



Regional Investment Policy: Analysis and Assessment of the Investment Environment State

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Received 11 June 2017 • Revised 23 July 2017 • Accepted 28 July 2017

ABSTRACT

The urgency of the problem studied in the paper is conditioned by the fact that stable functioning and development of economic entities, sectors of the economy, regions and the country cannot be carried out without investments. In the modern economy of the Russian Federation, whose conditions of existence can be called non-stationary, one of the problems is attracting investment resources into economic activity and overcoming the conditions for slowing and stopping the growth of the country's economy caused by external unfavorable economic circumstances. In connection with the foregoing, the policy of attracting and managing investments in the regions of the Russian Federation, with a view to ensuring conditions for overcoming the crisis phenomena and resuming the economic growth of the country and its subjects is of particular interest. The

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intensification of the state investment policy is a core prerequisite for the transition of the economy to sustainable growth. However, in economic market conditions the state is not able to solve this problem to the full. Therefore, the process of activating investment policy at the regional level is becoming topical. The purpose of the paper is to study the management and implementation of investment policy in the region on the example of the Republic of Tatarstan, the analysis and assessment of the investment environment's state. The leading method to research this problem is the statistical one, which is a method of quantitative analysis of a set of homogeneous facts that determine in the aggregate the transition of quantitative changes to qualitative ones. The paper presents the results of assessing the socio-economic development of the region, analyzes the indicators that allow characterizing the investment environment's state. The paper also presents the strategic priorities of the region's investment activities, analyzes the opportunities for their implementation in conditions of non-stationary state, and makes sound conclusions about the need to activate regional investment policies. The materials of the paper are of practical value for specialists dealing with the implementation of the investment policy of the region.

Keywords: region, investment policy, social and economic development, investment environment.

INTRODUCTION

In order to develop the economy at the national and regional levels, investment activities are carried out, for the regulation of which the state develops and approves investment policy. Investment policy, as a purposeful activity of the state in regulating investment activity, is carried out to achieve the established goals of the social and economic development of society.

For any country, the condition of stability and economic security is the ability of individual regions and the country as a whole to respond quickly to changing conditions of the external environment, to adapt their policies of social and economic development using tools for investment development of the economy. In this regard, regional investment activity is of particular importance for the development of the national economy, which largely determines the competitiveness of the country as a whole. Large innovation and investment projects implemented in the regions ensure the technological and innovative development of the country as a whole, which largely determines its competitiveness in the world market.

Today, in a non-stationary economy, competent management and improvement of the quality of investments are one of the necessary means to ensure conditions for an exit from the current economic crisis, structural shifts in the national economy, ensuring sustainable innovative development, and improving the quality of economic activity.

Legislative aspects of the investment development of the national economy are presented in the Law on Investment Activities in the Russian Federation, implemented in the form of capital investments [1], the region (exemplified by the Republic of Tatarstan) in the law on investment activities in the Republic of Tatarstan [2].

Analysis of the investment policy of the region was presented in the works of A.S. Khasanova & G.M. Kvon [3], G.M. Kvon [4], G.M. Kvon, F.G. Mukhametzyanova & I.R. Valiakhmetov [5], G.M. Kvon [6], N.M. Yakupova & G.R. Yarullina [7], T.V. Malysheva et al. [8], A.A. Lubnina et al. [9], L.G. Rudenko et al. [10].

MATERIALS AND METHODS

2.1. The study objectives

During the research carried out by the authors the following tasks were solved:

1) Analysis of the main indicators of the socio-economic development of the region in the dynamics (on the example of the Republic of Tatarstan) in order to determine the conditions for the implementation of investment policy.

2) Analysis of the investment environment of the region and the results of the implementation of the investment policy of the republic, determination of the rating of the region according to the data of well-known rating agencies.

3) Formation of conclusions on the results of implementation of the investment policy of the region in conditions of non-stationary state of the external environment.

2.2. Theoretical and empirical research methods

When writing the paper, various methods were used:

- statistical methods;
- per iodization method;
- comparative and retrospective methods;
- methods of analysis and synthesis.

2.3. Stages of research

The study of the problem was carried out in three stages:

at the first stage, a theoretical analysis of the existing methodological approaches in justifying the investment policy of the regions was made, the main indicators were identified that allow describing the socio-economic development of the Republic of Tatarstan;

at the second stage, based on the selected indicators, an analysis of the socio-economic development of the Republic of Tatarstan for the period 2012-2016 was carried out.

at the third stage, the indicators characterizing the investment activity of the republic were considered, the main directions for the implementation of the investment policy of the region were presented, the results obtained were summarized and systematized, and informed conclusions were drawn.

RESULTS

3.1. Brief description of indicators of social and economic development of the Republic of Tatarstan

In order to justify the possibilities for implementing investment policy in the region, a brief description of the main indicators of the social and economic development of the Republic of Tatarstan should be presented. As it is known [11]. The Republic of Tatarstan is located in the east of the East European Plain, at the confluence of the two largest rivers, the Volga and the Kama. It is part of the Volga Federal District, has an economic and geographical position, including in relation to the important raw materials bases of the Urals and Siberia, the agricultural regions of the Volga region, borders on eight regions of the Russian Federation.

The Republic of Tatarstan is also characterized by the advantage position because of its transport and geographical location, being situated at the intersection of core airlines, railways, road and river strategic highways of all-Russian importance.

From the point of view of administrative division, the republic consists of regions and cities of republican importance, the list of which is established by the Constitution of the Republic of Tatarstan. Districts consist of cities of regional importance, urban-type settlements and rural settlements with their subordinate territories, which constitute the primary level in the administrative-territorial system of the republic. Currently there are 43 municipal districts and 2 urban districts in the republic.

As indicators characterizing the socio-economic situation of the Republic of Tatarstan, the following ones are selected: gross regional product (GRP), GRP volume index, GRP per capita, population size, average annual number of employed in the economy, cash income per capita.

The indicators are considered in the dynamics (for the period 2012-2016) and are presented in **Table 1**.

Table 1. Basic indicators of social and economic development of the Republic of Tatarstan for 2012-2016.

Indicator name	2012 г.	2013 г.	2014 г.	2015 г.	2016 г.
GRP in basic prices, mln. rub.	1 437 001	1 551 472	1671397,00	1 788 579	1944100
Index of physical volume of GRP, %	105,5	102,4	102,1	99,6	102,5
GRP per capita, rubles.	376 907,1	405 069,9	434 509,1	462 316,8	501 400,0
Population size (at the end of the year), thousand people.	3 822,0	3 838,2	3 855,0	3 868,0	3 885,3
Natural increase in	9 063	10 266	9 559	10 416	11 000

population, people.					
Average annual number of employees in the economy, thousand people.	1 822	1 818	1 812	1 808	1 806,60
Monetary income per capita, rubles.	24 004	26 161	29 830	32 163	32 909,3
- real monetary incomes of the population, in% to the previous year	114	103	107	96	97,0
- money incomes of the population, in% to the previous year	119	109	114	108	102,3

According to the presented table, the republic is characterized by stable development, as evidenced by the growth of absolute values of the most important macroeconomic indicator - gross regional product (GRP). However, the period of dynamic growth decreased by 2014, as evidenced by such index as the physical volume index of the gross regional product, which characterizes the change in the volume of gross regional product in the current period in comparison with the basic one, i.e. it shows how much the physical volume of GRP has increased, while the effect of price changes is excluded.

The value of this indicator in 2015 was 99.6%. Since 2016 there has been an increase in the index (102.5%). The slowdown was caused by the general slowdown in the country's economy, caused by low commodity prices, particularly oil, and also which was partly influenced by the overall tense external economic environment.

The above described thought is shown in **Figure 1**.

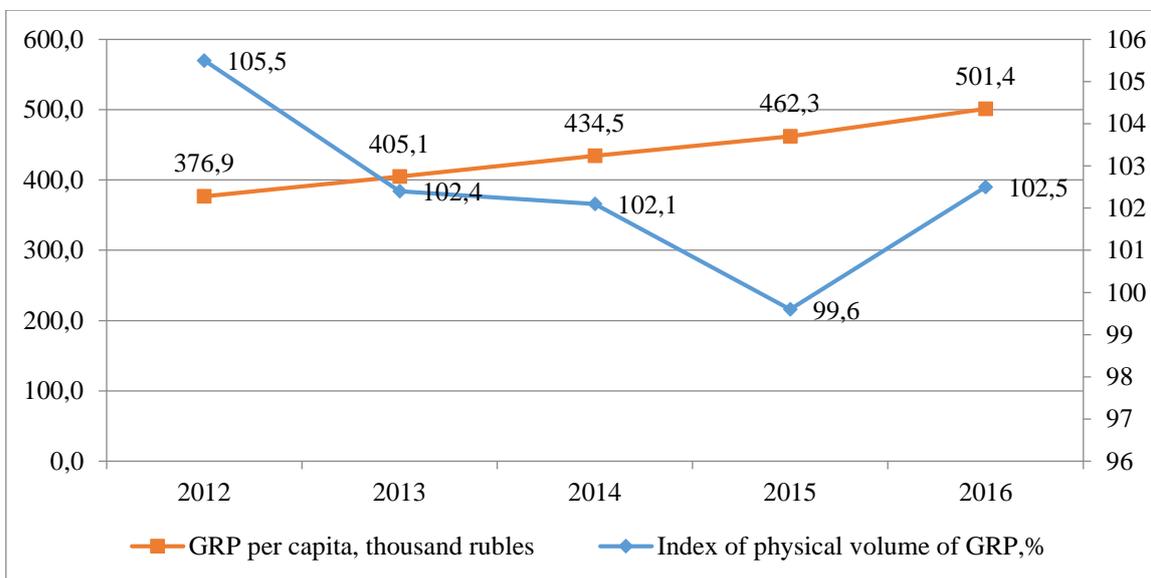


Figure 1. The main macroeconomic indicators of the region for 2012-2016.

The population of the republic for the period under study increased from 3.82 million people in 2012 to 3.89 million people according to the data of 2016. At the same time, the natural increase in the population size for the period 2012-2016 was 11 thousand people. However, the dynamics of the indicator of the average annual number of people employed in the economy is characterized by a decrease: during the studied period it was 15.2 thousand people - 0.83%.

The dynamics of the change in the number of the population size in the region is shown in **Figure 2**.

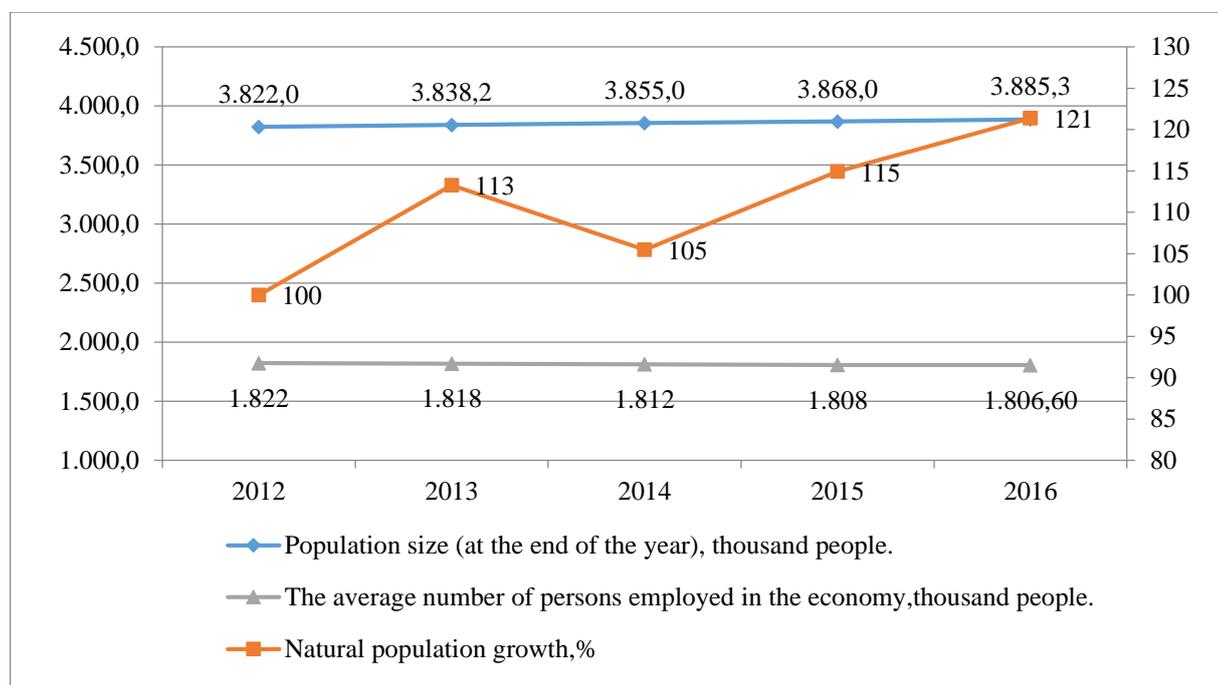


Figure 2. Dynamics of changes in the number of the population size in the region for 2012-2016.

One should consider the indicators that characterize the standard of living of the population. Nominal amount of income for the period under study is characterized by growth. Nevertheless, the dynamics of real monetary shows a decline. Comparison of real incomes in relation to the previous year in 2016 was 97% (**Figure 3**).

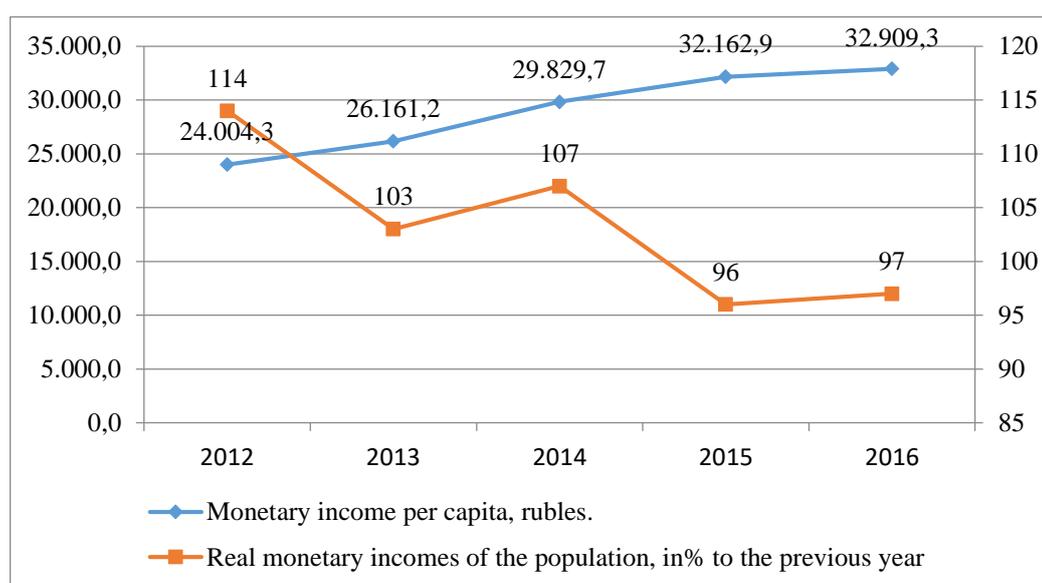


Figure 3. Dynamics of incomes of the population for 2012-2016.

The largest contribution to the development of the region's economy is made by the real sector. The oil-producing and petrochemical complexes have been created and modern oil refining production is being formed in the republic. Competitiveness of the republic is ensured by its subsoil: Tatarstan is the most important mineral and raw material region of Russia (oil, natural bitumen, mineral raw materials).

The Republic of Tatarstan has an extensive transport network, including all types of land, air and water transport. Due to the territorial specifics of the republic an increased role belongs to road transport and road infrastructure.

The structure of the republic's industry is characterized by a predominant share of processing industries (food production, production of petroleum products, chemistry and petro-chemistry, mechanical engineering, other manufacturing industries), in 2016 their share was 70.9% of the total production. The detailed structure of industrial production (%) is presented in **Figure 4**.

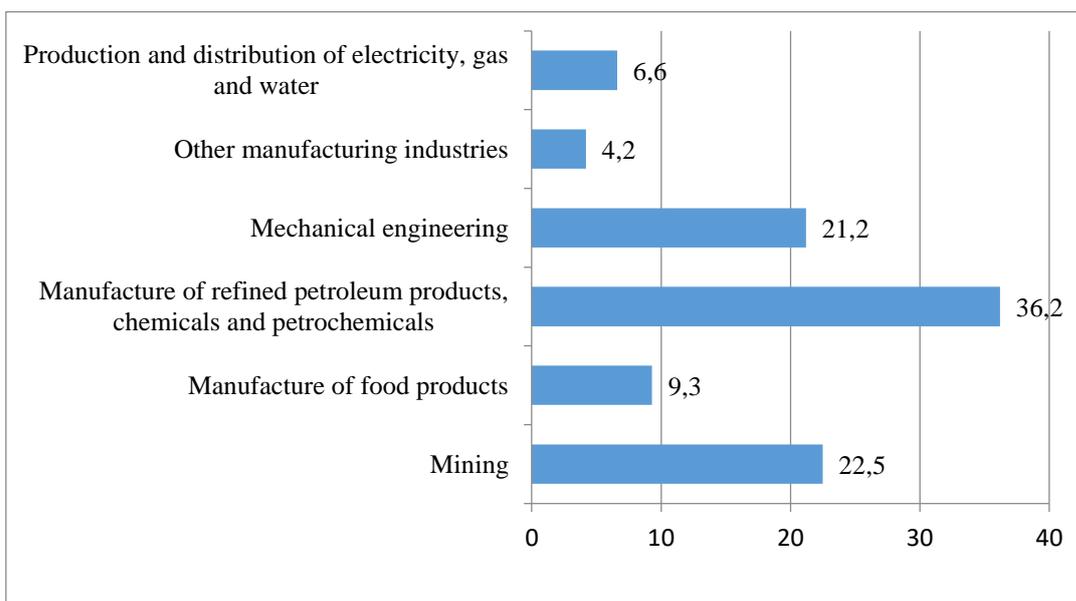


Figure 4. Structure of industrial production of the Republic of Tatarstan

In the Republic of Tatarstan, the positive dynamics of industrial production is observed, which was preserved and according to the data of 2016, at the same time there was an acceleration of growth rates relatively to previous years. **Figure 5** shows the absolute values of volumes of shipped products and indices of industrial production of RT in comparison with the same indicator for the Russian Federation.

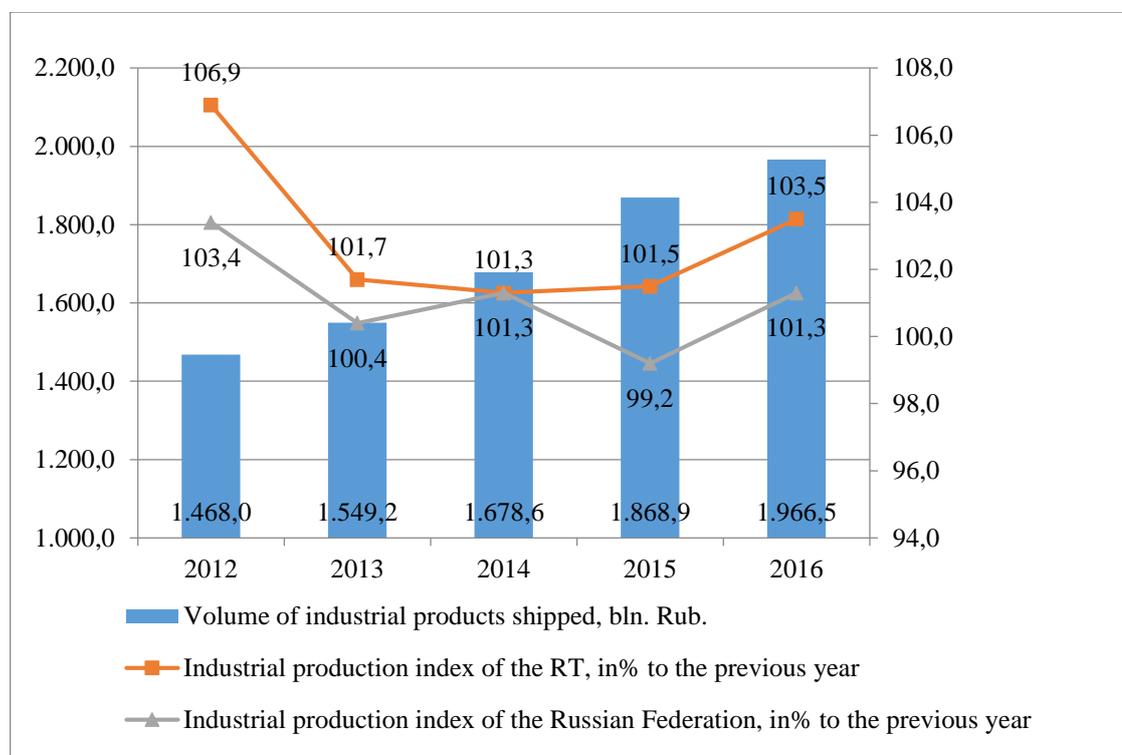


Figure 5. Dynamics of industrial production of the region for 2012-2016.

Thus, the economic and industrial policy pursued in recent years in the Republic of Tatarstan, creates a basis for increasing the share of the real sector in the economy, but one cannot fully talk about significant success in the formation of an innovative economy. In general, the level of socio-economic development of the Republic of Tatarstan, relatively to other regions of the Russian Federation, can be characterized as rather high one.

3.2. Implementation of the investment policy of the region

In the development of the Russian market economy, the role of the regional factor is growing. Innovative development requires the fulfillment of a number of conditions, criteria that must be met both by projects, programs, and strategies for the development of regions. The implementation of the innovative scenario for the development of the Republic of Tatarstan, presented in the "Program for the Development and Placement of the Productive Forces of the Republic of Tatarstan on the Basis of a Cluster Approach through 2020 and until 2030" [12], envisages the development of investments in core areas of the region's development in the field of industry, agriculture, social sphere, transport infrastructure.

In accordance with the Development Strategy of the Republic of Tatarstan developed in the region until 2030, core areas for the development of the Republic of Tatarstan until 2030 are determined, taking into account the perspective directions of the republic's development [13]. The core issues in the Development Strategy of the Republic of Tatarstan until 2030 are the issues of regulation of investment activities in the Republic of Tatarstan, as well as related activities.

According to the report on the activities of the executive bodies of the Republic of Tatarstan for 2016 [14] on the volume of the gross regional product, the republic ranks the 6th place among the entities of the Russian Federation, in agriculture and on the volume of investments in fixed assets – the 3rd place, in industrial production and construction – the 5th place. Over the past years, Tatarstan has been consistently among the most attractive regions for investment, which is due to a combination of high investment potential and low investment risk.

An important indicator characterizing the development trends of the real sector of the economy of the region is investment in fixed assets, the dynamics of which are presented in Figure 6. In 2016 according to Figure 6 642.5 billion rubles of investments in fixed assets was attracted for the development of the economy and social sphere in the Republic of Tatarstan. This is the maximum value of this indicator for the last five years. However, it should be noted that the trend of investment growth is falling due to the non-stationary conditions of the economy of modern Russia.

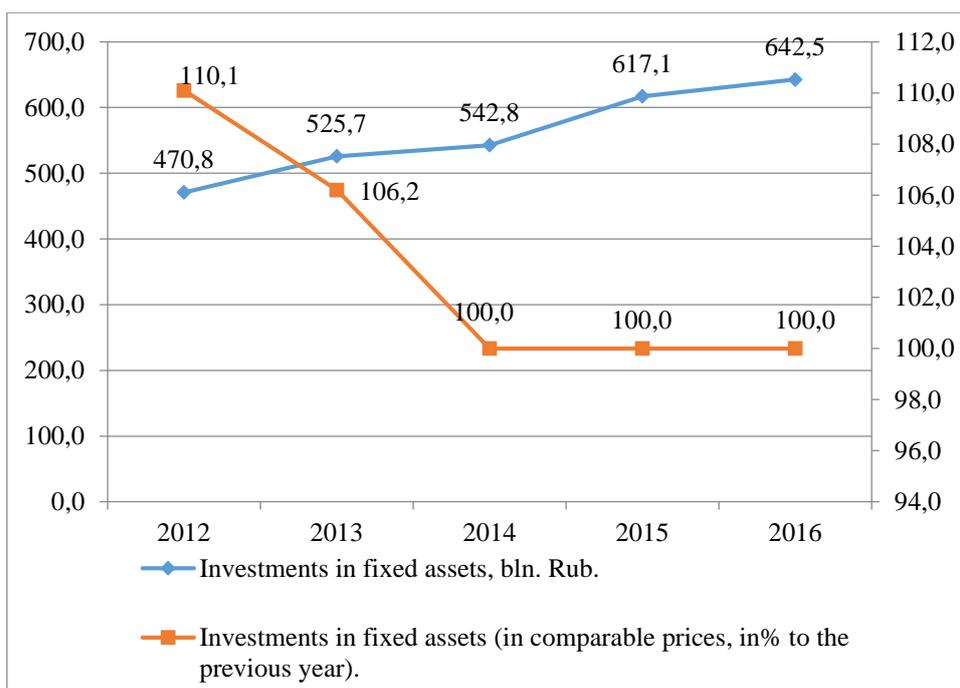


Figure 6. Dynamics of investments in fixed assets for 2012-2016.

The slowing down trend is also confirmed by the investment indicator in fixed assets as a percentage of the previous year, calculated at comparable prices. Comparable prices are the prices of a certain year or for a certain date, which are conditionally accepted for base when comparing the volume of production, turnover and other economic indicators in monetary terms for different periods.

The use of comparable prices makes it possible to exclude the effect of inflation on the dynamics of production volumes, indicators of profit, labor productivity, return on assets, i.e. on all indicators in which the value change in output is used. The investments in fixed capital calculated in comparable prices in the Republic of Tatarstan, according to **Figure 6**, for 2014, 2015 and 2016 did not show growth. For the period 2014-2016 the investment indicator in fixed assets as a percentage of the previous one in comparable prices was equal to 100% in each of the last three years. This suggests that real growth in investment in the Republic of Tatarstan is not observed, largely due to unfavorable conditions of the economy of the Russian Federation as a whole.

Nevertheless, for three consecutive years, the Republic of Tatarstan ranks first place according to the results of the National Rating of the Investment Climate of the Regions of the Russian Federation [15], developed by the Agency for Strategic Initiatives for Promotion of New Projects. Accordingly, the first place belongs to Tatarstan among the regions of the Volga Federal District.

Table 2 presents the top twenty regions of the National Investment Rating of the entities of the Russian Federation.

Table 2. Results of the National Investment Rating of the entities of the Russian Federation

Region	Place in the rating		Changing of the position (2017 to 2016)
	Assessment 2017	Assessment 2016	
Republic of Tatarstan	1	1	0
Chuvash Republic	2	6	4
Moscow	3	10	7
Tula region	4	4	0
Kaluga region	5	3	-2
Tyumen region	6	5	-1
Krasnodar region	7	7	0
Voronezh region	8	23	15
Moscow region	9	21	12
Ulyanovsk region	10	11	1

Tambov Region	11	19	8
Kostroma region	12	25	13
Republic of Bashkortostan	13	20	7
Lipetsk region	14	16	2
Vladimir region	15	8	-7
Rostov region	16	24	8
St. Petersburg	17	22	5
The Republic of Mordovia	18	17	-1
Ivanovo region	19	33	14
Leningrad region	20	34	14

The rating is based on the assessment of two years (2017 and 2016) and part of the regions according to 2017 data were not included in the "top", although according to the data of 2016 they occupied high positions. This refers to the Belgorod region (the result of the 2016 assessment is the 2-nd place) and the Krasnodar Territory (7th place), etc. Accounting for all regions in this table would lead to an extension of the list.

According to the assessment of RAEX, the largest rating agency in Russia, which, along with other ratings, conducts the "Rating of the investment attractiveness of Russian regions", the investment rating of the republic for 2016 is 2A, which, according to the agency's rating scale, means that the region has an average potential realized with minimal risk [16]. It is necessary to clarify that the rating is aggregate one and when calculated by the agency, the regions are distributed according to the rating of the investment climate, investment risk and investment potential.

In general, the agency's experts note the accelerated growth of almost all types of investment risks during the last three years. Although the risks of the Republic of Tatarstan are recognized as minimal, investment activity in the Republic of Tatarstan is currently slowing down, so it can be noted that one of the core areas of the region's investment management system is not being fully implemented. But the reason for it is the crisis conditions of the region's existence at the macro level and its natural dependence on the management of the economy and politics from the federal center.

In the direction of financing structural reforms, there are also a number of difficulties. First, due to the conditions of foreign policy instability and the sanctions imposed on the Russian Federation, at the moment, access to foreign capital markets is limited, both for

Russian enterprises and banks, and for organizations from the Republic of Tatarstan. This complicates the process of financing investment projects in the region and indirectly affects the increase in the cost of loans in general. This is confirmed by the data presented in **Figure 7**.

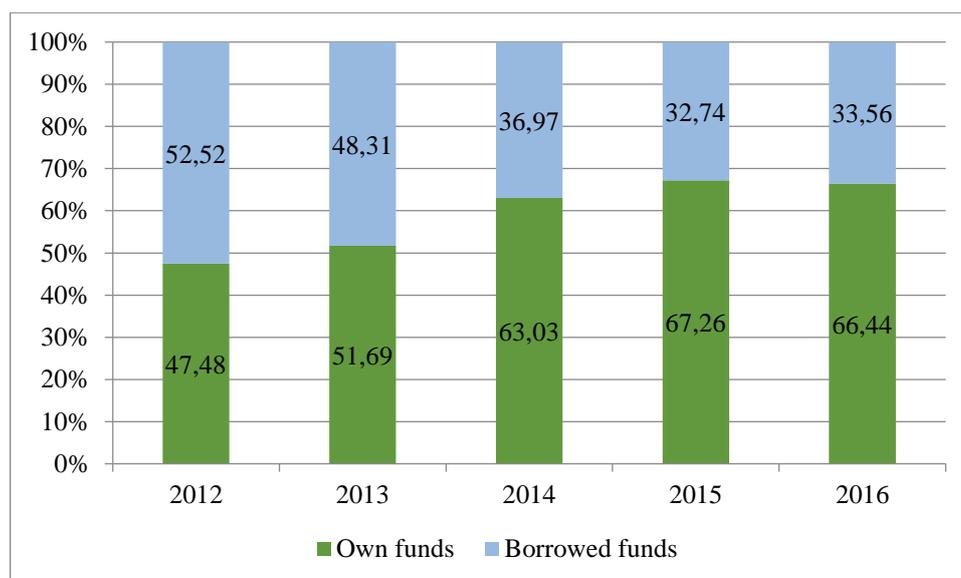


Figure 7. The share of own and borrowed funds in investments in fixed assets in the Republic of Tatarstan for 2012-2016.

The data presented in **Figure 7** show a decrease in the share of borrowed funds in the total amount of investments of enterprises of the Republic of Tatarstan. So in 2012 the share of funds borrowed in investments exceeded the share of own funds, but after 2013, there is a clear tendency to reduce the use of borrowed funds to finance investment projects. A small increase in the share of borrowed funds (compared to 2015) is observed in 2016. The share of budget funds accounts for 10.8% of investment out of the total amount of investments.

When analyzing investment activities, it is necessary to consider the structure of investment in economic activities (**Table 3**).

Table 3. Investments in fixed assets by types of economic activity, mln. rub.

Indicators	2015	Same in % %	2016	Same in % %
Investments in fixed assets - totally	617 180	100	642 494	100
Including by types of economic activity:				
-agriculture, hunting and forestry, fishing	18 214	2,95	29 397	4,58

- extraction of minerals	64 927	10,52	80 844	12,58
- manufacturing industries	259 838	42,10	233 574	36,35
- production and distribution of electricity, gas and water	28 059	4,55	45 693	7,11
- building	10 084	1,63	10 246	1,59
- wholesale and retail trade; Repair of motor vehicles, motorcycles, household goods and personal items	14 117	2,29	12 505	1,95
- transport and communication	48 937	7,93	76 166	11,85
- other	173 004	28,03	154 069	23,98

The analysis of investments in fixed assets by economic activities has shown that in the investment structure the majority (56% in 2016) belongs to the industry (mining -12.58%, manufacturing industries -36.35%, production and distribution of electricity, Gas and water - 7.11). Other activities (agriculture, construction, trade, transport and communications, etc.) account for 44%, respectively. The structure of 2015 showed that industry accounted for 57% of investments in fixed assets, other activities - 43%.

Also, one of the core aspects of investment management in the region is the amount of borrowed foreign investment.

To date, conditions and prerequisites for the activities of Russian and foreign investors have been formed in Tatarstan. Investment legislation guarantees the most favorable treatment for domestic enterprises and non-resident companies. At the level of the Government, a list of priority investment projects that require various measures of state support is regularly approved.

Tatarstan has a diversified economy that provides an extensive choice of directions for investment. Also, the infrastructure of the region contributes to the stimulation of investment activity. It includes: a special economic zone of the industrial-production type "Alabuga", a special economic zone of the technology-innovative type "Innopolis", technopolis "Khimgrad" and "Smart City Kazan", as well as several industrial parks, technology parks, business incubators and Investment and venture funds. Using these development institutions in the territory of the Republic of Tatarstan, it is possible to implement projects of different focus and complexity on fully prepared industrial sites.

Stimulation of investment activity and formation of a comfortable business climate are unshakable priorities of the economic policy of the Republic of Tatarstan. The most attractive

sectors for investors in the region are: oil refining, mechanical engineering, chemical and petrochemical industry [17].

Data about the foreign investment in the economy of the Republic of Tatarstan in 2012-2016 are shown in **Figure 8**.

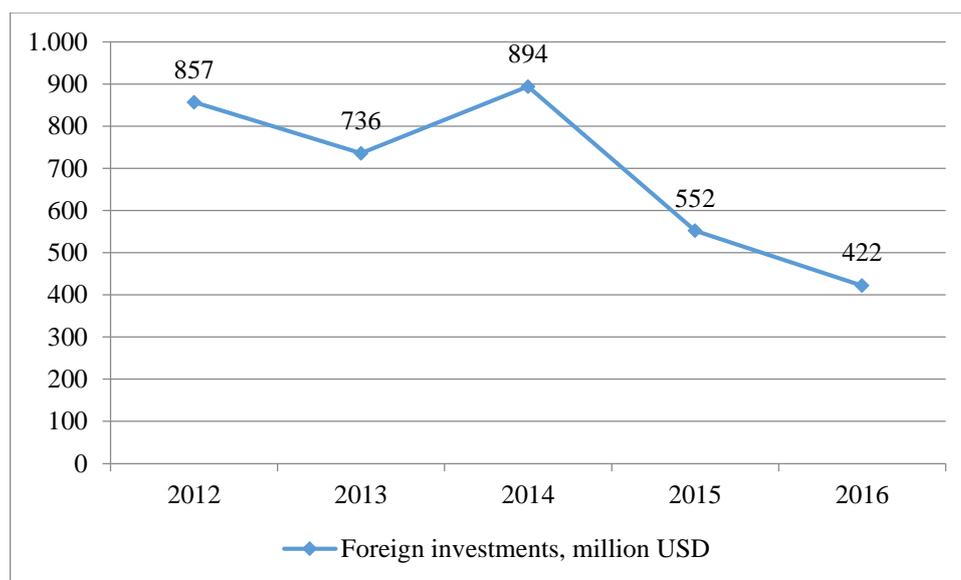


Figure 8. Foreign investment in the economy of the Republic of Tatarstan for the period 2012-2016, million US dollars

The data on foreign investment show that in recent years there has been a significant reduction in the gross amount of investment. So from 2012 to 2016 the outflow was 50.7%.

The most significant factor that served as the reason for this situation is the macroeconomic situation in the Russian Federation, caused by the conditions of the non-stationary economy, the external economic environment and tense foreign policy conditions. The latter ones became the reason for imposing sanctions on the Russian Federation, which in many respects scared away potential investors from the prospect of investing in the economy of the country as a whole and its entities, which is the Republic of Tatarstan, in particular.

However, among other things, the decrease in foreign investment activity in the Republic of Tatarstan and the decline in the whole world (the global volume of foreign direct investment reached about 1.52 trillion US dollars, that is, a decrease of 13% compared to the 2015 indicator took place), foreign investment in overall, according to the data of the Russian Federation in 2016 showed a significant growth. According to UNCTAD's report on monitoring global investment trends No. 25 [18], investments in the Russian economy increased by 62% in 2016 to \$ 19 billion, mainly due to capital investments in the sale by the state of 19, 5% stake in the oil company Rosneft.

With all available positive characteristics of the current situation of the Republic of Tatarstan and its investment management system, there are a number of negative factors already influencing the investment activity, or potentially capable of worsening the current

situation. In the conditions of non-stationary economy, the dependence of the economy on the price of hydrocarbons, the external economic situation, and the natural dependence of the economy of the Republic of Tatarstan on macroeconomic factors and all-Russian negative trends proved to be a constraining factor in the growth of the republic's investment activity.

DISCUSSIONS

The definition of investments and investment activity for Russia is specified in a number of legislative acts that are fixed legislatively by the approved administrative methods for implementing investment policy used by public authorities to ensure the practical fulfillment of the goals of the socio-economic development of the country and its regions, improvement of the investment efficiency, ensuring their security, reducing the risk of investment and the conditions for attracting them.

This is the Federal Law of 25.02.1999 No. 39-FZ "On investment activities in the Russian Federation, implemented in the form of capital investments" [1]. It defines the legal, social, economic conditions of investment activity, objects and subjects of investment activity, Law of the Republic of Tatarstan of July 18, 2005 No. 85-LRT "On Investment Activities in the Republic of Tatarstan". The effect of this law extends to investments in fixed assets, in the form of investments in new construction, the reproduction of existing enterprises, the acquisition of equipment in the territory of the Republic of Tatarstan [2].

The issues of managing investment processes in regional entities are considered by O.F. Bystrov [19]. Particular attention is paid to the problems of formation of investment portfolios, as well as to the rating assessment of the potential of the entity of the Russian Federation, depending on the level of investment activity.

Works of V.N. Livshits [20] are devoted to the reasons for the emergence and development of the crisis in Russia, the previously created deep and long-term systemic socio-economic, primarily investment crisis.

Investment management in the region is based on a clear definition of the objectives, principles and norms of investment, as well as the prioritization of objectives [21]. Clearly formulated and correctly chosen goals predetermine the later chosen financial mechanisms and investment channels. The issues of investment management, issues of their evaluation and financing are considered in the works of G.M. Kvon [22, 23], A. Sh. Khasanova & G. M. Kvon [3].

Ensuring the investment component of the development of the region is presented in the Strategy of Social and Economic Development of the Republic [13], which is aimed at ensuring the innovative component of the region, which in turn provides for the interaction of investment and innovation policies.

Conceptual models of the relationship between analysis, measurement and evaluation of the investment attractiveness of economic systems, as well as issues of integral evaluation of investment attractiveness are presented in the work of N. Yakupova. (Yakupova, 2010).

CONCLUSION

The analysis of the main socio-economic indicators and major investment programs of the Republic of Tatarstan showed a high level of development of the region and its investment component, relatively to other entities of the Russian Federation. As a whole, according to indicators characterizing the macroeconomic state of the country, the Republic of Tatarstan is one of the potential locomotives for the growth of the economy of the Russian Federation.

The region will continue its trend towards sustainable development, although there are signs of slowing and stopping the growth of investments in fixed assets. The main reason for this slowdown is the conditions of the non-stationary economy, which is characterized by the economic system, which has fairly sharp and poorly predictable changes in many macroeconomic indicators, the dynamics of which do not meet the normal economic cycle. Essentially, a non-stationary system is characterized by such conditions that are inherent in a crisis or post-crisis economic processes.

Management of investment activities in the region is carried out on the basis of federal and regional laws and by-laws. A significant factor to attract the investments in the region is the level of infrastructure development in the region. And the higher the level of its development the more favorable the investment climate of the region.

The analysis of the main indicators of the region's activity showed the possibility of further enhancing of the investment attractiveness of Tatarstan, which was also confirmed by the rating indicators of the republic. Based on the results of the National Rating of the Investment Climate of the Regions of the Russian Federation, presented by the Agency for Strategic Initiatives, the region will take the first position among 20 regions of the Russian Federation. According to the rating of the investment attractiveness of Russian regions, conducted by RAEX rating agency (Expert RA), it is established that Tatarstan's investment policy is implemented with minimal risk.

Thus, the investment policy which is pursued in the country is potentially capable of leading to an increase in investment activity in the region and overcoming the difficulties caused by the unsteady conditions of the economy of the Russian Federation.

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