

# Development of A Model to Increase the Investment Attractiveness of an Enterprise



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**Abstract:** Based on the researches, a model of effective investment activity has been developed. As part of the task, a system of key performance indicators (KPI) is determined that reflects the strategy for managing investment resources and signaling the state of the management object. A range of indicators is proposed that will classify factors that determine a specific investment situation. Moreover, these indicators are measured not so much in quantitative value as in qualitative. Measures of impact of state influence on increasing the investment attractiveness of industrial enterprises have been developed. It has been established that in an unstable economy, the methods of "following the investor" based on the analysis of the mass behavior of already functioning investors are more appropriate.

**Keywords :** modeling, system, investments, financial resources.

## I. INTRODUCTION

The essence of the management of investment resources of an enterprise determines its functions, which include:

- development of a strategy for the formation and use of investment resources of the enterprise. The implementation of this function is associated with the formulation of goals and priorities for the functioning of resources, the definition of a general concept of the actions of enterprise management in this area;
- Creation of information systems for managing investment resources. In the process of implementing this function, the volumes and contents of the management information needs, internal and external sources for collecting this information are determined;
- development and implementation of adequate analysis tools

- the effectiveness of the formation and use of investment resources. Within the framework of this function, a system of key performance indicators (Key Performance Indicators, KPI) is defined, which reflects the strategy for managing investment resources and signals the state of the management object;

- Introduction of a system for monitoring the implementation of management decisions in the field of formation and use of investment resources. The implementation of this function is associated with regular monitoring of the actual values of indicators by analyzing and identifying the causes of deviations of the actual values of the indicators from the planned ones, making management decisions on this basis to minimize deviations, and creating responsibility centers.

Investment resources of the enterprise represent the basis of its activities. Consequently, the goal of managing the investment resources of the enterprise should correspond to the general purpose of its functioning.

This approach is consistent with the main trend of foreign corporate practice over the past two decades - the merger of the overall corporate strategy and finance.

One of the first to criticize the classical understanding of the goal of the firm as maximizing profits was the American scientist Simon G., who proposed the concept of agent satisfaction as an alternative, for which he was later awarded the Nobel Prize. According to the fundamental concept of modern financial management, the main goal of the company is to increase the well-being of its owners. This approach is traditionally associated with the Anglo-Saxon corporate tradition, while in Western Europe it is customary to evaluate the activities of the company from the point of view of all interested groups (stakeholders). Nevertheless, in recent years, the concept of creating value for shareholders as the basis for assessing the functioning of the company as a whole and its individual areas has been gaining ever more solid positions around the world, which is facilitated by a number of factors.

Thus, the goal of managing the investment resources of an enterprise is to maximize its value.

## II. MATERIAL AND METHODS

The main tasks of managing the investment resources of the enterprise, which are characteristic of all companies, are to ensure maximum profitability of the use of investment resources at an acceptable level of risk and minimize the price of formation of investment resources, as well as increase the volume of investment.

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At the same time, in our opinion, the tasks of managing investment resources of an enterprise are a hierarchical structure.

At its peak are the above-mentioned main tasks, which, in turn, are concretized in the tasks of lower orders, individual for specific firms. Such tasks may be, for example, diversifying investment areas, ensuring high rates of real investment, achieving the desired volume of fixed assets or a certain structure of the securities portfolio, etc.

However, the well-known theoretical investment models are inconsistently implemented in the modern economic reality of our country. Analysis of macroeconomic indicators of investment activity in Russia in recent years shows many unresolved problems in this area. Gross accumulation in the country from 2008 to 2010 in absolute terms decreased, and the proportion of long-term financial investments in the total volume of financial investments also decreased (Table 1).

**Table – I: Key investment indicators in Russia**

	2005	2010	2015	2019
Gross domestic product: billion rubles	21610	41277	38787	44940
Gross accumulation billion rubles	4339	10527	7341	10266
Investments in fixed assets billion rubles	3612	8781	7976	9152
Financial investments of organizations not related to small businesses billion rubles	9209	26402	22745	41274
Including: the proportion of long-term financial investments in the total volume of financial investments, percent	20,1	17,2	21,4	11,9

**Table – II: Dynamics of investment in Russia (balance of payments in millions of US dollars)**

	2010	2017	2018	2019
Direct investments	118	19409	-7165	-9630
Abroad	-12767	-55594	-43665	-52476
Russia	12886	75002	36500	42846

An unfavorable situation is manifested in the foreign economic sphere. The figures show that in Russia there is a constant outflow of capital to other countries. In the 9 months of 2012, nearly \$ 58 billion was withdrawn from Russia, a quarter more than in the same period last year. In 2011, more than \$ 80 billion left the country; in 2012, according to economists, the outflow will be about \$ 65 billion. From 2000 to 2010, the country also saw a constant increase in capital outflows (table 2).

### III. RESULTS AND DISCUSSION

Economic studies have shown that the outflow of capital from the country negatively affects the economic condition of

enterprises and, ultimately, the welfare of citizens. \$ 10 billion outflows during the year lead to a decrease in investment in fixed assets by 0.5 percentage points (hereinafter “p.p.”), industrial production and real incomes of the population - by 0.3 p.p. and in general - economic growth rates by 0.2 pp. Calculations show that \$ 80 billion of outflows in 2011 slowed economic growth by 1.6 pp. If we take the forecast for GDP growth for 2013 and subsequent years in Russia by 3.5%, then in the absence the outflow of capital, the economy could grow by 5%.

Prospects for the successful development of the country's economy largely depend on modernization, renewal of enterprises on a modern scientific, technological, and innovative basis. This is necessary in order to improve the quality of products, make them competitive, and ultimately raise the level of income and life of the population, bring it closer to the level of well-being of developed countries. The solution to these issues depends on direct investments aimed at specific enterprises, certain sectors of the economy.

In the event of a sharp decline in prices for unprocessed products exported by Russia, the balance of payments may be negative, which is a negative factor in the development of the financial system of Russia.

In a period of low business activity of various groups of investors, it is obviously necessary to increase government spending, to a certain extent, increase the role of the state in the economy. This is a temporary medium-term forced measure, and does not mean complete stateization, nationalization of the economy. Subsequently, government intervention in the investment process should be reduced, and private direct investment significantly increased.

In these conditions, it is necessary to significantly increase the role of the securities market, including the government securities market. They can be issued and placed in order to attract investment in “locomotive” objects of the economy, “points” of economic growth. The yield on ruble “state investment securities” in this case should not exceed 8–10% per annum, their maturity is 3-5 years. It is clear that the state can regulate this segment of the market, provide a guaranteed interest income, depending on various circumstances.

State-owned enterprises in which the state invests the funds thus obtained, after updating fixed assets and improving operations, may be privatized. Funds received from privatization are used to redeem government securities. This will allow to a certain extent solve the problems of attracting investment in enterprises, create the best investment climate in the country. There is another important problem of attracting investment in the manufacturing sector. Many enterprises rely on two main sources of financing: the state budget and bank loans. Moreover, most of the prospectuses registered by the Federal Service for Financial Markets of Russia are not used to attract additional capital, but to redistribute property. The problem here is not the lack of financial resources, but the fact that inefficient owners do not want to sell part of the property, their large blocks of shares in enterprises.

At the same time, many enterprises have unsatisfactory economic characteristics: unstable financial situation, lack of liquid financial support and the ability to provide reliable loan guarantees, low labor productivity, poor product quality and more.

Investments in Russian enterprises are characterized by high risk. Assessing the risks and expected returns, the investor makes a decision on investing funds in enterprises. The choice of financial instruments also depends on the level of risk and potential profitability. At the same time, the aggregate risks are taken into account: risks of the country, region, industry and the enterprise itself. As you know, Russia belongs to countries with increased risk, which is due to political instability, increased inflation, large-scale corruption in all government bodies, as well as imperfect legislation, poor protection of investors' rights, and private property. At the regional level of the economy, there are also many unsolved problems: the chaos of local officials, the practice of creating inter-regional barriers, criminalization, and more. There are also significant risks in various sectors, including: low competition, the influence of monopolies on pricing, and production costs.

So, it is difficult for Russian enterprises to attract financial resources in the market. At the same time, the real instrument for financing enterprises characterized by high risk is the placement of shares. Therefore, in order to solve the problems of investment in Russian enterprises in modern conditions, it is necessary to develop the securities market and increase the role of risk capital.

The increase in investment attractiveness in Russia is particularly influenced by macroeconomic processes that occur at the regional level. The unpredictability of structural changes, the existence of difficulties for the formation of a stable economic space, technical imperfection and backwardness, a high degree of physical deterioration of the production capacities of many industries, a low level of tax collection to the budget, etc. are reflected in an unfavorable way to attract potential investments. In the current situation, the diversity of regional conditions for potential investors, the choice of the region for investment is of paramount importance. In order to build a competent investment policy, it is necessary to choose a range of indicators that will classify the factors that determine the investment situation. Moreover, these indicators are measured not so much in quantitative value as in qualitative.

In order for an investor to be interested in investing in a particular industry, it is necessary that it possesses investment attractiveness, i.e., a combination of positive criteria. There is the following classification of industries: depressed, crisis, stable, promising industry and industry, which is in the stage of growth.

Investments determine the shortest path to accelerated economic recovery of an individual enterprise, the economy of the region and the country as a whole. The decision on the contribution of capital, that is, on participation in the investment process, is made by the company only in the only case when it is convinced that it will be profitable.

The lack of own resources for development aggravates the need to attract additional investment from the outside, and, as a result, the task arises of increasing the investment

attractiveness of the region and the industrial enterprise in particular.

In addition to regional problems, there are a sufficient number of macroeconomic problems that also affect the region's investment market.

The most significant include the following:

- Low quality management, technical and technological backwardness;
- A high degree of physical deterioration of the production apparatus of most enterprises, their slow adaptation to the new economic environment;
- Ineffective structure of accumulations, as well as an insufficient number of investments allocated for the technical re-equipment of the economy and for improving the organization of production and management;
- Low level of investment in fixed assets and human capital;
- The imperfect structure of exports and imports, depending on the world market conditions for some goods;
- High differentiation of the population in terms of income;
- A rare use of consulting and marketing monitoring in assessing the effectiveness of investments in industrial enterprises.

The mechanism of choosing a region as an object of investment is practically absent. The reasons for this are the variability, instability of the Russian economy, and insufficient information about it, which significantly limits the possibility of using traditional methods based on risk accounting and comparison.

In conditions of economic instability similar to the Russian one, the methods of "following the investor" based on the analysis of the mass behavior of already functioning investors are more appropriate.

The main idea of these methods is to analyze existing investment projects. It is monitored in which area at the moment there is more investment, there, therefore, a better investment climate and higher investment attractiveness. Naturally, this should take into account not only the volume of investments, which reflects the level of development of investment infrastructure, but also the dynamics, which reflects the level of investment efficiency.

#### IV. CONCLUSION

An important role for achieving effective growth of investment in industry is played by institutional conditions:

- The rational functioning of the banking system;
- The desire of enterprises and organizations for the effective and integrated use of investments.

On the part of the state, it is necessary to develop measures of influence. One can single out the priority tasks to increase the investment attractiveness of industrial enterprises:

- ensure legal regulation, conclusion of contractual relations with regional and municipal organizations for transferring responsibility to them in the area of zone planning;
- create conditions for combining financial and material resources, as well as setting priorities in tax regulation (for example, preferential);

- determination of the forms of responsibility of local authorities for the implementation of projects and possible consequences (environmental pollution of the environment, etc.);

- Establishment of public relations with the participation of the media for an active demonstration of the proposed project in order to involve public organizations and the population in decision-making, as well as in confirming the feasibility and effectiveness of its implementation.

In addition, active state support is required for the intensity of investment processes in the economy, credit support for industries and sectors of the economy, during the restructuring of which national priorities will appear. It is necessary to develop several large projects to stimulate and accelerate the development of the economy, by increasing business activity in the public sector. An important link in the implementation of these projects should be the funds allocated to state and municipal investments. At the same time, the indicators of this centralized, direct support are the orientation of projects on stimulating and expanding demand, promoting structural transformations in the economy, stimulating imports and foreign investment in the country's economy, as well as developing promising technologies and industries.

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