Omar Z.T., Khanov T.A.**Investment potential of the Karaganda region: structure and development paths***Karaganda Economic University of Kazpotrebsoyuz
(Kazakhstan, Karaganda)**doi: 10.18411/lj-05-2020-105**idsp: ljjournal-05-2020-105***Abstract**

The investment potential of the region, on the example of the Karaganda region is considered in the article. The analysis of the initial information obtained from regional statistical sources is carried out. The most significant indicators that determine the investment climate of the region are considered in the course of the study. Various approaches to investment policy are studied and the positive experience of Singapore is given. According to the authors, a significant development of the region will be facilitated by an increase in investment in human capital. It is human capital that ensures the acquisition and accumulation of new knowledge, contributes to the implementation of innovations and their practical implementation.

Key words: investment potential, regional policy, development of production, innovation, human capital.

Аннотация

В статье рассмотрен инвестиционный потенциал региона, на примере Карагандинской области. Проведен анализ исходной информации, полученной из региональных статистических источников. В ходе исследования рассмотрены наиболее существенные показатели, определяющие инвестиционный климат региона. Изучены различные подходы к инвестиционной политике и приведен положительный опыт Сингапура. По мнению авторов, значительному развитию региона будет способствовать увеличение объемов инвестирования в человеческий капитал. Именно человеческий капитал обеспечивает получение и накопление новых знаний, способствует внедрению инноваций и их практическую реализацию.

Ключевые слова: инвестиционный потенциал, региональная политика, развитие производства, инновации, человеческий капитал.

To improve and increase the effectiveness of managerial decisions made by the regional administration, an important role is played by the study of the problems of accurately identifying regional socio-economic potential. Moreover, among the economic components of regional opportunities, the most significant is the investment potential, since it contains the prospects for the present and future growth of the regional economy are laid. In this regard, the development of the most appropriate investment policy, based on the exact parameters of regional development, is seen as one of the key tasks that must be constantly addressed and realized. Therefore, in the current conditions of global transformations, the role and importance of continuous monitoring of the existing investment potential, which is one of the leading factors in regional development, is growing.

For most economists, investment potential is seen as the aggregate opportunity of industry non-constant resources, which allows to increase the capital-labor ratio of labor and the ability of economic entities operating with reserves of these resources to provide sustainable economic income over time [1, p.91; 2, p.5].

Based on this provision, we can agree with the researchers O.G. Ulturgasheva, A.V. Lavrenko and D.A. Profatilov, who believe that regional investment potential is the combined ability of own and attracted to the region economic resources to provide, in the presence of a favorable investment climate, investment activity for the purposes and scales determined by the economic policy of the region [3, p.228].

In this regard, it is necessary to analyze the regional investment potential and identify the main development trends of the region. Such an approach will make it possible to introduce appropriate adjustments to the existing investment policy of the region, to obtain significant results and suggest ways for further development and improvement.

It should be noted that there are many methods for monitoring and analyzing regional investment potential. However, two main groups of methods are most often used.

The first is based on direct monitoring and a comprehensive analysis of the source information from regional statistical sources. This approach allows to identify the main trends in the development and use of regional investment potential [4, p.25].

The second is more complicated, it is based on economic and mathematical methods. This technique implies the construction of specific models for forecasting the development of the regional economy [5, p. 65].

However, we will dwell in more detail and pay attention to the first method of monitoring and analyzing investment potential using the example of Karaganda region. Since monitoring on the materials of a specific region allows to consider in more detail the most significant indicators from the list of analytical groups of source information.

The study uses the following groups of indicators:

- investments in fixed capital in absolute terms and their structure in relation to the own funds of enterprises;
- structure of the investments in fixed capital by sectors of the region's economy;
- ratio of investments in fixed capital of the production and non-production sectors;
- investments in fixed capital by ownership;
- share of the state sector of economy in the field of investment;
- investment attractiveness for foreign investors by industry;
- structure of extrabudgetary sources of financing investments;
- distribution of investments by sources of financing.

Monitoring and comprehensive analysis of these groups of indicators will provide the most realistic information on the current investment potential of a particular region. The results of monitoring of the given groups of initial information can be reflected in the form of visual diagrams and graphs.

Karaganda region - is the largest industrial region, which occupies a leading position of the Republic of Kazakhstan. The basis of the regional economy is industrial production. In 2018, the share of industrial production in the gross regional product structure was 47.9%. Industry is represented by the mining and metallurgical complex. The construction materials industry, light and food industries, pharmaceutical and chemical industries are also developed. Karaganda region is known for its mineral resource base. It is rich in large deposits of coal, lead, zinc, iron, reserves of copper and tungsten, as well as manganese and rare metals [6].

We believe that in order to analyze the investment potential of a region, it is first necessary to consider the main socio-economic indicators of the development of this region. That will give a more complete and detailed picture of the state of the analyzed region. A similar approach has already been used by individual authors to study the innovative potential of the region and predict its development [7; 8].

Figure 1 shows population of Karaganda region. As we can see, it has not undergone significant changes over the past 18 years. Its value ranges from 1 300-1 400 thousand people. Half of the population is employed. About 20% of them are industrial and production personnel. Starting from 2001 to 2013, the number of employed people in the region shows a positive trend. Having reached its peak in 2013 – 707 thousand employees, it begins its decline to the original figure [6]. Thus, the number of employed people in 2001 and 2018 is 654 thousand people each.

Figure 1 – Population and labor market indicators of Karaganda region

The number of industrial and production personnel, in contrast to the first two indicators, began to decline back in 2002. At that time, the indicator was 153 thousand people, while in 2018 it amounted to 108 thousand people, 17% of the total employed population. Also, it should be noted that the unemployment rate for the analyzed period decreased by 2 times. So, if in 2001 the unemployment rate was 9.2%, then in 2018 it was 4.6% [6].

Figure 2 shows the dynamics of gross regional product (GRP) and industrial production volume (IPV) of Karaganda region. The share of IP in the region's GRP is also shown. Over 18 years, the gross regional product has increased 13 times. In 2018, this figure amounted to 4 407 billion tenge. The volume of industrial production in this year amounted to 2 519 billion tenge – 47.9% of the total GRP. Both of these indicators tend to increase. The line of industrial production volume is markedly similar to the line of GRP growth. There is a clear and significant relationship between the two indicators, especially between 2001 and 2007. During this period, the share of IPV in GRP reached up to 86%. Since 2008, the share of IPV has declined, almost halving to 46%. However, in the last three years, there has been an increase in the share of IPV in GRP to 57% for 2018. Despite the fact that GRP volumes continue to grow. There is no doubt that the role of the industrial sector in the development of Karaganda region is obviously great.

Figure 2 – Ratio of gross regional product and industrial production volume of Karaganda region

However, over the past 10 years, certain changes have taken place in the region – small and medium-sized businesses and services have started to develop actively. All this has led to a decrease in the share of industry in the volume of GRP and the growth of other important sectors of the economy. However, in addition to industry, the volume of GRP shows growth mainly in the sectors of trade, transport, construction and agriculture. Meanwhile, it should be noted that the share of education and health care is small, among other industries they fall under the category of other services. In total, it makes up about 20% of the total GRP.

Figure 3 shows the dynamics of the main indicators of industrial production development in Karaganda region. It is seen that the main growth in industrial production volume is due to the growth of the manufacturing industry. Both graphs show the same relationship as GRP and IPV. Thus, Karaganda region's GRP is more dependent on the manufacturing sectors of industry. In particular, mining sector of industry accounts for about 14% of the total volume, slightly ahead of the indicator of electricity, gas, steam and air conditioning. These indicators were almost on par with the indicator of mining industry until 2012. Then their growth slowed noticeably. The smallest share is taken by water supply, sewerage system, control over the collection and distribution of waste only 0.02% of the total volume of industrial production.

Figure 3 – Dynamics of the main indicators of industrial production development in Karaganda region 2001-2018

Analysis of the data presented in Figure 3 shows that income from industrial activities has increased 6 times over the past 18 years. In 2018, this amount amounted to 325 billion tenge. The dynamics of industrial activity income directly depends on the volume of industrial production. When production falls, so does revenue. For example, we see this trend in 2009. There was a decrease in production by 1.2 times and a decrease in revenue by 1.8 times compared to the previous year. In 2013 and 2014, a similar trend is observed. However, the overall production during this period showed an upward trend, due to an increase in the

production volume of the mining industry. In the next year, all indicators fell, and the loss from industrial activity amounted to 94 billion tenge.

Next, it is necessary to proceed to the direct analysis of investments in the Karaganda region. Thus, Figure 4 shows the dynamics of investment in fixed capital by main types of economic activity in the period from 2001 to 2018.

Figure 4 – Dynamics of investments in fixed capital by main types of economic activity of Karaganda region 2001-2018

Figure 4 shows the dynamics of investments in fixed capital by the main types of economic activity of Karaganda region. To illustrate the dynamics of investments in fixed capital, we identified 6 major industries with the highest rates. As can be seen from the figure, industry occupies a large share of the total investment in the region. Also, here the volumes of GRP are repeated, the priority of industry in the investment policy of the region is confirmed. This is followed by investments in transport and warehousing, large investments in real estate operations. Investments in these two areas have been at approximately the same level for 11 years. Since 2012, investments in transport and storage have increased significantly. In 2013, they reached their peak, accounting for 37% of the total investment. However, over the next four years, the figure fell sharply. In the past year, these investments have equaled investments in real estate operations, showing a slight increase. The smallest share of the total investment is allocated to the development of education, agriculture and construction. The indicators of these areas are so small that they occupy up to 0.03% of all investments.

Figure 5 – Investments in fixed capital by ownership

Analyzing investments in fixed capital, you should also consider them by ownership. Figure 5 shows that the private ownership of investments is predominant. The increase or decrease in all investments is directly dependent on private investors. They are mainly large enterprises of the region, in the case of Karaganda region - industrial enterprises. Foreign ownership also contributes significantly to the investment climate of the region. At the beginning of the analyzed period, the indicator of foreign investments was on the same level as the indicator of private investments. But over the next years, the gap between these two indicators began to grow. In 2018, private investment accounted for 54% of the total, while foreign investment accounted for only 35%. State sector investments in the region at best does not exceed 16% of all investments.

As can be seen from the two figures presented above, regional policies set by local government agencies prioritize industrial development. The conditions are created for private and foreign investment in this particular industry, since it has a quick return effect. Which is very beneficial for many private and foreign entrepreneurs. At the same time, the development of other industries is slowing down. In our opinion, state should, firstly, increase the volume of investments, and secondly, create favorable conditions and incentives for investment in industries that are of the greatest importance to the population.

Undoubtedly, investment in the industrial sector of the region is very important, but is it possible to achieve a more efficient development of the region by investing only in tangible assets. Of course, new technologies and innovations can speed up the production process at times. The need for the development and implementation of innovations in the sphere of production and services to increase competitiveness, including by small and medium-sized enterprises, has already been repeatedly mentioned in the scientific works of foreign and domestic researchers [9; 10].

However, it should be borne in mind that even the most modern technological innovations cannot work without an appropriate qualified human resource. In addition, any technology is subject to physical and moral wear and tear.

Some researchers suggest using the potential and reserves of the stock market by optimizing and making these relations investment-oriented, considering the securities market to be an important factor activating the development of the economy of a particular region and the country as a whole [11, p. 75].

Despite the apparent attractiveness of this position, it should be noted that in Kazakhstan the securities market is not yet sufficiently developed, the population is in no hurry to use the tools of this financial institution. In addition, there is no reliable legal regulation [12, p. 88-89; 13, p. 63] and technical security of this sphere [14, p. 13; 15, p. 60].

In this connection, there is a high criminogenicity, expressed in unlawful actions and with both insider and other important information [16].

Therefore, investing in the securities market in Kazakhstan is fraught with high risks and does not always contribute to the development of the regional economy.

In our opinion, the most successful development of the region's industries can be achieved by increasing investment in human capital. Since all technologies and innovations were created precisely by people. Investing in human capital is a costly and lengthy process that does not give a quick result. Despite this, many economists have proved the positive effect of the impact of investment in human capital on the development of the country's economy [17; 18]. In particular, economists Claude Diebolt and Ralph Hippe, have shown in their work that the historical formation of human capital is largely associated with the current economic prosperity in European regions [19].

It should be noted that positive results from investing in human capital remain for a long time, providing incentives for the further development of the region and the influx of new investments. Therefore, regional policy makers need to implement a human capital development strategy if they want to accelerate economic growth. Since, it is they who are most interested in the development of the economy of the region and the country in the long term. And they should do this, taking into account, first of all, national interests.

A person is able to create new intellectual ideas and related knowledge. However, investing in human capital is necessary starting from the fields of education and healthcare. Since a highly educated and healthy professional helps to improve the quality and productivity of labor in all types of economic activity. Thus, investment in human capital can give a more productive result and high efficiency of economic development.

In this context, opinion of the American economist Theodore Schultz should be mentioned. In his writings, he investigated the reason why post-war Germany and Japan were soon able to restore economies of their countries. Schultz believed that the rate of recovery was associated with a healthy and educated population. Education makes people more productive, and good health care saves investment in education and makes it possible to produce. One of Schultz's most important contributions to science is the Theory of Human Capital, in the 1980s it initiated vigorous activity to motivate investments in vocational and technical education. [20].

The same can be said about Singapore, which led the list of countries by the human capital index in 2018. Singapore took first place from 157 countries, surpassing South Korea, Japan and Hong Kong in second, third and fourth places, respectively. Country provides one of the most favorable regulatory environment for local entrepreneurs and is one of the most competitive economies in the world. Singapore's efforts to invest in human capital enable new generations to realize 88 percent of their future productivity potential, given that they are fully educated and in good health. [21].

In 1965, when Singapore proclaimed its independence, country's economy improved markedly. Government has made the issue of education a priority. Educational policy was developed in accordance with national economic policy and workforce planning. Government focused specifically on the development and promotion of quality education. Quantitative indicators for the education system were not taken into account [22].

Significant changes took place in the country in the early 1980s. Manufacturing sector was transferred to a capital-intensive process based on advanced technologies, total computerization of state institutions was carried out. A reform in education has been carried out. The emphasis was on innovation, research, and the development of students' creative abilities. An additional impetus to the computer industry was given by the placement of state orders and the acceleration of computerization of private companies. In addition, various preferential lending programs for small and medium enterprises are applied in Singapore. The state assists them in the selection of personnel, compensates up to 90% of the costs of their training and retraining. Foreign high-tech companies investing in research and development

receive a tax exemption for ten years [21]. So Singapore has moved from a low-income economy to a developed high-income economy.

Therefore, it should be taken into account that successful investment in the region largely depends on the correctness of the administration's activities. It is local authorities that can provide timely monitoring, assessment and analysis of the situation, with the aim of more efficient management of the final results of investment policy. And as world experience shows, there is an urgent need to invest in human capital.

Unfortunately, neither in Kazakhstan, nor in the Russian Federation, a holistic concept has been created to form a "knowledge economy". This is stated by a number of Russian scientists, pointing out the need for targeted investment in human capital and recognition of it as the main factor in the economic development of regions and the state as a whole [23, p.168; 24, p.143].

In this regard, the need to create a favorable investment climate, through the formation of clear legislative regulation of the conditions and procedure for investment activity, is an important component of successful modernization of the economy. The need for a clear legal regulation and consolidation of legislative conditions for investors has been repeatedly pointed out by individual authors [25, p.149].

Karaganda region has a high investment attractiveness due to its convenient location, the possession of a huge mineral resource base and human resources. The region is in second place in terms of its contribution to the country's GDP among the regions. The largest coal mining enterprises are located in the region, such as: ArcelorMittal Temirtau JSC, Kazakhmys Corporation LLP, ShubarkolKomir JSC, Saryarka Energy LLP, Satkomir Mining company LLP.

Karaganda takes the first place in the number of universities among the regions and the second place among all administrative units of the first level. 8 universities and 15 colleges are involved in the provision of educational services, in which highly qualified specialists of various industries are trained. The manpower of Karaganda region is famous for its professionalism and is willingly hired throughout the country.

Thus, there are necessary prerequisites for the formation of effective mechanisms for investing in human capital, which ensures the prospective growth of the region's economy. At the same time, a clear legal regulation of investment policy will be required, including through the establishment and regulation of incentive and preferential conditions.

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