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## Features of Investment Activity in Agriculture in the South of Russia and Ways of its Activation

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### ABSTRACT

The relevance of this article on the topic: "Features of Investment Activity in Agriculture in the South of Russia and Ways of its Activation" is that at the present time, as a result of the systemic crisis of the Russian economy, a set of objective prerequisites for improving the financial and credit mechanisms in the agro industrial complex has been formed. The fall in the rouble exchange rate to foreign currencies made foreign agricultural products and food too expensive on the Russian market and sales fell sharply in Russia. This led to the emergence of free niches in the domestic agrarian market and increased the competitiveness of domestic agricultural products and food. In these conditions, an important task for Russian agricultural producers is to increase the volume of production and sales of agricultural products, and this requires an increase in production capacity, modernization of the material and technical base. To solve these problems, it is necessary to increase investment in the agricultural sector of the economy, which without improving the existing credit and financial system in the Russian agribusiness sector cannot be done. Based on the goal set by the authors, the subject of the study are factors and patterns that affect investment in agriculture. To write the article, dialectical methods of cognition of socio-economic, natural-biological processes and phenomena were used as well as the systemic approach: analytical, economic-statistical, monographic, calculating and constructive and expert evaluations. This allowed working out effective measures to intensify investment activity by improving the lending process as the main source of external investment, and solving the problems of financing agricultural organizations, using non-traditional external sources of investment for agriculture in Stavropol Krai.

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### INTRODUCTION

At present, as a result of the systemic crisis, a set of objective prerequisites for improving the financial and credit market in the agricultural sector of the economy has been formed. The fall of

the rouble exchange rate to foreign currencies led to a sharp rise in the cost of imports of food and agricultural products, and conditions were created for profitable investment in agriculture in Russia. In this situation, investors (especially Western ones) faced a high probability of losing the Russian market, including the influence of sanctions. Accordingly, the stimulation of investments, including foreign ones, in agricultural and processing production in Russia has become vitally important and relevant.

The modern market mechanism for investment financing allowed forming new channels for attracting and using financial resources and provided an increase in the volume of portfolio and direct Russian and foreign investments. This was facilitated by a consistent agrarian policy, including the creation of a regulatory and legal framework to protect the rights of the investor and stimulate investment. At the same time, due to the reduction of investments in all sources of financing, currently the volume of investments in the agrarian sector of the economy has not reached the level of the 1990s and does not allow solving the accumulated problems in the agro-industrial complex, and the lack of financial resources does not cover the existing demand for investments in this sector. The analysis of scientific publications shows that many foreign and domestic scientists, economists and practitioners devoted their works to the study of the problems of the investment process and investment activity G. Birman and S. Schmidt (2009), I. A. Blank (1995), L. J. Gitman and M. D. Joehnk (1999), A. Ya. Kibirov and E. E. Burykh (2011), V. Z. Mazloev (2015), J. Perard (1999), F. Fabozzi (2000), W. Sharpe (2008), Povolná and Švarcová (2017), Vojtovič (2016) and many others.

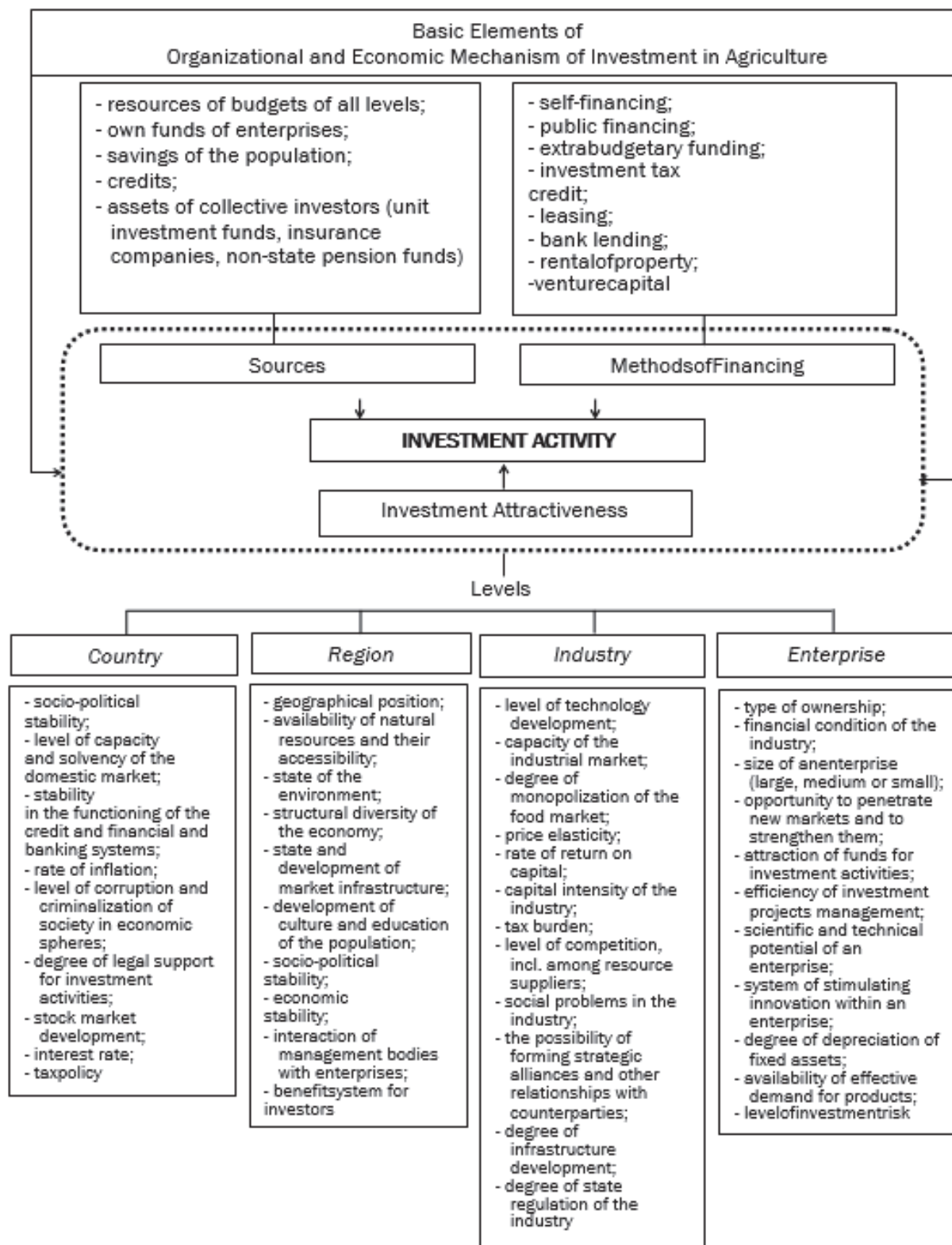
However, certain theoretical and methodological issues of the investment process and investment activities have not been studied enough. In this regard, for modern economic science, an important task is to study the essence of the categories "investment", "investment process" and "investment activity", and on the basis of the analysis of the main components of the investment process and investment activities, the rationale for their use depending on the level of functioning of the investment system.

Based on the analysis of the interpretation of the concept of investment, in modern economic conditions, one of the main roles in the development of the organizational and economic mechanism of investment activity in agriculture is assigned to internal investment resources, the financing mechanism of which requires compliance with the following conditions: the balance of interests, the unity of commercial conditions, the mutuality of guarantees, the coherence of joint action, the absence of discrimination of one of the partners, the overall risk, the stability of the relationship, a certain duration in time. Certainly, there is no doubt that this condition ensures the functioning of the organizational and economic mechanism of investment. However, in our opinion, all these conditions are not internal, but external in relation to its action and express those signs that can contribute to the development or adaptation of the organizational economic mechanism of investment to the external environment.

Investigation of the essence of investment activity made it possible to determine the sources and methods of financing the organizational and economic mechanism of investment of the Russian agro industrial complex, as well as factors influencing the investment activity in agriculture, which are presented in Figure 1. Proceeding from the foregoing, the organizational and economic mechanism of investing in the agrarian sphere is a system of organizational, managerial, economic, legal and regulatory actions, methods and processes. They form and influence the order of implementation of investment activities and the flow of investment processes in agriculture and also influence the development of related spheres of agro industrial complex, which should contribute to the achievement of the expected economic, social, innovative, environmental and other results.

The mechanism of investing is formed by the interaction of certain parts consisting of elements of the economic system, such as productive forces, technical-economic, organizational-economic and production relations, and includes organizational and economic methods (forecasting, planning, taxation, insurance, depreciation, crediting, leasing, pricing, incentives, etc.), tools or levers of influence (size of profits, income, methods and rates of depreciation, credit and tax rates, exchange rates, etc.), as well as legal and information support.

**Figure 1.** Scheme of the Basic Elements of the Organizational and Economic Mechanism of Investment Activity, providing investment activity in agriculture



Source: compiled by the authors

## 1. RESULT

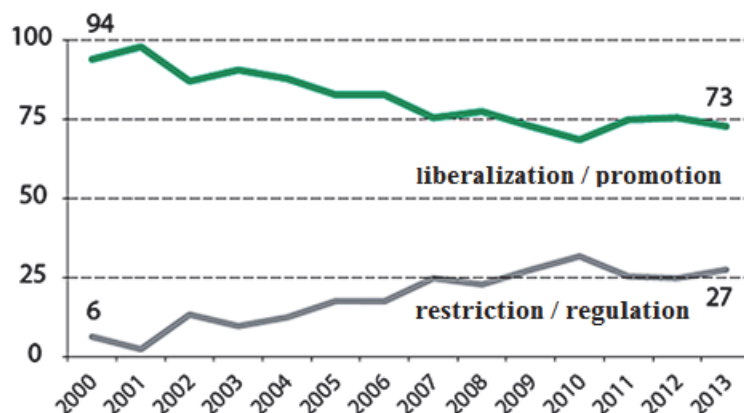
To date, one of the main objectives of the reforms in agriculture is the creation of new mechanisms that meet the requirements of enhancing innovation and investment, as well as economic development and recovery from the crisis. All financial, credit, commodity and leasing investments should be directed to the industries ensuring the achievement of the most effective and fast results (Mentel et al., 2017). In general, in a tough competition between states, regions and organizations in the financial market, attracting a sufficient amount of investment, only those who will most effectively be able to take advantage of them will benefit. To improve the investment climate in the agrarian sector of the economy it is necessary:

- to increase the efficiency of agricultural production, ensure the growth of financial savings and their transformation into investment.
- to ensure predictability, assurance and wide access to government support for agricultural producers on budget programs.
- to restore rational international economic and scientific and production relations, to create joint ventures with the participation of foreign investors.
- to form integrated agro-industrial enterprises and cooperative associations in rural areas with the aim of changing the relations arising in the process of buying and selling in the free market to the relations that have arisen when distributing income from the sale of final consumption products between them.
- to continue preferential taxation of agricultural enterprises, to introduce an effective mechanism for depreciation of fixed assets.
- to make loans more affordable by reducing interest rates on loans and increasing the ratio of collateral to 1.
- to promote the development of effective interaction of science and technology.
- to provide assistance and create conditions for domestic producers, exporting their products and investing in agricultural production, focused on the production of competitive goods.

The proposed measures will partly solve the problem of the lack of financial resources for investments, as own and attracted investment resources for renewal of fixed assets of the agrarian sphere are not enough. Therefore, it is necessary to improve the organizational and economic mechanism of investment activity of agricultural enterprises, which would be able to mobilize all internal opportunities to ensure the development of the agrarian economy and creation of conditions for effective attraction of investments in agriculture of Russia. The process of a national investment policy developing increasingly focuses on new development strategies (Androniceanu, 2017). Most states seek to attract and encourage foreign investment in order to strengthen productive capacity and sustainable development. At the same time, many countries are currently strengthening foreign investment regulation, making greater use of industrial policy in strategic sectors, tightening selection and monitoring procedures and carefully checking international capital mergers and acquisitions of assets (Ohanyan and Androniceanu, 2017). The risk remains that some of these measures are taken for protectionist purposes (Report of World Investment, 2014). At the same time, both in Russia and in foreign countries, agriculture is one of the priority and strategic sectors of the economy supported by the state and in need of additional investment.

As the results of the monitoring conducted by the United Nations Conference on Trade and Development (UNCTAD) showed, in 2013 59 countries and territories adopted 87 policy measures affecting foreign investment. The national investment policy continued to be focused on the promotion and liberalization of investments. At the same time, the total share of regulatory and restrictive investment policy measures continued to increase and increased from 25% to 27% (Fig. 2). Measures to liberalize investment included a number of decisions on privatization in countries with economies in transition. Most of the measures directly aimed at liberalizing foreign investment were adopted in Asian countries and concerned mainly the telecommunications and energy sectors.

**Figure 2.** Changes in the national investment policy, %



Source: UNCTAD, World Investment Report 2014

New restrictive and regulatory measures in the field of FDI included a number of cases of refusal to implement projects of foreign investors. One of the new phenomena is the efforts made by the governments of countries in order to prevent the withdrawal of investments by foreign investors. Faced with the effects of economic crises and persistently high unemployment, some countries have introduced new requirements regarding the approval of companies' plans to transfer production activities and reduce the number of employees. In addition, some home countries of multinational companies (MCs) began to stimulate the return of investments of their MCs located abroad.

To activate investment in agriculture, countries use different incentive tools, but they are based, in most cases, on available credit resources for farmers. A. Ya. Kibirov concludes that "... *the financing of agriculture of different countries occurs according to several scenarios*" (Kibirov et al, 2011). At the same time, it should be noted that there are no clear lines between them and in each country there are various forms of organization of agricultural crediting. Today there is a situation in the world, and Russia is not an exception, characterized by the increasing role of the state support of investment activity in agriculture through subsidizing credit rates, granting loans at a reduced rate or with a delay in the first payment as the main engine of economic growth. It is important to control whether subsidies reach agricultural producers and how they are distributed among different categories and groups of enterprises. It is necessary to focus the attention of Russian legislators on the search for new forms and methods of rendering assistance to agriculture, and also pay closer attention to how this assistance is used on the ground.

Taking into account the foreign experience of stimulating investment activities and the specifics of the Russian agrarian sector in modern conditions, it is necessary to improve the investment climate, which will create conditions for sustainable economic growth. Simultaneously with the reduction in investment risk, the region's investment attractiveness needs to be increased. One of the important tasks of economic policy is to create the necessary conditions for business development and investment, to increase the competitiveness of the agricultural sector of the economy of the South of Russia. In this article, the features of investment activity are considered and ways of its activation are determined by the example of one of the largest agrarian regions of the South of Russia in Stavropol Krai and the adjacent territories.

The future of Stavropol Krai cannot be imagined without a developed agro-industrial sector of the economy, which is one of the main national economic complexes that determines the conditions for maintaining the vital activity of the population, as well as the efficiency of the entire region's production. Stavropol Krai is one of the largest agro-industrial regions of Russia and the North Caucasus Federal District (NCFD). Agriculture occupies 12.0% in the GRP of Stavropol Krai,

in the GRP of the NCFD - 4.2%, in the GRP of the Russian Federation - 0.1%. This over the past three years has provided agriculture with a third position in the rating of the basic industries of the regional economy. The total area of agricultural lands of the region is 5787.3 thousand hectares, including 3995.7 thousand hectares of arable land (69% of the total agricultural land), pastures - 1628.1 thousand hectares. In 2015, Stavropol Krai produced agricultural products per capita on 62.7 thousand roubles. By this indicator the region ranks 10<sup>th</sup> in the Russian Federation. Stavropol Krai provides itself for most types of food. As a result, the food consumption by the population of the region is lower than the norm for fruit and berries (less than the norm by 13 kg per capita), milk (less than the standard by 40 kg per capita), while in Russia as a whole according to the norms of consumption established by the Federal Law of 03.12.2012 № 227-FZ "On the consumer basket in the whole of the Russian Federation", the consumption of bread products per capita is less by 8 kg, of vegetables and gourds by 4 kg, of milk and dairy products by 13 kg.

The share of the region in the total value of agricultural products in the Russian Federation was 3.5%. In 2015, the value of agricultural products produced in the crop sector amounted to 119.8 billion roubles, or 4.5% of the national average indicator (the fourth place in Russia). The place of the plant growing sector and the lower 10<sup>th</sup> place in the livestock sector are explained by the fact that the agriculture of Stavropol Krai specializes mainly in the production of crops (68.2% of the total value of agricultural products produced in the region), while the share of the livestock sector is 31.8%. Noting the investment attractiveness of the region, it is necessary to mention its main components, which include investment potential and investment risk. "Investment potential is a combination of economic, social, natural-geographical and other factors that should be attractive to investors". According to the National Rating Agency "Expert RA" in the rating of the investment potential of the regions of the Russian Federation, Stavropol Krai ranks 24<sup>th</sup> among 83 regions of the country (Data of the National Rating Agency "Expert RA") (Table 1).

**Table 1.** Rating of investment potential and investment risk of Stavropol Krai

Indicator	2010	2012	2013	2014	2015	2016	Deviation 2016 to 2010 (+/-)
The rank of investment potential	26	24	24	22	22	21	+5
The rank of investment risk	8	25	21	32	25	24	-16
National credit rating (Standard & Poor's)	Ru A+	No data	No data	No data	No data	No data	x
International credit rating	B+/ Stable	BB/ Stable	BB/ Stable	BB/ Stable	BB/ Stable	BB/ Stable	x

Source: data of the national rating agency "Expert RA" <http://raexpert.ru/ratings/regions/>, international rating agency "Standard & Poor's"; international rating agency "Fitch Ratings".

According to "Standard & Poor's", the low level of debt and the expected moderate level of financial performance have a positive impact on the investment potential rating, despite the increase in expenses. In recent years, there has been an increase in the investment attractiveness of agriculture in Stavropol Krai, which is due to a decrease in financial risks due to a decrease in the ratio of expenses to own revenues, the ratio of overdue accounts payable to the total debt of enterprises, the ratio of overdue accounts payable to the total debt of enterprises, social - by reducing the level of unemployment, share of the population with incomes below the subsistence level, overdue repayment of wages debts, managerial - due to the growth of the quality of budget man-

agement (absence of violations of the Budget Code) and taking effective measures to stimulate investment in the real sector of the economy through a wide range of state support. For a more objective assessment of the level of social and economic development of Stavropol Krai in comparison with other regions of the South of Russia, we compiled a rating of the investment attractiveness of Stavropol and Krasnodar Krai, Rostov and Volgograd Regions on the basis of a comparative analysis of socio-economic indicators of these regions (Table 2).

**Table 2.** Comparative indicators of the socio-economic situation of Stavropol, Krasnodar Krai, Rostov and Volgograd Regions for January - March 2016.

Indicator	Stavropol Krai (SK)	Krasnodar Krai (KK)	Rostov Region (RR)	Volgograd Region (VR)	Rank			
					SK	KK	RR	VR
Turnover of organizations, million roubles.	264296.01	769799.36	500846.61	334077.7	4	1	2	3
in% to January-March 2013	117.15	128.48	116.6	125.4	3	1	4	2
<b>1. INDUSTRY</b>								
Index of industrial production, %	116.82	110	109.34	106.04	1	2	3	4
<b>2. AGRICULTURE</b>								
Volume of agricultural products in current prices, million roubles.	12973.84	26418.48	13841.63	7828.37	3	1	2	4
in% to January-March 2013	110.66	111.98	115.72	119.46	4	3	2	1
Number of main livestock and poultry species in all categories of agricultural enterprises March 1, 2014, thousand heads	17756.86	17244.26	12332.98	7744.66	1	2	3	4
Productivity of livestock and poultry in agricultural enterprises. Average milk yield per cow, kg	1586	1583	1025	1027	1	2	4	3
<b>3. CONSTRUCTION</b>								
New housing and industrial buildings supply, thousand sq. m.	144.9	1042.7	458.4	144.8	3	1	2	4
in% to January-March 2013	58.3	119	125.7	in 2.1 times	4	3	2	1
<b>4. TRADE AND SERVICES</b>								
Turnover of retail trade, million roubles	110633.49	257306.83	182336.44	77780.67	3	1	2	4
in% to January-March 2013	102.1	115.3	102.5	100.1	3	1	2	4
<b>5. CONSUMER PRICE INDEX</b>								
March 2014 in % compared to February 2014	110.99	110.99	110.99	111.32	2	2	2	1
March 2014 in % compared to December 2013	111.98	111.98	112.64	112.97	3	3	2	1
<b>6. LIVING STANDARD OF POPULATION</b>								
Monetary income per capita (on average per month) in January - February 2014, roubles.	16429.1	22081.7	17492.5	14570.8	3	1	2	4
In % to January - February 2013	112.7	115.9	106.1	105.5	2	1	3	4
<b>7. LABOR MARKET</b>								

Number of officially registered unemployed at the end of March 2014, thousand people	16.6	18.5	18.4	15.2	2	4	3	1
in % to the corresponding period of 2013.	90.1	86.4	100.9	90.4	2	1	4	3
in % to economically active population	1.2	0.7	0.9	1.1	4	1	2	3
<b>8. CONSOLIDATED BUDGET IN JANUARY-FEBRUARY 2014.</b>								
Incomes, million rubles	13442.77	19459.66	19428.86	9265.08	3	1	2	4
Expenses, million rubles	11799.7	29591.98	20950.82	12485.22	4	1	2	3
Profit (+), the deficit (-) of the consolidated budget	1643.07	-10132.21	-1521.85	-3220.03	1	4	2	3
<b>10. FINANCES OF LARGE and MEDIUM ENTERPRISES IN JANUARY-FEBRUARY 2014</b>								
The balanced financial result, million rubles	4738.36	-5276.81	-1005.73	9735.33	2	4	3	1
in % to January-February 2013	82.1	-	-	124.3	2	4	4	1
Specific weight of unprofitable enterprises, %	41.8	38.06	37.07	47.74	3	2	1	4
Credit indebtedness at the end of February 2014, one million roubles	233681.03	668426.44	430147.74	261098.31	4	1	2	3
in % to the previous month	112.09	110.77	113.85	115.39	3	4	2	1
including overdue	6878.52	20525.34	15959.68	27578.43	1	3	2	4
in % to the previous month	114.73	119.68	113.08	122.76	2	3	1	4
Debit indebtedness at the end of February 2014, one million roubles	160789.53	639101.54	231561.22	427364.08	4	1	3	2
in % to the previous month	96.25	108.46	111.87	110.77	4	3	1	2
including overdue	15772.35	25118.17	34344.53	155833.26	1	2	3	4
in % to the previous month	103.95	87.56	114.07	115.28	2	1	3	4
<i>The average value of rank</i>	x	x	x	x	2.62	2.03	2.41	2.84
<i>Rank</i>	x	x	x	x	3	1	2	4

Source: data of the territorial agency of the Federal State Statistics Service for Stavropol Krai [www.stavstat.gks.ru](http://www.stavstat.gks.ru)

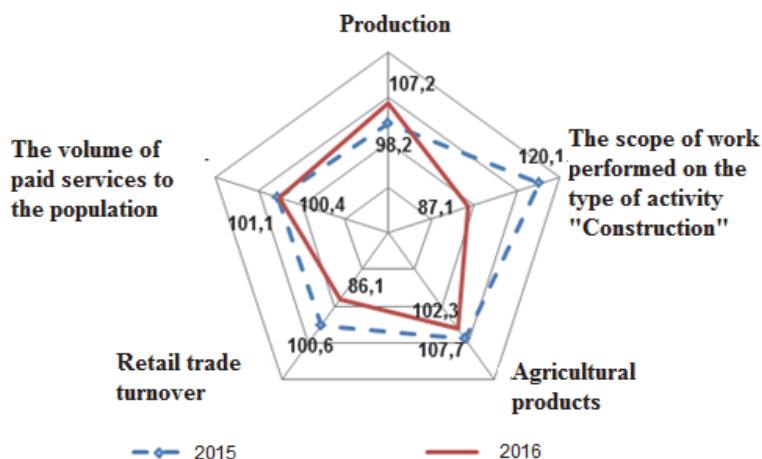
To assess the investment attractiveness, we chose the “method of ranks”. It consists in the fact that it is necessary to rank (order) the values of the studied indicators depending on the minimum value. So, for the lowest value of the indicator 4 ranks were assigned and 1 rank for the maximum. Then it is necessary to find the average value by adding the rank value for all indicators for each region, followed by dividing by the total number of indicators.

The final stage is re-ranking: for the lowest value is 4<sup>th</sup> rank and the maximum is 1<sup>st</sup>. To assess the investment attractiveness, the socio-economic indicators of the regions were selected, which, in our opinion, have the greatest impact on the investment attractiveness of the regions. Each indicator was ranked according to its nature and direction (4 is the worst value and 1 is the best).

Indicators of socio-economic status of Stavropol Krai indicate a sufficiently high industrial and agricultural potential. In the rating of socio-economic indicators, Stavropol Krai was ranked the third among the surveyed regions. Industrial, agro-industrial and resort-recreational complexes have been formed in the region, which under the new economic conditions, can and should make an important contribution to solving social and economic problems. Positive impact on the investment climate is provided by the growth of the basic indicators of production of goods and services in Stavropol Krai (Figure 2).



**Figure 2.** Change in key indicators of goods and services production in 2015 -2016. (in % to the corresponding period of the previous year)



The current investment legislation of the Russian Federation and Stavropol Krai allows us to separate financial and legal incentives for investment activities into the following types: a) standards-benefits; b) incentive standards; c) standards-declarations. According to the strength of the stimulating effect on the formation of the motivation of the subject of investment activity, benefits go to the first place, on the second and third, respectively, incentive standards and declarations.

As T.F. Kibizov noted, benefits exert a stimulating influence on the development of investment activity in various sectors of the economy, since the legal benefit provides a legitimate facilitation of the subject's position, allowing him to more fully satisfy his interests, expressed in the provision of additional, special rights (advantages) of investors (Kibizov et al, 2014). The applied standards-benefits in Stavropol Krai, which are financial and legal incentives for investment activity, can, in turn, be divided into the following types:

- tax benefits;
- investment tax credit;
- special tax treatment;
- budgetary appropriations;
- public budget loan;
- subventions and subsidies;
- budget investments, including investments in the authorized capital of existing or newly created legal entities;
- state and municipal guarantees.

In addition, the specified standards-benefits depending on the type of legal relationship can be divided into two types:

- standards-benefits, included in the tax relations, which are: tax benefits, investment tax credit, and special tax treatment;
- standards-benefits as a part of budgetary legal relations: budgetary appropriations, public budget loan, subventions and subsidies, budget investments, including investments in the authorized capital of existing or newly created legal entities, state and municipal guarantees.

These standards-benefits are financial and legal benefits, since they act as a legitimate facilitation of the subject's position, expressed in providing him with benefits through finance, in rela-

tion to other participants in economic activities. A generalized system of measures for state support of investment activities in Stavropol Krai is presented in Table 3.

**Table 3.** Measures of state support of investors in Stavropol Krai

<i>Forms of State Support</i>	<i>State Support Infrastructure</i>	<i>Tax Benefits and Preferences</i>
<ul style="list-style-type: none"> <li>- granting tax advantages to subjects of investment activity;</li> <li>- allocation of subsidies from the budget of Stavropol Krai to investment entities that implement investment projects;</li> <li>- the establishment of preferential rates of rent for the use of property owned by Stavropol Krai, in accordance with the legislation of the Russian Federation, the legislation of Stavropol Krai;</li> <li>- granting deferrals and instalments to pay taxes to investment entities;</li> <li>- placement of budgetary investments in development and creation of objects of external engineering infrastructure necessary for the implementation of the investment project;</li> <li>- granting investment tax credits to subjects of investment activity;</li> <li>- granting on a competitive basis of state guarantees of Stavropol Krai to subjects of investment activity;</li> <li>- provision of budgetary allocations of the Investment Fund of Stavropol Krai to subjects of investment activity</li> </ul>	<ul style="list-style-type: none"> <li>- State Unitary Enterprise of Stavropol Krai "Management Company of Investment Innovation Development of Stavropol Krai"</li> <li>- solving social problems by facilitating the organization of the investment process, the development of innovative activities and management of regional industrial, tourist-recreational and technology parks in Stavropol Krai;</li> <li>- State Unitary Enterprise of Stavropol Krai "Guarantee fund for supporting small and medium-sized businesses in the Stavropol Territory" – providing access to small and medium-sized businesses, organizations that form the infrastructure for supporting small and medium-sized businesses in Stavropol Krai, to credit resources through the creation of a system of guarantees;</li> <li>- Nonprofit Organization "Microfinance Fund for Small and Medium Enterprises in Stavropol Krai" – lending to small and medium-sized enterprises in Stavropol Krai;</li> <li>- Nonprofit Organization "Fund for the Promotion of Venture Investments in the Subjects of Small and Medium-Sized Enterprises in the Scientific and Technical Sphere of Stavropol Krai" – development in Stavropol Krai of the infrastructure of venture (risk) financing of small and medium-sized enterprises operating in Stavropol Krai, in the scientific and technical sphere, innovations;</li> <li>- Nonprofit Organization "Entrepreneurship Support Fund in Stavropol Krai" – rendering in the single window mode of a whole range of services aimed at promoting the development of small and medium-sized businesses;</li> <li>- business incubator of Stavropol Krai - support of small business entities at the early stage of their activity (up to three years), carried out through the provision of public holidays and the provision of necessary business services</li> </ul>	<ul style="list-style-type: none"> <li>- the reduction in the corporate income tax rate for: <ul style="list-style-type: none"> <li>a) 4.5% - for the payback period of the investment project;</li> <li>b) 2.5% – after the payback of the investment project;</li> </ul> </li> <li>- the reduction in the corporate income tax rate for: <ul style="list-style-type: none"> <li>a) 2.5 %, organizations investing in fixed assets in the territory of Stavropol Krai;</li> <li>b) 3.5% – when implementing capital investments in the framework of a particularly significant investment project for a total amount of 300 to 500 million rubles.;</li> <li>c) 4 % – when implementing capital investments in the framework of a particularly significant investment project for a total amount of 500 to 1,000 million rubles.;</li> <li>d) 4.5 % – when implementing capital investments in the framework of the implementation of a particularly significant investment project for a total amount of more than 1,000 million rubles.</li> </ul> </li> <li><u>For residents of regional parks:</u> <ul style="list-style-type: none"> <li>- a reduction in the corporate profit tax rate by 95% of the rental rate for the use of infrastructure facilities owned by Stavropol Krai;</li> <li>- exemption of organizations from payment of property tax located within the territory of the regional park;</li> <li>- preferential terms of connection to utilities;</li> <li>- exemption from land tax;</li> <li>- redemption of land on preferential terms;</li> <li>- provision of land without bidding;</li> <li>- registration of land plots within 45 days;</li> <li>- support of investment projects in the one window mode</li> </ul> </li> </ul>

Source: compiled by the authors using data on the official website of the Ministry of Economic Development of Stavropol Krai [www.stavinvest.ru](http://www.stavinvest.ru)

Analysis of the dynamics of sources of financing investment activities in agriculture demonstrated the priority of the loan as one of the methods for financing the renovation and modernization of the material and technical and technological base of agricultural production. The share of loans in sources of financing of investment activities of agricultural organizations at the end of 2016 was 43.6% (Table 4).

**Table 4.** Composition and structure of sources of investment in agriculture in Stavropol Krai

Indicator	2011		2012		2013		2014		2015		2016		2016 in % to 2011
	thous. roubles	spec. gravi- ty, %	thous. roubles	spec. gravi- ty, %	thous. roubles	spec. gravi- ty, %	thous. rou- bles	spec. gravi- ty, %	thous. roubles.	spec. gravi- ty, %	thous. roubles	spec. gravi- ty, %	
Investments in fixed assets of agriculture, total	9402028	100	8798986	100	9741419	100	11723015	100	12895317	100.0	14282176	100.0	151.9
Own funds	4347404	46.24	4629391	52.61	4813924	49.42	5544986	47.3	6099485	47.3	6082469	42.6	139.9
Including profit re-maining at the disposal of the organization	2267333	24.12	2675479	30.41	2886910	29.64	3059707	26.1	3385678	26.1	3466648	24.3	152.9
depreciation	1627969	17.32	1429277	16.24	1927014	19.78	2485279	21.2	2733807	21.2	2615821	18.3	160.7
Borrowed funds	4543934	48.33	3689553	41.93	4122362	42.32	5287080	45.1	5815788	45.1	6990262	48.9	153.8
Including bank loans	4068888	43.28	2620200	29.8	2951023	30.29	4802894	40.9	4983183	38.6	6232679	43.6	153.2
borrowed funds of other organizations	475046	5.05	1069353	12.15	1171339	12.02	484186	4.1	832605	6.5	757983	5.3	159.5
Budgetary funds	351322	3.74	264700	3.24	121375	1.25	890949	7.6	880044	6.8	906445	6.3	258.0
Including the federal budget funds	335176	3.56	269276	3.06	111600	1.15	57912	6.5	63703	0.5	65614	0.5	19.6
budgets of the RF subjects	14436	0.15	14009	0.16	7571	0.08	187568	1.6	206325	1.6	212515	1.5	1472.1
local budgets	-	-	1415	0.02	2204	0.02	35169	0.3	610016	4.7	628316	4.4	x
extrabudgetary funds	-	-	30131	0.34	5682	0.06	46892	0.4	51581	0.4	53129	0.4	x
Other	159254	1.69	165211	1.88	678076	6.95	492367	4.2	48419	0.4	249871	1.7	156.9

Source: data of the Ministry of Agriculture of Stavropol Krai [www.mshsk.ru](http://www.mshsk.ru)

From the data presented above it follows that direct investments from the federal and regional budgets in the fixed capital of agricultural enterprises since 2011 have no significant effect on the growth of production volumes. Therefore, the deficit of own sources of funds forces the agricultural enterprises to cover current costs mainly due to late repayment of accounts payable, which gradually begins to acquire the nature of the main source of stock formation. At the same time, it should be noted that in order to cover current costs, along with own sources, agricultural organizations in the conditions of the economic crisis, it is necessary to attract borrowed sources, in particular short-term bank credit. In our opinion, this is primarily due to the fact that interest rates on bank loans remain high and many agricultural organizations are not creditworthy.

Meanwhile, in view of the fact that financing activities only from own funds is not always profitable, especially in those cases when production is seasonal (especially if there are not enough own funds), the attraction of credit resources becomes regular. In addition, it is obvious that the gap between the need for funds for expanded reproduction and the amount of profit should be recovered from other sources, and primarily through bank loans.

## CONCLUSION

At the same time, it should not be allowed that the only sources of working capital formation in agricultural organizations are the bank's credit and accounts payable. The point is that if the organization's funds are created mainly at the expense of short-term liabilities, its financial position will be unsustainable, since short-term use capitals need constant operational work aimed at monitoring their timely return and attracting other capitals for a short time. Thus, to have one source of working capital formation - loans - in agriculture is economically impractical. The solution of the problem of the sources of the formation of material costs should finally be expressed in the establishment of economically justified limits for the participation of various types of sources (own funds, bank loans, accounts payable) in the reproduction process in general and specifically in the formation of working capital. At the same time, their rational use is very important.

Elimination of the above problems and the solution of the key task of the deficit of borrowed sources of financing investment in agriculture consist of an integrated approach to improving the credit and financial mechanism and creating a new investment policy aimed at adapting the modern model of investment in crisis conditions. First, it is necessary to mobilize extra-budgetary sources of investment financing, including those for the agricultural sector: project financing, grants for agricultural producers, factoring, forfeiting, venture capital, and investment tax credit, shareholding of limited liability companies or additional issue of shares in joint - stock companies.

Secondly, it is necessary to improve the process of lending to agricultural enterprises. For this, it is necessary:

- Reduce the interest rate on loans for agricultural enterprises. First of all, the Central Bank of the Russian Federation should reduce the key rate to the level of rates in developed countries, which will allow banks to reduce the rate on loans to agricultural enterprises to 5-6%. This will give a great impetus to the development of investment activities in the agrarian sector of the economy of Stavropol Krai, since loans are the main external source of investment for agricultural enterprises. An example is the decision to reduce the refinancing rate in the US and the European Union in 2008. In the conditions of the financial crisis, this positively influenced the small agribusiness in these countries. In the USA and the European Union, farmers were able to take loans 1-1.5% lower, pay off loans taken in previous years at higher rates, and the governments of these countries were able to quickly solve the financial problems caused by the global financial crisis in the real sector of the economy.
- Banks need to increase the collateral ratio from 0.5 to 1 for agricultural enterprises. Credit funds are still an uncontested source of financing, but the unsatisfactory financial condition of many agrarian organizations, inadequate collateral for the loan (with a coefficient of 0.5 to the

value of collateral), which banks require; the lack of a positive credit history makes it difficult, and in some cases makes it impossible to obtain bank loans.

- Banks should increase the number of offers of credit products for agricultural enterprises, taking into account the specifics of their production, including the seasonality. Currently in Stavropol Krai only Rosselkhozbank has credit products for farmers, in other banks credit products are offered to agricultural enterprises on general grounds with organizations of other sectors of the national economy. This, in our opinion, is unacceptable in the agrarian region, which Stavropol Krai is.
- It is necessary to change the existing system of subsidizing loans and increase the interest of banks in granting loans to agricultural organizations, up to the establishment of plans for banks to grant subsidized loans to agricultural organizations in Stavropol Krai. Unfortunately, in the agrarian sector of the economy there was a negative situation with subsidizing. The state funds allocated for the subsidy go to the support of unreasonably high bank lending rates and bring super profits to banks. Large banks borrow money in the interbank credit market at 6-9% per annum. Then they sell money to agricultural commodity producers at 15-18%, and they receive from the state 6-7% of compensation. In fact, the state supports ultra-high interest rates of banks and stimulates the promotion of inflation, and agricultural organizations are in a losing situation and suffer from high losses because of financial speculation of banks. It is proposed to use a different funding mechanism. Under a certain program, Rosselkhozbank takes funds from the state or foreign markets at 4-5% per annum and with a minimum profit for the bank issues loans under 6-7% directly to agricultural producers.
- The state should reimburse 20-30% of the direct costs to agricultural enterprises that received an investment loan for the implementation of large-scale investment projects with investments of more than 1 billion roubles.

It should not be allowed that the only source of investment in agricultural organizations is a bank loan. Have one source of working capital - loans - in agriculture is not economically justified. The solution of the problem of sources of investment should ultimately be expressed in establishing economically justified limits for the participation of various types of sources (own funds and external (borrowed)) in the reproduction process. We propose to use all sources of our own investments: retained earnings, cash accumulated in the depreciation fund, income from the deposit of funds of the amortization fund. The next proposal is direct the increase of the authorized capital to the income for land shares and dividends of shareholders and owners, to use to increase the capitalization of agricultural organizations and further for investment in agricultural production. To intensify investment activity by improving the lending process and using non-traditional external sources of investment.

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