of physical volume of investments in the fixed assets (in comparable prices), % to the previous year	> 105					
Indicators characterizing the volume and dynamics of GRP						
Gross regional product (in current main prices), billion s of rubles	-					
The ratio of investments per capita in the subject of the Russian Federation to the	> 1					

average value in the Russian Federation, units.						
Index of physical volume of gross regional product (in constant prices, in % on the previous year)	> 103					

This analysis showed that against the background of decrease in the level of investment activity in the region, there is a decrease in the rate of real production. Sensitivity of GRP dynamic from the volume of investments in the fixed assets in the Khabarovsk territory is close to 1 (Fig. 3). One suggests that investment activity acts as a key factor in the development of the regional economy.

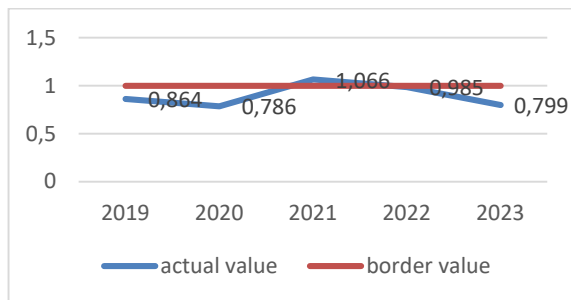


Figure 3: GRP elasticity factor for investments in the Khabarovsk territory.

It is important to note that investment activity is the object of direct management by the regional authorities. Currently, the constituent entities of the Russian Federation, as a part of implementation of the investment policy, provide comprehensive and systematic support to the private investors, which contain mechanisms for the financial and non-financial assistance. In order to stimulate investment activities, the investment infrastructure facilities

(technology parks, business incubators) are being actively developed in the regions and the specialized government structures are being created (for example, the investment attraction agencies). Therefore, the level of investment activity largely reflects the results of activities of the regional authorities.

In the Khabarovsk territory, a new regional investment standard is being actively implemented, within the framework of which an investment declaration has been developed that enshrines the basis for interaction, support and implementation of investment projects in the region. The main directions of investment policy in the region are the direct participation of public authorities in the investment activities, which is carried out in the form of capital investments, as well as implementation of the mechanisms that stimulate attraction of the private investment. Currently, preferential regimes operate on the territory of the region (Khabarovsk ASEZ, Free Port of Vladivostok), special investment regimes are applied (priority investment projects, new investment projects, regional investment projects), the other mechanisms of state support for investments are used (PPP, provision of land plots without bidding, investment tax deduction). In order to provide an information and organizational support to investors, the specialized state institutions (ANO "Agency for attracting investments and developing innovations") and investment infrastructure facilities (industrial park "Avangard" and a business incubator) have been created. Comprehensive and systematic activities to implement the measures presented will create the necessary basis for a stable investment growth in the region's economy.

4 CONCLUSIONS

Investment activity is a key driver of stable economic growth in the region. The progressive and long-term development of the territory is accompanied by an increase in the quality of life of the population. Sufficient level of investment activity reveals and ensures stable increase in the production, innovation, labor potentials of the territory and forms the basis for making strategic decisions.

Currently, against the background of the permanently increasing need of the constituent entities of the Russian Federation for investment resources, their independence in attracting investments is increasing. In this regard, the

investment policy and the issues related to intensification of the investment activities should become priority areas in the activities of regional authorities, and the made administration decisions should be systematic and continuous.

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