

Investment Attractiveness of a Resource-Scarce Region: Terminology and Assessment Methods

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Abstract – In the paper, the authors summarized the interpretations of the concepts “investment attractiveness”, “investment attractiveness of the region”, “investment climate”, “economic resources of the region”, “resource-scarce”, presented by domestic and foreign scientists. The concept of “resource-scarce region” is proposed. The existing methodical and methodological approaches to assessing the investment attractiveness of the regions are described. A scheme for the formation of investment attractiveness of a resource-scarce region is proposed. Suggested methodological foundations of the investment attractiveness of a resource-scarce region include: the basics of assessing the investment attractiveness of a resource-scarce region; the basis for the formation and development of investment attractiveness of a resource-scarce region. The research of the rating agency “RIA Rating” – “Rating of the socioeconomic situation of the constituent entities of the Russian Federation”, which includes its own methodology for assessing factors and their impact on the socioeconomic development of the region, is presented. The methodology for assessing the investment climate of the Agency for Strategic Initiatives, used in compiling the National Rating of the State of the Investment Climate in the Subjects, is considered.

Keywords—*investment attractiveness; resource-scarce region; risks; investments; potential.*

I. INTRODUCTION

The complication of factors determining the level of socioeconomic development of modern regions is reflected in scientific activity and in large practice-oriented studies devoted to this issue. In recent years, internal economic contradictions in regional development have become increasingly acute. At the federal level of regional development management, the division of regions into donor regions and recipient regions has developed [13]. As a rule, classifying or getting a region among those lagging behind in economic development, given the raw material nature of the Russian economy, correlates with its resource provision. Meanwhile, resource provision or scarcity is not limited only to the degree of availability of natural resources in the region. Under such conditions, the formation of a scientific and methodological apparatus for effective management of the regional development of regions lagging behind in economic

development, including the lag of which is caused by their resource scarcity, is of particular importance.

Among the many mechanisms for managing the regional development of resource-scarce regions, the mechanisms that ensure the inflow of investments in such regions, increase the efficiency of investment activity at the regional level, increase investment attractiveness, and improve the investment climate of such regions stand apart. In such conditions, the development of methodological provisions for ensuring the investment attractiveness of the designated group of regions is required.

Solving the tasks of this study, it is important to clarify its terminological apparatus. In particular, such concepts as “region”, “resource-scarce region”, “investment attractiveness”, “investment attractiveness of a resource-scarce region”, “development of investment attractiveness of a resource-scarce region” require analysis and refinement.

II. LITERATURE REVIEW

Summarizing the ways of interpreting the concept of “investment attractiveness”, the following approaches to the definition of this term are distinguished in the scientific literature:

– from the point of view of the relationship of investment attractiveness with the financial condition and financial stability of the investee (in this case, enterprises are mainly considered as both subjects and objects of investment); determination of investment attractiveness from the standpoint of income and investment risks, disclosure of the concept of “investment attractiveness” through a set of components of investment potential and investment risk; consideration of investment potential as an integral characteristic (a set of factors) inherent in the investee [8].

The most common characteristics in the scientific literature through which express the investment attractiveness of the region or which includes in its elements are:

- the investment potential of the region [2];
- the investment climate in the region [9];
- investment risks in the region [24], [6], [10].

In our opinion, it is reasonable to include in the content the concept of “investment attractiveness of the region” of such components as its investment potential and investment risks. The concept of “investment climate” is largely identical to the concept of “investment attractiveness of the region”, but somewhat narrower. The investment climate is included in the concept of “investment attractiveness of the region”, including only that part of it that reflects investment opportunities for the private sector.

The concept of investment attractiveness of a region as applied to resource-scarce regional economic systems is “refracted” under the influence of the essence of such regions. In particular, we also propose to interpret the “investment attractiveness of resource-scarce regions” as the subjective-objective category expressing the desire of investors to invest in the regional economy, taking into account its real situation, the degree of limited natural, territorial, financial, social, and information resources.

The concept of “resource-scarce” has not yet found general recognition in the scientific literature; this is evidenced both by the still insignificant scientific interest in it and its absence in specialized economic dictionaries. It is formed from the terms “resources” and “scarce”.

Defining the concept of “resource-scarce region”, it is important to clarify the content of the term “resources”.

Foreign scientists C.R. McConnell and S.L. Brue by economic resources mean all natural, human, and man-made resources used for the production of goods and services. The authors divide the resources into material (land, raw materials), capital and human resources (labor, entrepreneurial ability) [11]. Although such a “three-tier” understanding of economic resources is one of the established ones, we note that in the current conditions, it cannot suit regional economic systems that seek to ensure competitiveness. In particular, information resources are beginning to acquire key importance. Moreover, natural resources, which play a key role for regional economic systems, do not stand out as an independent category.

In the authors’ work, where attention is paid to the region’s economic resources, the term in question is interpreted as “a combination of material and non-material factors and means ensuring the functioning of social production, the uninterrupted process of social production and reproduction” [7]. Researchers have proposed an extended classification of the region’s economic resources, which includes groups: knowledge, labor, natural resources, capital, and entrepreneurial resources.

Thus, in the future, we will mean a combination of factors and means ensuring social production and reproduction by “economic resources of the region”. Regional economic resources that have a decisive influence on the competitiveness of a territory include: financial resources; natural resources, including climatic; territorial resource, determined by the geographical position of the region; social resources, including the quantity and quality of labor in the region; material resources.

Another component of this concept is the term “scarcity”. For the purposes of this study, we will accept the definition of this concept given in the Modern Economic Dictionary as “insufficient funds, resources in comparison with the previously planned, planned or necessary level” [18].

The concept of “resource-scarce region” in the economic literature is not adequately studied. In particular, in the work of O.N. Ananyeva does not give a definition of the term “resource-scarce region”, but from the provisions of the study of the indicated author, we can conclude that such a region is characterized by limited investment and other economic resources [1]. A similar understanding of the concept under consideration is typical for other publications [21], [16], [17].

In the economic literature, when using the concept of “resource-scarce” in relation to the territories outlined by the borders of States, ones usually mean limited natural resources of such countries [12].

In foreign sources [25], [27], [28], the concept of “resource-scarce”, used in relation to territories (countries, regions), is considered mainly in the context of a lack of natural resources. In relation to the territories, the allocation of “resource-scarce” countries is widespread as follows: Japan, the Netherlands, etc.

With regard to regional development issues, the use of the term “resource-scarce” is refracted by the characteristics of resources that have a decisive influence on the socioeconomic development of the region. Naturally, natural resources will be of decisive importance, but “resource scarcity” will not boil down to a scarcity of natural resources. Limited natural resources entail a lack of quality human resources, a lack of financial resources, an increase in the rate of obsolescence of material resources, and other negative effects. Thus, it is proposed to understand by “resource-scarce region”: firstly, the territory, which is characterized by the main features of the region, systematically limited in the main types of economic resources due to a lack of mainly natural resources; secondly, the territory limited in other types of resources to a critical degree for the development of such a territory (region). A systemic resource constraint should be understood as such a scarcity of one or more resources that does not allow the region to provide independent (without the support of central authorities) development with macroeconomic growth rates below the national average.

III. RESEARCH METHODOLOGY

In order to formulate the methodological foundations of the formation and increase the investment attractiveness of a resource-scarce region, we consider the studies presented by scientists on this issue.

With regard to assessing the investment attractiveness of the regions, the following methodological approaches are highlighted [23]:

- narrowed – the assessment is carried out here mainly on the basis of macroeconomic factors [5];

– extended, in the framework of which a wide range of resource factors and factor conditions are assessed that influence the investment attractiveness of the region [23];

– risk, where the assessment of potential is considered to be in two variations: assessment of investment potential and risks, assessment of investment and socioeconomic potential [22].

In our opinion, the allocation of such approaches has rather conditional nature, since it is difficult to distinguish clear boundaries between them. The distinguished approaches have many common features, in connection with which they substantially overlap; the indicators included in their composition can find each other in all three approaches.

The methodological foundations of assessing the investment attractiveness of the regions often reduce only to the methods and constituent factors for assessing investment attractiveness. For example, the work of V.N. Myakshin offers:

– methodology for assessing the investment attractiveness of a region, including an algorithmized sequence of actions: formation of a statistical assessment base, determination of key factors of investment attractiveness, determination of the content of the system of assessed indicators, determination of target values of investment attractiveness indicators, selection of key indicators based on an assessment of their relationship with key factors of investment attractiveness, calculation of integral indicators of investment attractiveness, assessment of the level of investment attractiveness, assessment of the potential for investment attractiveness;

– the procedure for calculating the integral values of investment attractiveness;

– the procedure for selecting indicators for individual factors of investment attractiveness of the region [14].

In our opinion, the application of the methodology of balanced indicators to the issues of assessing the investment attractiveness of resource-scarce regions is not entirely correct. Assessing the investment attractiveness of the region requires adaptation to the characteristics of this economic system. For any set of groups of indicators and indicators included in them, it will be very difficult to talk about the “balance” of such a complex. If at the level of enterprises as objects of assessment and management the application of a balanced system is still possible, then it is difficult to apply such a methodological approach to regional systems as complex, unique socioeconomic systems. This is also evident in the attempt of the above author to single out the components of a balanced system of indicators of the region’s investment attractiveness: production and financial components, development components, natural resource components, political, economic, and social components [14].

In a study by T.A. Burtseva, also dedicated to the formation of the methodological foundations for assessing the investment attractiveness of the regions, the contents of the methodological foundations of investment attractiveness include:

– the structure of investment attractiveness of the region as an object of study, including: potentials: property, natural-geographical, financial, human, innovative; and the performance of public authorities and the private business sector in the region;

– the use of investment attractiveness assessment methods based on the construction of integral indicators: classification methods (cluster analysis, multidimensional groupings, discriminant analysis, typology and systematization) and factor analysis methods (expert assessments, factor analysis, correlation and regression analysis, structural analysis, dynamic standard method);

– algorithm for the formation of integrated indicators for assessing the investment attractiveness of the region;

– algorithm for the formation of integrated indicators for assessing the investment attractiveness of the region;

– scheme of a multilevel analysis of the region’s investment attractiveness [3].

Conducting an analysis of the methodological foundations of the investment attractiveness of the regions, it is impossible not to address the issues of private applied methods for assessing investment attractiveness.

– ratings of international agencies: Moody’s, Standard & Poor’s and others;

– ratings of international business editions: Euromoney, Fortune, Economist, etc.;

– methods of educational institutions as Harvard Business School, Institute for Advanced Studies, etc.

For the objectives of this study, the concept “Management Metatechnology” adapted by A.V. Babanov is also of interest [20]. In the framework of the concept, the author has developed a model that underlies the formation of a stable investment climate in regions with unstable economies. The essence of the model is the need for the subjects of investment development management in the person of accounting authorities and impact on the main components of the external global and internal business environment of the regional economy. We believe that this model, although it has the conceptual property, will be difficult to apply in practice in the form that it was proposed by its author. The model requires concretization, and in the proposed form, it carries rather abstract significance. In addition, although the model is announced for regions with an unstable economy, it still cannot be used in theoretical ideas about the development of resource-scarce regions. The advantage of methodological developments A.V. Babanov can be called specific universal groups of measures proposed by the author for the development of investment attractiveness of the region: regional branding (development of the legal framework for attracting investments, the creation of a regional investment insurance fund, the establishment of a special investment coordination body); corporate branding (stepping up activities to create specialized corporate structures, supporting corporate structures, stimulating vertical and horizontal integration as a condition for the flexibility of investment resources); application of fiscal measures (tax benefits, non-tariff

measures); creation of a regional investment management subsystem by fields (economics, institutions) 20], [26].

Summing up, based on the above reasoning, it can be argued that the methodological foundations of the formation of the subject of investment attractiveness of a resource-scarce region (IARR) can be represented in the form of a schematized logical approach (Fig. 1.).

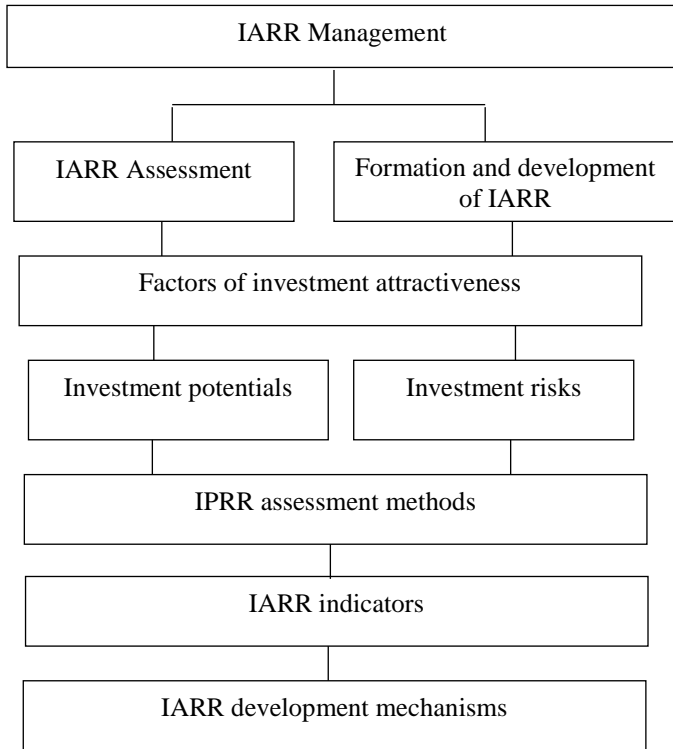


Figure 1 – Methodological scheme for the formation of investment attractiveness of a resource-scarce region (compiled by the authors)

IV. PRACTICAL RELEVANCE, SUGGESTIONS, AND RESULTS OF IMPLEMENTATION, RESULTS OF EXPERIMENTAL RESEARCH

Let us look at the content of some applied methods for assessing the investment attractiveness of regions.

One of the large (in terms of coverage and periodicity) national studies, including its own methodology for assessing factors and their impact on socioeconomic development, is a study by the RIA Rating agency – “Rating of the socioeconomic situation of constituent entities of the Russian Federation”. The study has been carried out since 2011, which allows us to talk about a sufficient empirical base and methodological support “finely-honed” by time, on which the rating is based.

In this study, the investment factor of regional development is represented directly by two indicators: investment in fixed assets per capita and foreign investment per capita. It should be noted that by 2017, the indicator “foreign investment per capita” was excluded from the study, although its role in the first studies of the state of economic development of the regions was justified by the fact that “the volume of foreign investment characterizes the level of

investment attractiveness of the subject of the Russian Federation” [19]. By 2017, the study uses only one indicator that is directly related to the number of investment factors – “investment in fixed assets per capita,” the value of which in the socioeconomic development of the region is justified by the fact that investment in fixed assets determines the level of investment activity in the RF constituent entity and determine the prerequisites for economic development [19].

Evaluating the critically cited study (not in terms of its results, but in terms of methodology), we can note that neither the indicator of foreign investment per capita, nor investment in fixed assets per capita per se, independently reveal the investment attractiveness of the region and investment activity in it. Such indicators can only complement a comprehensive assessment of the socioeconomic situation of the region, which is observed in this study. Nevertheless, we believe that this study uses a somewhat limited understanding of the factors that determine the level of socioeconomic development of regions.

The expert community’s understanding of the importance of investment attractiveness in regional socioeconomic development predetermined the emergence of other methods and the conduct of research significant for economic entities, in particular, a study by the RA Expert rating agency – “Investment Attractiveness Rating of Russian Regions”. Here, the investment attractiveness of the regions is considered in the unity of two components [19]:

1. Investment potential, including the following components: natural resource potential, labor potential, production potential, consumer potential, infrastructure potential, innovative potential, institutional potential, financial potential, and tourism potential;
2. Investment risk, which includes the following components: economic risk, social risk, financial risk, managerial risk, environmental risk, and criminal risk.

In addition to the above methods for assessing the investment factors of regional development, characterizing the impact of investment attractiveness on the socioeconomic situation of the territory, we will consider the methodology for assessing the investment climate of the Agency for Strategic Initiatives, which is used in compiling the National Rating of the Investment Climate in the Russian Federation [15]. In this study, the investment climate of the region is considered in close relationship with the indicators of its socioeconomic development.

V. DISCUSSION OF THE RESULTS

Thus, it is proposed that the “resource-deficient region” refers to: firstly, the territory, which is characterized by the main features of the region, systematically limited in the main types of economic resources due to a lack of mainly natural resources; secondly, the territory limited in other types of resources to a critical degree for the development of such a territory (region).

The methodological foundations of the investment attractiveness of a resource-scarce region include:

1. Basics of assessing the investment attractiveness of a resource-scarce region.

2. The basis for the formation and development of investment attractiveness of a resource-scarce region.

The studies of the authors on this issue will be continued.

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