

Article

# Some Main Factors Influencing the Investment Attractiveness of the Agricultural-Industrial Region

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**Abstract:** The article examines the factors influencing investment attractiveness regarding the production process, i.e. resource factors of investment attractiveness of the agricultural-industrial region are highlighted, the components and composition of each factor are clarified.

**Key words:** investment attractiveness, natural and geographical factors, production factors, social sphere, labor potential.

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## Introduction

Resource factors ensure the production process, exerting a dynamic influence on it, since by positively influencing each of the factors, it is possible to strengthen the investment activity of economic entities.

Let us consider the factors of investment attractiveness in relation to the production process, because in this way it is possible to identify the resource factors of investment attractiveness of an agro-industrial region.

The development of the regional economy is largely determined by natural and climatic factors, namely the natural conditions and resources of the region.

Important to a certain extent, influencing the investment attractiveness of the agro-industrial complex, are natural-climatic, geographical and resource-raw materials factors. The composition and structure of regional types of activity is largely determined by the totality of natural resources.

The components of natural resource potential include: territory; land resources (location, irreplaceability); fuel and energy resources; mineral resources; renewable energy sources; forest resources; water resources.

The ecological situation also has a strong influence on the general social situation in the region and as a result affects social indicators, for example, the life expectancy of the population. The depletion of natural resources leads to instability in the functioning of many sectors of the national economy, including the agro-industrial complex, and is a huge problem.

**Citation:** Sabirbaev D.K. Some Main Factors Influencing the Investment Attractiveness of the Agricultural-Industrial Region. Academic Journal of Digital Economics and Stability 2024, 37(4), 154-158.

Received: 03<sup>th</sup> Oct 2024

Revised: 10<sup>th</sup> Oct 2024

Accepted: 30<sup>th</sup> Oct 2024

Published: 04<sup>th</sup> Nov 2024



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Geographical and natural-climatic factors are closely interrelated, so skillful use of their advantages allows to open new directions and objects for investment, for example, investors who own the technology and capital for development of deposits and processing of reserves, as well as those who invest in production requiring availability of regional resources as raw materials, will primarily consider indicators of geological-geographical factor, landscape of the region. It is important to note that state borders determine the potential for the region to establish international cooperation and provide the opportunity to attract foreign investment. Landscape of the region and natural-climatic conditions are extremely important for investors investing capital in the agro-industrial region, especially in its agricultural sector.

It should be noted that the reproduction of natural resources used by the agro-food complex means improving the condition of agricultural lands, including preserving (increasing) soil fertility, rehabilitating contaminated and withdrawn agricultural lands, preserving and reproducing water and other biological resources. This goal is achieved through stimulating environmental technologies, improving the regulation of land and water biological resources, improving land reclamation, etc.

In recent years, the system of agricultural production that has developed in the Republic of Karakalpakstan has been characterized by a high level of intensity of land use. An equally important factor determining investment attractiveness is the production factor, described by such indicators as the production of gross output per worker employed in the agro-industrial complex, the profitability of agricultural production, the production of certain types of agricultural products and food products per capita, the level of return on investment, etc.

Despite the increase in funds allocated from the state budget, the volume of environmental protection measures remains insufficient, which increases the burden on the environment. Currently, there is a constant decrease in the fertility of agricultural soils, deterioration of the environmental situation, intensive degradation and destruction of agricultural landscapes and ecosystems. As a consequence, this is expressed in the low yield of some basic agricultural crops, primarily cotton, grain and legumes.

There is an urgent need to intensify the cultivation of crop areas to minimize the dependence of agriculture on natural and climatic conditions and to increase the efficiency of productive land use. In addition, there is a noticeable increase in the area of saline soils, as well as soils with low phosphorus content, subject to erosion and deflation, and the influence of other negative processes.

The labor factor plays a very important role in attracting investment to the region. The availability and level of qualification of the workforce, the human development index, especially in terms of economic sectors, are of significant importance.

Before making a decision on capital investments, the investor needs to examine the reliability of the investment object: entrepreneurial resources, qualifications of managers and workers, quality of work, level of cohesion of the workforce. This approach is especially justified in conditions of low level of professional competence, as well as high migration of personnel from rural areas, which entails low return on investment.

The basis of the production factor for an agro-industrial region is determined by two types of indicators: firstly, indicators that depend on commodity producers; secondly, the seasonality of production, prices and demand for products. The production factor is

characterized by the following indicators: production volume; production efficiency; state of the means of production; level of productivity of fixed assets.

To attract investors who do not possess industrial technologies, the level of development of the technical and technological environment of the region is essential. This group of factors includes: the level of scientific and technological progress; the presence of research and design institutes; the level of development of the transport infrastructure. At present, scientific and technological progress and innovation are a strategic direction and one of the determining factors in the development of an agro-industrial region.

As practice shows, the solution of socio-economic problems associated with the development of rural areas accelerates the modernization of agricultural production, the renewal of its material and technical base, which allows the region to enter the global technology market, where the possibility of attracting investment increases significantly.

The availability and quality of transport infrastructure affects not only intra-regional and inter-regional interaction between economic entities, but also the formation of their transport costs, as well as a number of other factors. The absence of a developed production and market infrastructure in a region can become a serious obstacle to the growth of investment attractiveness of an agro-industrial region.

Research has shown that reducing the share of transaction costs and the availability of alternative options for transporting goods gives regions significant advantages for innovative development.

The most important indicators that influence the investment attractiveness of an agro-industrial region, but characterize the development of the social sphere, include:

- standard of living;
- population structure;
- natural population increase (decrease);
- registered unemployment rate;

The population structure is determined by analyzing the settlement, demographic and social situation in the region, as well as the level and quality of education of the population.

The standard of living of the population determines the security of people, the degree of satisfaction of their needs and requirements, provision of consumer goods. Poor living conditions of the population in the region entail social tension, low demand for products and social conflicts, and, as a result, the risk of loss of profitability and even loss of capital increases.

One of the most important components and indicators characterizing the investment attractiveness of regions and their territorial-industry complexes is the human development index. This human development indicator has generally recognized world indicators. Moreover, it is the human resource and potential that has always been considered the most important factor in economic growth.

Analysis of financial and economic factor indicators allows modeling the investment process and forecasting investment income. The main indicators characterizing the financial and economic factor at the regional level include:

- gross regional product;
- value of marketable output;
- proportion of unprofitable or loss-making enterprises;
- region's participation in import-export of products;
- level of development of financial and credit infrastructure;

- volume of real investments in agro-industrial production, etc.

If the gross regional product per capita is below the subsistence minimum, then this determines the need for additional external financing in the economic sectors of the region and its potential.

The volume of production of commercial products also determines the production potential of the regional agro-industrial complex, and in dynamics can characterize the effectiveness of its state support.

The level of development of the financial and credit infrastructure is determined by the analysis of the share of bank loans (borrowings) by sectors of the agro-industrial complex.

Among the financial and economic factors that reduce investment attractiveness, it is necessary to highlight the underdevelopment of the banking system, the accounts payable of enterprises, the level of tax pressure, budget deficits, high inflation, inflated prices for resources, the share of unprofitable enterprises, and the general decline in production. The proportion of unprofitable enterprises determines the level of entrepreneurial risk of investing capital in the regional economy and the possibility of not receiving profit from investments.

The volume of direct investment and the dynamics of its development are a direct indicator of the investment attractiveness of a region.

The labor potential of a region is determined by the cost of labor. Investors interested in reducing costs and improving the quality of manufactured products will be attracted by highly qualified labor resources, which are also relatively cheap.

The role and importance of the state in shaping the investment attractiveness of a region is increasing.

The basis of this factor is the prospective programs of sustainable development of industries and enterprises of the agro-industrial region, improvement of production activities of its subjects, organization and attraction of investments and investors. At the same time, income from investments (investment profitability) is largely determined by the reliability of the legislative and regulatory framework, first of all, the legal protection of the investor.

Therefore, it is necessary to take into account the legal factor when assessing the investment attractiveness of a region, which is characterized by the following main indicators: the share of regional regulations in the system of legislative support for investment activities; the completeness and stability of the system of legal and regulatory support; a system of preferences for investors of different levels; the crime situation in the region.

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