




# THE IMPACT OF REGIONAL INVESTMENT ATTRACTIVENESS AND MANAGEMENT ACCOUNTING TOOLS ON INVESTMENT ACTIVITIES OF ENTERPRISES


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## ABSTRACT

The purpose of the study is to determine the ways which intensify the investment activity of enterprises in the Russian Far East. They performed the comparative analysis of the rating methods used in the Russian Federation to assess the investment attractiveness of the regions. It was revealed that a common characteristic of the analyzed methods is to consider the infrastructural factor and their institutional environment, and, in particular, the presence and quality of the business support infrastructure. These factors directly affect the investment attractiveness of a single enterprise and project, as they form the investor's attitude. To increase the investment attractiveness of the Russian Far East regions, it is necessary to use the experience of the Asia-Pacific countries. The work formulated recommendations on the application of Chinese experience in relation to Russian territories with preferential economic regimes. To solve the problem of efficiency, increase and intensify the investment activities of enterprises, the concept of management accounting tool application is proposed.

**Keywords:** Investment attractiveness of the region. Assessment methodology. Enterprise investment activity. Management accounting. Far east.

## O IMPACTO DA ATRATIVIDADE DO INVESTIMENTO REGIONAL E DAS FERRAMENTAS DE CONTABILIDADE GERENCIAL NAS ATIVIDADES DE INVESTIMENTO DAS EMPRESAS

EL IMPACTO DEL ATRACTIVO DE LA INVERSIÓN REGIONAL Y LAS HERRAMIENTAS DE CONTABILIDAD DE GESTIÓN EN LAS ACTIVIDADES DE INVERSIÓN DE LAS EMPRESAS

## RESUMO

O objetivo do estudo é determinar as formas que intensificam a atividade de investimento das empresas no Extremo Oriente russo. Eles realizaram a análise comparativa dos métodos de classificação usados na Federação Russa para avaliar a atratividade de investimento das regiões. Constatou-se que uma característica comum aos métodos analisados é ter em consideração o fator infraestrutural e o seu enquadramento institucional e, em particular, a presença e qualidade da infraestrutura de suporte ao negócio. Esses fatores afetam diretamente a atratividade de investimento de uma única empresa e projeto, pois formam a atitude do investidor. Para aumentar a atratividade de investimentos nas regiões do Extremo Oriente da Rússia, é necessário usar a experiência dos países da Ásia-Pacífico. O trabalho formulou recomendações sobre a aplicação da experiência chinesa em relação aos territórios russos com regimes econômicos preferenciais. Para resolver o problema de aumento de eficiência e intensidade das atividades de investimento das empresas, é proposto o conceito de aplicação de ferramenta de contabilidade gerencial.

**Palavras-chave:** Atratividade de investimento da região. Metodologia de avaliação. Atividade de investimento empresarial. Contabilidade gerencial. Extremo oriente.

## RESUMEN

El propósito del estudio es determinar las formas que intensifican la actividad inversora de las empresas en el Lejano Oriente ruso. Realizaron el análisis comparativo de los métodos de calificación utilizados en la Federación de Rusia para evaluar el atractivo de inversión de las regiones. Se reveló que una característica común de los métodos analizados es tener en cuenta el factor infraestructural y su entorno institucional y, en particular, la presencia y calidad de la infraestructura de apoyo empresarial. Estos factores afectan directamente el atractivo de inversión de una sola empresa y proyecto, ya que forman la actitud del inversor. Para aumentar el atractivo de inversión de las regiones del Lejano Oriente ruso, es necesario utilizar la experiencia de los países de Asia y el Pacífico. El trabajo formuló recomendaciones sobre la aplicación de la experiencia china en relación con los territorios rusos con regímenes económicos preferenciales. Para resolver el problema del aumento de la eficiencia y la intensidad de las actividades de inversión de las empresas, se propone el concepto de aplicación de la herramienta de contabilidad de gestión.

**Palabras-clave:** Atractivo de inversión de la región. Metodología de evaluación. Actividad de inversión empresarial. Contabilidad de gestión. Lejano oriente.

## INTRODUCTION

Regions are independent economic entities competing with each other in various markets, including the capital market. The region is extremely important to create attractive conditions for investors and for successful economic development. This is especially important for the territories of serious geopolitical and economic importance, the development of which is a priority area of state policy. However, it is necessary not only to attract investments, but also to use them wisely, which will subsequently affect the attitude of potential investors. This implies effective planning and controlling, that is, the use of management accounting tools.

The relevance of the research topic is conditioned by the following factors: the high level of competition between the Russian regions for investment attraction, the need to create and use effective incentive mechanisms to increase regional investment attractiveness, the need for more active use of modern management tools to increase the efficiency of investment activities.

The approaches determining the nature of the investment attractiveness of the regions and the methods for its evaluation are described in the works by Yangulbaeva, Abdulkadyrova (2015); Akhtarieva (2014); Balyasnikova (2018); Golikov, Korneyko, Krasova (2018); Deputatova, Lutchenko (2015); Levchenko, Bogatyrev (2018); Litvinova (2014), Sivelkin, Kuznetsova (2016), Smaglyukova (2015) and others. The issues of using the capabilities of individual elements of the institutional environment and regional investment attractiveness increase are addressed in the works by A.V. Lisits, I.A. Sitnova, G.I. Yakshimbetova (SITNOVA, LISITSA, 2017; SITNOVA, YAKSHIMBETOVA, LISITSA, 2017), R.K. Shakirova (SHAKIROVA, 2016), T.I. Yuyukina (YUYUKINA, 2019), Konvisarova E.V., Churakova E.E. (KONVISAROVA, CHURAKOV, 2018) and others. However, the possibilities of successful foreign experience use to increase the investment attractiveness of the regions, especially in the conditions of underdeveloped infrastructure and the application of foreign sanctions, as well as of deeper integration of the management accounting system in investment activities, are developed insufficiently.

The purpose of the study is to determine the ways to intensify the investment activity of enterprises in the Russian Far East. To achieve this goal, it is necessary to analyze the essence of the investment attractiveness of the region and its impact on the investment attractiveness of enterprises, the ways of regional investment attractiveness increase, the possibility of management accounting tool use to increase the efficiency and intensity of investment activity. The research methods used in the article: analysis, synthesis, systematic approach, comparison, historical method, induction and deduction, generalization and formalization.

### Study results

Since the efficiency of the investment activity of the regions is largely determined by the level of their investment attractiveness, it is very important to disclose the essence of the concept the “investment attractiveness of the region”. In economic literature, this category is interpreted from two main positions:

- 1) the investment attractiveness of the region is formed by its investment potential and existing risks, the concepts of “investment attractiveness” of the region and “investment climate” are identical;
- 2) the investment attractiveness of the region is one of the factors for investment climate development.

In order to influence the investment attractiveness of a region by public authorities, it is necessary to assess its level first. There are three large groups of methods to assess the investment attractiveness of a region: economic and mathematical, the methods of factor analysis and expert assessments. The latter method forms the basis of a large and very popular group of methods aimed at rating development in Russia. However, it is of interest how the estimates of investment attractiveness of the regions coincide according to different methods. Based on three most well-known ratings - the National Rating Agency, RA Expert and the Agency for Strategic Initiatives, we compared the ways by which their methodological approaches coincide (Table 1).

**Table 1** – Comparative analysis of rating methods used in the Russian Federation

Method Name	Number of indicators	Groups of indicators and assessed factors	Sources of information	Ranking of regions
Investment attractiveness rating of Russian regions from the credit rating agency "Expert RA"	40	Investment potential (9 factors: labor, financial, manufacturing, consumer, institutional, infrastructure, natural resources, tourism, innovation), investment risk (6 factors: financial, social, managerial, economic, environmental, criminal)	Statistical data, information from development institutions, surveys from the representatives of expert, investment and banking communities	13 groups depending on the investment potential (maximum, high, medium, low, negligible, low) and investment risk (high, moderate, minimal, extreme)
Remote rating of regional investment attractiveness from the National Rating Agency	56	Domestic market, productive capacity, regional infrastructure, financial stability and institutional environment, labor resources, geographic location and natural resources	Statistics, surveys of the business community, expert assessments	9 groups, divided into 3 categories (the regions with a high, medium and moderate level of investment attractiveness)
National rating of the investment climate in the constituent entities of the Russian Federation from the Agency for Strategic Initiatives	44	Regulatory environment, institutions for business, infrastructure and resources, support for small business.	Statistics, surveys of the business community, expert assessments	Place in the ranking of Russian Federation subjects

Source: Search data.

A common characteristic of the analyzed methods is the consideration of the infrastructural factor and the institutional environment, and, in particular, the business support infrastructure availability and quality, which is determined by the regional institutional environment. Important elements of the regional institutional environment that are directly related to investment activity in the region, its investment attractiveness, are the institutions that affect entrepreneurial activity, including investment, that help attract capital to the regional economy. As for the Russian Far East, for which investment attraction, including foreign ones, is of particular importance, they include such structures as the Ministry of the Russian Federation for the Development of the Far East and the Arctic, the Far East Development Corporation, the Development Fund for the Far East, the Agency for the Far East for investment attraction and export support, and Investment Portal of the Far Eastern Federal District. This underlines the importance of the region investment attractiveness increase for the state.

The regional institutional environment and the quality of infrastructure are also critical factors for a potential investor when a decision is made whether to invest. Therefore, they directly affect the investment attractiveness of a single enterprise and project (SHVAKOV; TROTSKY, 2016). The investment attractiveness of an enterprise is characterized by its state, the level of financial and economic performance indicators that meet the investor's requirements, determine the adoption of a positive decision on the investment of resources taking into account existing risks. External and internal factors influence the investment attractiveness of an enterprise (KRASOVA, 2019; TITOVA, PERVUHIN, BATURIN, 2017; OSIPOV, KRASOVA, 2017). Among the external factors, one can especially note the investment attractiveness of the region. The influence of this factor is extremely large for the companies operating in the Primorsky Territory.

**Figure 1** – Investment attractiveness factors of an enterprise

The factors influencing the investment attractiveness of an enterprise	
External factors	Internal factors
<ul style="list-style-type: none"> <li>- Investment attractiveness of the country;</li> <li>- Investment attractiveness of the region;</li> <li>- State of the industry;</li> <li>- State of the capital market</li> </ul>	<ul style="list-style-type: none"> <li>- Resource provision;</li> <li>- Financial condition;</li> <li>- Production potential;</li> <li>- Management system;</li> <li>- Place in the industry</li> </ul>

Source: Search data.

In this regard, one can note an important role in investment attraction problem solution concerning the territories of advanced social and economic development (TASED) and the Free Port of Vladivostok (FPV), which have competitive advantages over similar structures in neighboring countries. These are not only and not so much tax benefits, but the conditions for starting a business, property right registration, building and communication

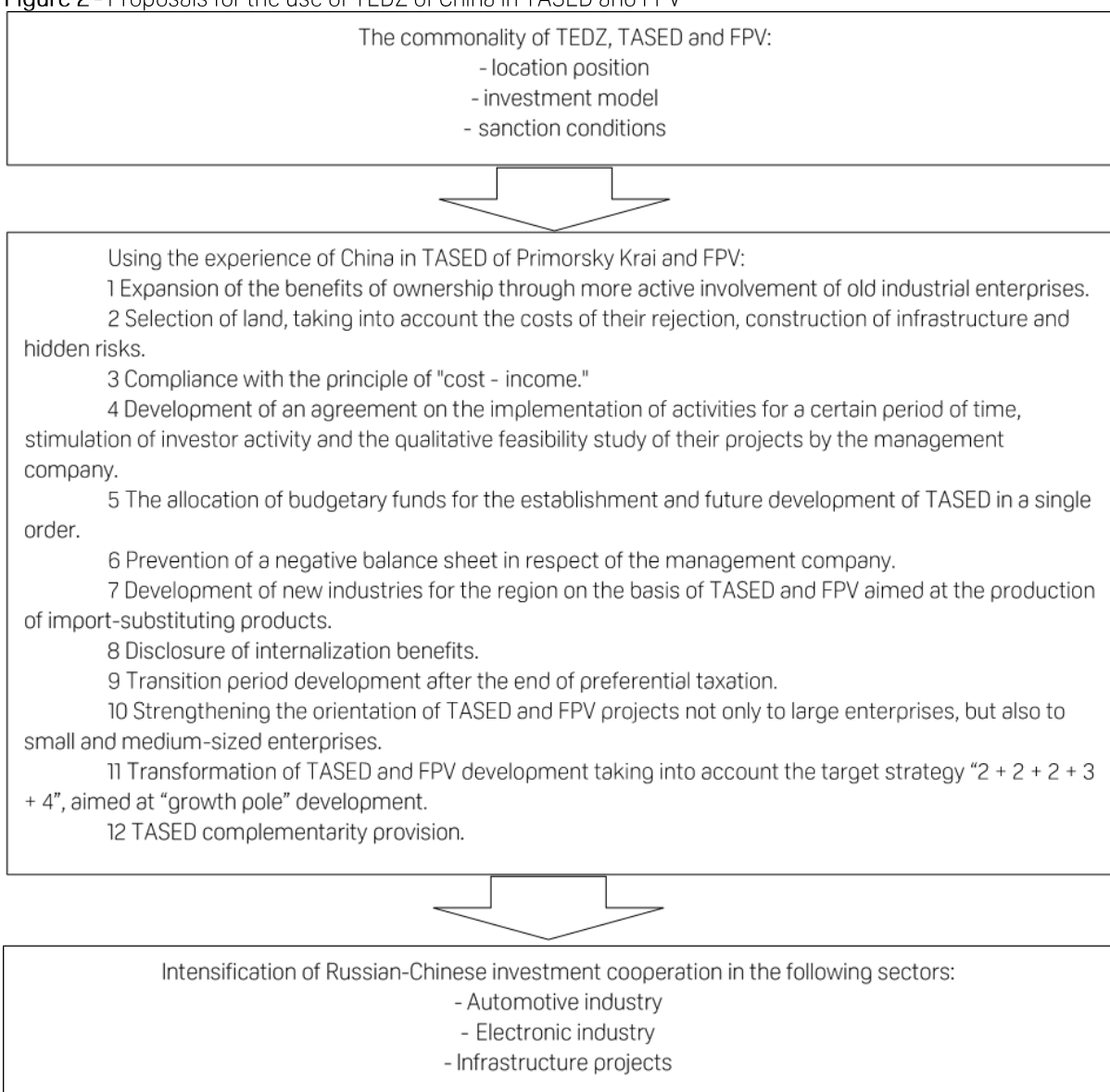
connection permit obtaining.

However, there are also disadvantages that need to be overcome: the lack of tax benefits for dividends, the long and costly issue of securities, the insecurity of investors from the changes in local and regional laws, the lack of a long-term strategy for special economic regimes in the Far East, and low level of transport infrastructure development. At the same time, the emerging opportunities of investment attractiveness increase are associated with the development of cooperation with the Asia-Pacific countries and the use of their experience in this field.

## DISCUSSION

The trends of technical and economic development zones (TEDZ) of China experience application to increase the investment attractiveness of the region and the possibility of their application in relation to the FPV and TASED of the Far East in general and the Primorsky Territory in particular are justified by the similarity in the location position, sanction terms, and investment model. This allows us to formulate the following recommendations on the application of Chinese experience in relation to FPV and TASED (Figure 2):

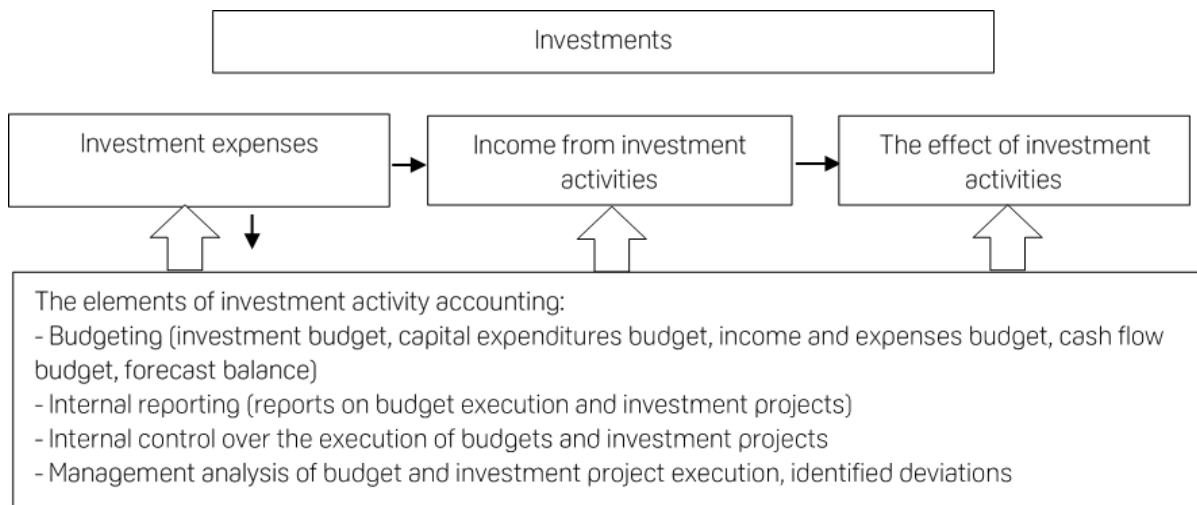
Figure 2 - Proposals for the use of TEDZ of China in TASED and FPV



Source: Search data.

However, it is important not only to attract investments, but also to use them effectively. To solve this problem, it is necessary to use the management accounting system more actively, which allows planning, operational accounting and control of investment costs actually incurred by the company. The concept of management accounting tool application in investment activities is presented On Figure 3.

**Figure 3** - The concept of management accounting tool use in the investment activity of an enterprise



Source: Search data.

In fact, the management accounting system is turning into a mechanism with which you can plan, control, analyze and adjust investment activities.

## SUMMARY

Regional institutional environment and infrastructure quality are the most important factors for a potential investor when investment decision is made. This determines the relationship between the investment attractiveness of the region and the investment attractiveness of an individual enterprise and a project. That is why state bodies pay increased attention to improve the quality of these factors of regional investment attractiveness in strategically important territories. However, to achieve this goal, it is also necessary to use positive foreign experience, adapting it to Russian realities. The increase of the investment process efficiency is facilitated by the active use of management accounting tools, which will affect the volume of investment activity.

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