



## Increase Innovation and Investment Attractiveness of Meso-Level Socio-Economic Systems

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### ARTICLE INFORMATION

Original Research Paper

Received Mar. 2019

Accepted June. 2019

#### Keywords:

innovative development,  
investment attractiveness,  
meso-level,  
business environment

### ABSTRACT

The article presents the institutional conditions identified by the authors of the real exit of the meso-level from the crisis management model to the innovation development trajectory, conditioned by the transition to a favorable innovation-investment climate (ability to develop, introduction of innovative products and implementation of competitive goods and services). The development of the Russian economy requires large-scale innovation transformations at all levels of the hierarchy.

In modern economic conditions, the formation of an appropriate level of innovation economy in Russia is due to the transition of meso-level economic systems to an innovative development path, which helps to identify effective innovation investment opportunities and their further application by one hundred percent. In this regard, in the framework of the study of the economic category of “innovation-investment attractiveness” attention has been increasing recently not only to the cross-country aspect, but also to the study of mesosystems within countries.

In our opinion, for the growth of the national economy of Russia there is a foreign trade with the participants by reducing barriers and risks for the development of entrepreneurial activity.

The article is of interest to researchers, specialists in the field of economics and management, teachers, analysts, graduate students, undergraduates and students of economic universities.

### 1. Introduction

The gradually interconnected problems of the reproductive formation and functioning of the regional economy, the formation and development of innovation investment activity and attractiveness in the meso-level

socio-economic systems in all its manifestations have been investigated increasingly in recent years in the economic literature.

The methodological foundations of regional studies, the regulation of regional policy and management, regional development strategies are considered in the fundamental works of Valentin S.D., Vvedensky V.G., Gaponenko A.L., Granberg A.G., Klimanova V.V., Leksina V. N., Polyansky V.G., Sulakshina S.S., Shvetsova A.N., Shniper R.I., Shtulberg B.M. and others.

Along with this, studies of the characteristics and areas of territorial development, sectoral aspects of the functioning of the regional economy, intergovernmental relations, differentiation and asymmetry of regions are carried out by Dudov A.S., Tyaglov S.G., Nerovnya T.N., Pashnanov E.L., Perov. G.O., Peshkova E.N., Taran O.L., Khristenko B.V. and others.

The problems of the essence of investment, investment activity and management, investment potential, risk and attractiveness of regions have been studied actively in recent years in Russia, including in the writings of Anshin V.M., Barda V.S., Blanka I.A., Velensky P.L., Veretennikov I.I., Vlasov V.M., Dragobytsky I.N., Zhdanov V.P. and others.

Innovation themes in Russia are at the stage of actualization and development. Inozemtsev V., Kuzyka B.N., Prigogine A.I., Sheko P., Shemyakina T.Yu., Yakovets Yu.V., Jansen F. consider in their works the conceptual questions of the essence of innovation, knowledge management, acceleration of scientific and technical progress and development of science, innovation activity, features and directions of formation of the relevant sphere and innovative management.

At the same time, in essence, the territorial aspects of innovation activity from the standpoint of the formation of a scientific and innovative system, technological policy and innovative priorities of the reproductive development of the municipal economy are only beginning to be investigated. These issues are discussed in the publications of Arkhipov A.Yu., Beketov N.V., Guriyeva N.K., Danchenko N.V., Yegorov N.E., Ivanov V.V., Oboimova N.T., and others.

## **2. Procedure**

Today, the realities for Russia are as follows: to maximize strategic thinking and perform a number of tasks from the Russian Development Strategy in full, and thereby strive for an innovative type of development, turning into a dynamically attractive country that can invent, produce competitive goods and services, optimize all business processes. This requires strict implementation of a number of measures of the socio-economic development strategy, primarily through the development of innovative investment activity. In our opinion, the innovative development of the Russian economy is impossible without large-scale innovative transformations, including social ones. Therefore, the key problem of the development of meso-level economic systems in the medium term is their transition from raw-resource-based to an innovative management model. We believe that only in this way can we overcome the critical gap in the level of development of various regions and municipalities within the participating countries. To do this, it is necessary both at the macro and at the meso-levels to ensure a high level and dynamics of identifying innovative opportunities in the participating countries by reducing the risks for innovations and their implementation in advanced production, communication and social technologies.

The results of the geo-information research in the republics of the customs union with Russia are presented. By identifying and analyzing a number of criteria and indicators for evaluating innovation and investment activities based on a rating evaluating (K. Schwab's methodology), the authors offered practical recommendations for increasing innovation and investment attractiveness by increasing innovation activity.

Based on the rating, we selectively investigated the qualitative and quantitative indicators for the development of innovation and investment of the four participating republics of the five members of the Customs Union, these are Armenia, Kazakhstan, Belorussia and Russia and identified opportunities and weaknesses that require additional close attention and careful monitoring by the authorities at all levels.

### **3. Results**

An important stage in increasing innovation and investment attractiveness is the concentration of efforts on the part of both federal and regional and local authorities, aimed at increasing innovation and investment attractiveness by increasing innovative activity at the top, middle, and entry levels by identifying optimal conditions and opportunities for innovative development internal and external environment, both of Russia and the EEU countries as a whole.

In our opinion, at all stages of production and in all areas of society, innovation is closely related to investment. Today, for Russia and subjects of the meso-economy, this problem is insufficiently worked out, which seems unacceptable when creating a national innovation system in Russia and the EEU member states.

### **4. Main part**

The meso-level as a socio-economic system is a part of the territory where external and internal communications function and develop, and there is also a dependence between enterprises and organizations located on it. At the same time, we propose to consider it as a subsystem of the socio-economic complex of the country and, at the same time, as a relatively independent part of it with a complete reproduction cycle, which has its own specifics.

According to the scientist E. Ilyenkov, the term “socio-economic system” represents an integral set of interrelated and interacting institutions (subjects) and relations regarding the distribution and consumption of material and intangible resources, production, distribution, exchange and consumption of goods and services (Dovlatyan G.P., Chercesova E.Y., Makeeva E. I., Oboymova N. T. 2015).

However, from the reproductive point of view, the separately considered meso-level is not a closed system. In our opinion, an objective socio-economic interest is the creation of effective employment for the population in order to improve the level and quality of life, as well as social protection, conducive to creating conditions for increasing innovation and investment attractiveness. And conducting research on vital activity and their results will allow for innovative changes by increasing economic and social efficiency.

For attractiveness and innovation and investment climate, it is advisable to identify innovative investment opportunities and their application. It can be said that if the meso-level develops effectively, then economic growth is observed, therefore, the level and quality of life of the population living in the area will subsequently improve.

Thus, there is a need to identify innovative opportunities that will contribute to the favorable promotion of the territory through activity. The development of innovation and investment attractiveness depends on the application of innovation and investment potential. It is impossible to achieve effective development of innovative investment conditions without attracting investors and, accordingly, investments and innovations, since the volume and effect of attracting investments into the economy of the meso-level directly depend on the degree of development of the investment climate and the availability of innovative projects. Control and implementation of reforms will strengthen ties and establish an innovative strategy through power, ultimately improving the state of the industrial, financial and business infrastructure. And the innovation and investment attractiveness will be determined by the presence of innovative projects and the required investments, which will be necessary for their further implementation. The presence of a favorable innovation and investment climate can be called a set of political, economic, legal, social, domestic and other potentials, with the help of which innovations themselves

develop and are introduced and, thus, there is a close relationship between innovations and investments. In our opinion, the above relationship will contribute to the formation and development of a favorable innovation and investment climate.

Let us consider the basic interpretation of the terms "innovation" and "investment", and define their close relationship (Dovlatyan G.P., Oboymova N. T. 2011).

The term "innovation" is the end result of innovation activity, embodied in the form of a new or improved product (service), introduced in regional and municipal markets and improved in the technological process (Revina A.S., Dovlatyan G.P. Nerovnya T.N. 2011).

The term "investment" is the investment of capital in various objects (instruments) of the economic activity of enterprises with the aim of obtaining profit, as well as achieving a different economic or extra-economic effect (Revina A.S., Dovlatyan G.P. Nerovnya T.N. 2011).

Let us examine a number of indicators based on the definition of the innovation index of four participants out of five: Russia, Armenia, Kazakhstan, and Belarus, which describe in detail the innovative development. The main indicators are institutions; human capital and research; infrastructure; development of the domestic market; business development, development of technology and knowledge economy; results of creative activity.

In tabular form, we reflected the places of the republics in the dynamics over 3 years from 2016 to 2018 in the world ranking from 138 countries (Schwab K., 2017–2018).

**Table 1**

*The place and role of innovation in the countries of the Customs Union based on the world ranking from 2016 to 2018 (compiled by the authors)*

<b>Republics</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Russian Federation	43	45	46
Armenia	60	59	68
Kazakhstan	75	78	74
Belarus	79	88	86

It follows from the table that each of the member states of the Customs Union occupies its place of honor in the world ranking. Thus, Russia occupies a leading position in innovation among the republics analyzed by us. Growth rates are observed in dynamics for a number of the above indicators. Russia has the potential and opportunities to increase innovation and investment attractiveness, and this is very important in the further strategic development. On the development of innovations, the Republic of Armenia has "points of decline", having decreased by nine positions. In our opinion, this is the influence of internal factors (change of power, etc.). Both Russia and Armenia have natural advantages, the correctly chosen strategy will further enable these countries to enter a new innovative development trajectory. For this there are a number of advantages under the Treaty of the Customs Union. Kazakhstan in terms of its performance over the past 3 years has been successfully developing in innovation attractiveness, having risen up by 4 positions. Belarus has critical points in innovation, despite its favorable geographical location and quality standards (86th place).

Studying indicators of direct foreign investments, we determined that this is a form of participation of foreign capital in the implementation of investment projects in the territory of the state-recipient of investments, which is a long-term investment of a foreign investor in manufacturing, trading and other commercial enterprises in order to obtain profits (Schwab K., 2017–2018). The basis of data on FDI in the economies of different countries is made

up of periodic issues of statistical reports of the Balance of Payments Statistics series of the International Monetary Fund (IMF), World Development Indicators of the World Bank, World Investment Report of the United Nations Conference on Trade and Development (UNCTAD), as well as annual economic reports of national statistical institutions, the data from which are accumulated by these international organizations.

We reflected the places of the republics in the dynamics for 2018 in the world ranking of countries in tabular form (Schwab K., 2017–2018).

**Table 2**

*The place and role of investment in the countries of the Customs Union based on the world rating for 2018 in the rating of 138 countries (Schwab K., 2017–2018).*

<b>Republics</b>	<b>DFI size (\$ million)</b>	<b>Rating</b>
Kazakhstan	4.654.21	48
Russian Federation	28.557.44	17
Belarus	1.276.30	82
Armenia	249.76	134

It follows from the table that determining the place and role of investments in four countries of the Customs Union based on the rating, we identified by comparative analysis the following: The Russian Federation is in the lead - 17th place, Kazakhstan - 48th, Belarus - 82nd and Armenia is in 134th.

Thus, to increase the innovation and investment attractiveness in the republics, we offer the following practical recommendations, namely: strengthening and control of all internal and external processes of innovation and investment activities by increasing business activity and the realization of existing opportunities; creation and control of a single technology center for the development of innovation and investment activities (government, scientists, entrepreneurs); stimulating and supporting the development of high-tech types production and innovation activities; development of the highest level (grant activity) and renewal of the capital base of firms engaged in key sectors of the economy; formation of innovative and investment attractive conditions for the entry into the meso-space of new brand companies and the sphere of intellectual services; development of an innovative unified strategy in the republic and regions, as well as control over its implementation.

We offer to conduct regular geo-marketing research from the established technological centers for the development and support of innovation and investment attractiveness. We propose to use strategic marketing planning as the main element. It can become one of the most important directions for modernizing the management of meso-level socio-economic systems during their transition to an innovative development path, which ultimately contributes to the identification of the most flexible "fields of management decisions." Having studied the "bottlenecks", you can not only identify possible risks, but also determine the likelihood of a risk situation and the amount of possible financial losses.

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