

## **ANALYSIS OF THE ECONOMIC EFFICIENCY OF INVESTMENT PROJECTS IN THE MARI EL REPUBLIC**

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### **Abstract**

The article analyzes the reasons for the decrease in investments in the fixed capital of the Republic of Mari El. The structure of investments in the main types of economic activity, as well as in the context of sources of financing, is considered, the reason for their decrease is justified. Major investment projects are being realized or planned for sale on the territory of the republic with the participation of foreign investors, as well as implemented by the advanced enterprises of the republic. The impact of investments on the development of various sectors of the regional economy is estimated..

**Keywords:** investment, investment policy, investment attractiveness, region, small and medium business, the Republic of Mari El.

### **1. INTRODUCTION**

At the present time, not only its further development, but also the development of the whole country depends on how much the investment process is being developed in this or that region.

The Russian Federation has the form of a federal structure, so it is worth paying equal attention to the development of each of its subjects, since it is their multilateral development that will reduce social and economic differentiation, positively influence the increase in the level of development of the whole country and contribute to improving its position in the world arena.

Today, the problem of investment in the Russian Federation is acute. Many industries cannot develop successfully due to a lack of material and technical and scientific basis. This is largely due to the fact that foreign and domestic investors do not see the prospects for investing their funds in our country, are not sure about the worthy return and profitability of projects. This causes the leakage of capital abroad, which created more favorable and worthy conditions for investment. Therefore, we can say that the sphere of investment is one of the most important in the Russian Federation as a whole and in its regions and it is necessary to focus on its development.

## 2. RESULTS AND DISCUSSIONS

Attraction of investments is one of conditions for progressive development of the economy of the Republic Mari El. That is why the region pays serious attention to the formation of favorable investment conditions. However, according to the assessment of the investment attractiveness of the regions, given by the rating agency Expert RA in 2016, the Republic Mari El received a rating of 'insignificant potential - moderate risk (3B2)'.

At the same time, the Republic Mari El ranks first (108.3%) in terms of growth in industrial production, 2nd place (110.4%) in terms of rates Growth of production of agricultural products, 4th place (105.8%) in terms of growth in housing construction among regions of the Volga Federal District, in comparison with 2015 and 2014,.

The average annual growth rate of investment for 2001-2015 amounted to 112.3% in comparable prices, the average annual growth in the industrial production index for the same period amounted to 108.6%. The average annual growth rate of the gross regional product (GRP) for 2001-2014 is equal to 105.4%.

In addition, the Republic holds a leading position among regions of the Russian Federation in terms of the number of residents regularly engaged in physical culture and sports (in 2015, 35.5% of the population).

The industrial complex is the basis of regional economy, it includes more than 2.37 thousand enterprises.

Industrial production index in the Republic Mari El in 2015 amounted to 108.3% (1st place in the Volga Federal District), while in the Russian Federation generally this indicator was 96.6% (Figure 1). This indicator is higher than the one specified by the investment strategy by 4.3%.

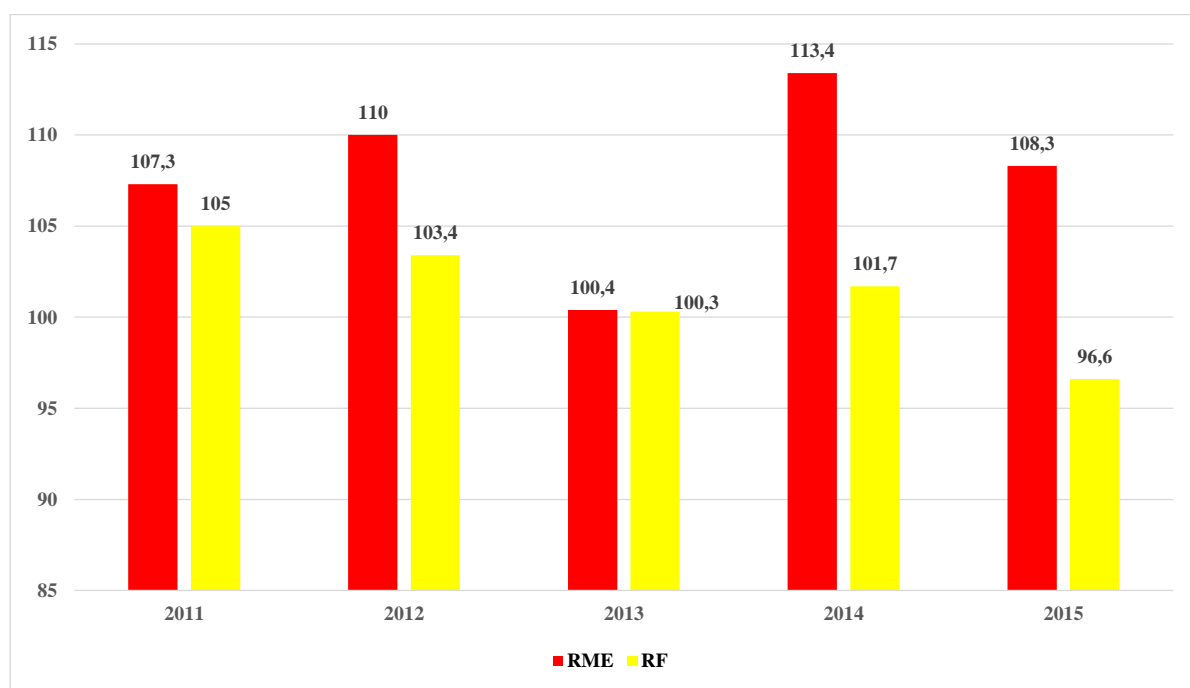


Figure 1- Comparison of industrial production indexes in the Republic Mari El and in the Russian Federation for 2011-2015

The volume of shipped goods amounted to 141.2 billion rubles, which is 21.9% more than in 2014.

The greatest growth in industrial production was provided by the enterprises of the republic: Mari NPZ LLC (1.8 times), Mari Machine-Building Plant JSC (109.2%), Mari Pulp and Paper Mill (107.1%), Krasnogorsky CAF (112.3%), OJSC Contact (116.3%), Potential LLC (112.4%), Volzhsky Electromechanical Plant JSC (151.9%), Krasnogorsky Plant Electric Motor Company (129.2%), OOO NPF Geniks (118.9%), Argus-Volga LLC (161.3%), ZAO Sernursky Cheese Factory (146.7%), Souvenir LLC (110.5%), Open Company "Printstyle" (158.4%), PJSC "Moven" (190.1%), OOO "Nata-Info" (177.8%) and others.

The volume of shipment of innovative goods, the performance of works and services by own forces in 2015 amounted to 10.3 billion rubles (growth rate of 108.3% by 2014). The cost of technological innovation

amounted to 807.6 million rubles (growth rate of 110% by 2014). The share of organizations of manufacturing industry, implementing innovative activities amounted to 11.5% (in 2014 - 11.3%).

Let us consider the investment attractiveness of certain branches of the economy of the Republic Mari El.

#### **1) Agriculture** (Ryzhova L. I.1, Nikolaeva L. V., Kurochkina N. V., Lebedeva M. E., 2015, pp. 119-127).

In 2015, the volume of agricultural production amounted to 49.3 billion rubles. 34.6% of the population lives in rural areas. 703.2 thousand hectares (30.1% of the territory) is the total area of agricultural land, that includes 435.5 thousand hectares (61.9%) and they fall on arable land. In the region there are 124 agricultural organizations, 249 - food and processing enterprises, 2038 - peasant farms, 133.8 thousand - personal subsidiary plots.

The volume of investments in the capital base of large and medium-sized agricultural and processing enterprises of the Republic in 2015 amounted to more than 11 billion rubles. [2].

Among regions of the Volga Federal District (PFD) and the Russian Federation (RF) for per capita production the Republic Mari El occupies: 1) the 1st place in the Volga Federal District and the third place in the Russian Federation for the production of cattle and poultry meat (417 kg); 2) the 1st place in the Volga Federal District and the 2nd place in the Russian Federation for the production of poultry meat (309 kg); 3) the 1st place in the Volga Federal District and the 5th place in the Russian Federation for the production of vegetables (252 kg); 4) the 2nd place in the Volga Federal District and the 10th in the Russian Federation for the production of potatoes (527 kg); 5) the 9th place in the Volga Federal District and the 27th place in the Russian Federation for milk production (272 kg) [4].

#### **2) Fuel and energy complex**

The electricity market of the Republic Mari El is operated by main electricity producers: branch of Mari El and Chuvashia, PJSC "T Plus", MUP "Yoshkar-Ola HPP-1", OJSC "Mari Pulp and Paper Mill".

The main grid companies are: PJSC Energia, Marienergo branch of IDGC Center and Privolzhye, Municipal Unitary Enterprise Yoshkar-Olinskaya CHPP-1, Volzhskaya Grid Company; Main distribution companies: PJSC TNS Energy Mari El, Oboronenergosbyt, Mezhregionenergosbyt, Rusenergosbyt, Magnitenergo.

The installed capacity of the main power plants on the territory of the Republic is 246.5 MW. In 2015, electricity production amounted to 924.1 million kWh, enterprises and organizations of the Republic consumed 2.6 billion kW. per hour.

Marienergo branch of IDGC in Center and Volga Region, JSC is implementing an investment program aimed at the reconstruction and modernization of power facilities, reducing losses in electrical networks and improving the quality and reliability of electricity supply to consumers. Since 01.01.2016 the Program of perspective development of electric power industry of the Republic Mari El for 2016-2020 is in force, which provides for the development of 35kW. and above networks.

#### **3) Small and medium businesses**

In small and medium businesses of the Republic Mari El, there is a positive dynamics of job creation by these economic entities. So, in 2015, small businesses created 439 new jobs (Figure 2).

The turnover of retail trade and catering increases every year. So, the turnover of public catering for 2015 amounted to 4.2 billion rubles (Shakirova R. K.; Kurochkina N. V.; Nikolayeva L. V., 2016, pp. 261-265). The share of tax payments to the consolidated budget of the Republic Mari El in the branches of "wholesale and retail trade, repair of vehicles", "hotels and restaurants" of the total tax revenue of enterprises amounted to 14.3%. New trade objects are opened; new formats of stores are used (hypermarkets, supermarkets, shopping centers, discount stores). The number of retail chains (Pyaterochka, SPAR, Magnit) is growing, and they are developing successfully. Dealer networks are also actively developing. In 2015 in the Republic of Mari El dealer dealerships Datsun and Geely were opened (Shakirova R. K.; Kurochkina N. V.; Nikolayeva L. V., 2016, pp. 228-233).

#### **4) Education**

The system of education in the Republic Mari El is formed by 600 organizations with 118.6 students. Educational activity is carried out by 3 higher educational institutions: FGBOU VO "Mari State University", FGBOU VO "Volga State Technological University", and ANO VO "Interregional Open Social Institute". Four multifunctional centers of applied qualifications have been created in the region to train specialists for

business. 44,1% of 9th grade graduates enter professional educational organizations. 65% of graduates of general education organizations enter the priority for the republican labor market professions and specialties.

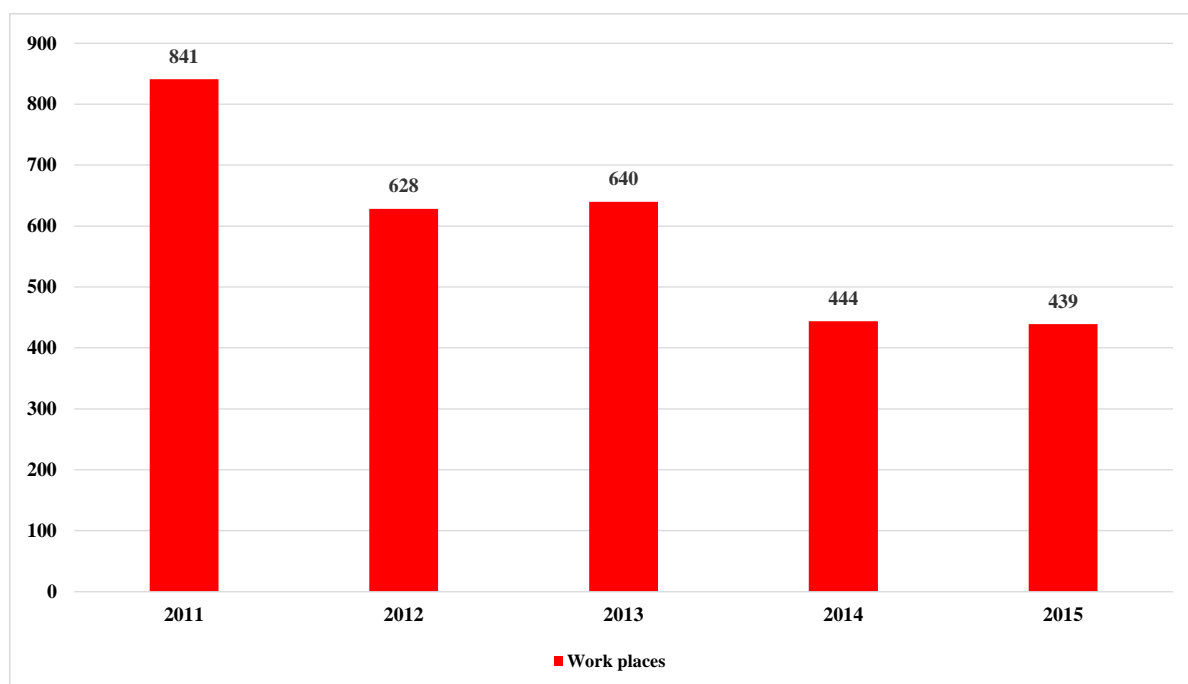


Figure 2 - The dynamics of job creation by small and medium-sized businesses, which received support in the Republic Mari El in 2011-2015.

In the Republic there are: 1) 6 scientific and educational centers on the basis of scientific schools, a techno park, a business incubator, a student design bureau, 8 small innovative enterprises, a botanical garden-institute, an experimental forestry, etc. at the Volga State Technological University; 2) the Center for High-Performance Computing, the Laboratory of Molecular Genetics, the Innovation Center, the Research Sector, etc. at the Mari State University; 3) 337 pre-school educational organizations with 37.8 thousand children; 4) 4 educational organizations of the Republic are included among the 500 best in the Russian Federation; 5) 9 general education organizations of the Republic are included in TOP-200 of the best rural schools in Russia; 6) 48 organizations of additional education for children 33,400 students. (33.6% of the total number of children); 7) 280 summer health institutions.

## 5) Foreign trade

The foreign trade turnover of the Republic Mari El in 2015 amounted to 495.7 million US dollars. The value of exports in 2015 increased by 1.8 times compared to 2014 and amounted to 411.3 million US dollars. Import fell by 42.2% compared with 2014 and amounted to 84.4 million US dollars.

The main trade partners of the Republic for export are: the Netherlands (29.2 of the total exports), Belgium (9.5%), the United Kingdom (6.2%), Italy (4.8%), the Republic of Korea (3.1% %), Tunisia (3%), Latvia (2.6%), Germany (2.5%), Kazakhstan (4%), Belarus (19%).

The main trading partners of the region for imports are: the Netherlands (22.9% of total imports), Italy (9.5%), China (8.4%), Belgium (8.3%), Germany (8.3%), France (4.9%), Argentina (3.4%), the Republic of Korea (3.3%), Spain (3.2%), the Czech Republic (3.2%), and Belarus (5.1%).

There is an active development of transport infrastructure, banking sector, insurance, communications, tourism, construction and architecture, physical culture and sports, culture and art, health and social services in the territory of the Republic Mari El. The region has created a comfortable environment for staying in city Yoshkar-Ola.

It should be noted that active support to investors in the Republic Mari El is provided by the Government of the Republic in the form of tax incentives and subsidies, ANO "Mari El Investment Promotion Agency", "Support Center for Export-Oriented Small and Medium Enterprises", "Regional Integrated Center - Republic Mari El", ANO "Business Incubator of the Republic of Mari El", "Chamber of Commerce and Industry of the Republic of Mari El", Microcredit Company" Entrepreneurship Support Fund of the Republic of Mari El. "

In general, it can be said that not all factors of competitiveness are favorable for the investment attractiveness of the region, but there are labor, natural-geographical, institutional reserves that are quite sufficient for successful development. In overcoming the crisis that the Russian economy is going through, a well-considered investment and innovation policy at both the federal and regional levels should play a crucial role.

### **3. ACKNOWLEDGEMENT**

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