

# Formation And Investment Attractiveness Features In Agro Business Production In The Kyrgyz Republic

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## Abstract

This article is investigating formation and investment attractiveness features in agro business production in the Kyrgyz Republic. Investment activity issues in agro industrial production together with their organizational aspects, strategies for ensuring investment attractiveness and measurement methods in agro industrial production were considered. Quantitative measurement problems in investment attractiveness were discussed. The quantitative influence of factors affecting the investment attractiveness in agro industrial production determined in standard cases.

**Keywords:** Efficiency, support strategy, structure, factors influencing organization level, agro industrial complex, investing

## 1. Introduction

Agro industrial complex is a set of industries linked between economic relations in the sphere of production, distribution, exchange and consumption of agricultural products (Vinogradov & Denisova, 2015). Agro industrial complex is characterized by interconnection and mutual dependence and large share of development risk, depending on the nature of climatic factors of international situations, political and social situations. Modern agricultural sector in the Kyrgyzstan can be defined as a system in which both external and internal structures are existing together with their production, economic and trade relations.

Agrarian sector structure includes numerous peasant, farm enterprises, agricultural firms and cooperatives, etc., which have important role in agricultural activities development (Gyyazov, 2016). Agriculture refers to the ancient human activity in terms of changes in innovations and technological, agrotechnical methods, in comparison with other types of activity, remains steadily conservative (Gibadullin, 2016).

Analysis of the development dynamics of small and medium-sized entities entrepreneurship shows a steady growth in number of small business entities. The number of people employed in the small and medium-sized enterprises without peasant farm households in 2013 amounted to 87.7 thousand

people, or 3.9% of the total the number of people employed in the economy (Kyrgyz Republic National Statistical Committee, 2014; Zhantemirov, 2016). This is logical since activities in the agricultural sector are associated with both natural and climatic factors and a special regime for growing crops and animals (Raza et al., 2019).

The process of selling agricultural products is quite complicated procedure and regardless of political, economic and social structure in necessarily requires government intervention through established mechanisms and levels. Government support in this case is providing agriculture with various types of exemptions, searching for products sales channels, government incentives, various types of product purchases, strategic types necessary in a market system management (Ubaidullaev et al., 2022b).

Agro industrial sector in Kyrgyzstan is one of main links in economy resulting in certain shifts on the part of the government support of this industry. Targeted and full-scale production of agro industrial production still guarantees that business entity has achieved the intended goal, the main direction in the enterprise next stage should be action associated with effective implementation of products (Ubaidullaev et al., 2022a). It is necessary to strengthen marketing service action in enterprise support from the government side. Agro industrial complex enterprises performance and effective implementation of manufactured products in the future, an important influence on crop yields provision in modern farms from one hectares of land shown in Table 1:

Table 1. Agricultural crops yield in farms of all categories from 2016 to 2020 (Kyrgyz statistical committee, 2021).

Crop	2016	2017	2018	2019	2020
Grain (weight)	30.7	30.6	31.3	32.1	32.3
Sugar beet (factory)	623.2	411.6	475.4	514.8	533.9
Raw cotton (weight)	31.4	31.8	32.4	32.8	33.4
Potato	166.3	168.0	168.8	171.3	171.8
Vegetables	194.4	194.8	197.6	198.7	200.1

Source: <http://www.stat.kg/ru/publications/sbornik-kyrgyzstan-v-cifrah/>

## 2. Research methods and materials

In this work strategic approach to ensuring investment attractiveness including measures for scientific forecasting, medium-term planning of industries activity, complexes, sectors of the economy, companies, and firms was performed. In territorial context, this strategy is associated with development of regions, individual territories and country. Agro industrial production due to its specificity related to both

spatial division and the sectoral principle of production organization.

In methodological terms, investment attractiveness can be assessed in detail only with the help of quantitative characteristics. According to the scheme developed by authors, investment attractiveness include following components: a) potential volume of demand for investments; b) calculation of economic efficiency of investments; c) strictly established order and consistency of investment activity.

## 3. Results and discussion

Considering that the nature of investment resources use is significantly different from credit resources, it is necessary to conduct investment attractive demand from different positions in field of attraction and use of investment resources. Financial system formation and construction of financial relations between its elements is primarily relationship between individuals (Shukhov, 2008). Investment demand is set out in projects and business plans and only beginning of investment activity (Fomina & Eremenko, 2017). In order for the latter to be attractive and fruitful, it is necessary to create appropriate conditions, among which an important place occupied by the fate of products or services that have been created with the help of investments in the market. This is understandable, since the benefit of receiving from investment activity depends on it.

The transition from qualitative to quantitative assessments requires a special procedure of a mathematical nature, since all problems classified into several types according to possibility degree structure: not structured; weakly structured; normally structured; standard (Stafford, 1965).

The content side of investments is newly created, modernized, fixed and working capital in all industries and areas, securities, targeted cash deposits, scientific and technical products, other property, as well as property rights and intellectual property rights. It is prohibited to invest in objects, creation and use of which does not meet requirements of environmental, sanitary, hygienic, and other standards established by law or damages the legally protected rights and interests of citizens, legal entities and the government.

However, this is not the case, since investor invests in a particular business in form of products or services that will be goods sold on market. It is in the market in which forms of ownership, buying and selling are changing. At the same time, the fact of purchase and sale serve as the starting point for the return with interest on investments. This circumstance, despite the various measures of responsibility

between the manufacturer and the investor, when the manufacturer bears a greater responsibility, and the investor is less or only moral, is decisive, since the actual results of investment activities are summed up in the market.

Since investments including agro industrial complex are tend for economic growth, it is necessary to reveal mechanism of investments action. According to the classical economic theory researchers such as A. Marshall, A. Pigou, L. Volras and others, the investment action occurs through the main factors of production as labor, capital, land, in the process of performing a production function. At the same time, in their opinion, the production function performed with elasticity equal to 1 can be determined according to the following formula:

$$Y = F(K^a * L)^{1-a} \quad (1)$$

where, Y is national income or final social product, K is capital of fixed assets value, L is labor resources, a is elasticity coefficient.

Resources used in the production process are generally divided into three categories: 1) fixed assets, 2) working capital and 3) circulation funds. These funds in natural-material and cost form are presented in form of economic activity factors (industrial, commercial, for the provision of services), and the relationship between factors introduced into production process and the output of products expressed by production function equation:

$$Y=F(L, K) \quad (2)$$

here, Y is products output volume; L, K are different combination of extensive (L) and intensive (K) production factors.

The main entrepreneurial activity goal is to make a profit. In turn, profit maximization is the optimization of various types of incomes, which can be estimated as following:

$$\text{Total income: } V I (B) = P * Q \quad (3)$$

$$\text{Marginal income: } MI = \frac{\Delta I(Q)}{\Delta Q} \quad (4)$$

$$\text{Average income: } AI = \frac{I(Q)}{Q} \quad (5)$$

Meanwhile, market results influenced by many factors, but not all are interesting to investor. For example, infrastructure condition on which the transportation or storage of agricultural products depending on the investor should not be of interest, since his investments are spent for other purposes. For that reason, investor should be interested in such moments as the market capacity, the population purchasing power, established habits and traditions of consumption, international relations and so on.

Concerning food products, the most part of which are goods from agro industrial sector, it can be said that Kyrgyzstan with a population of 5.2 million people, 40.0% of which are children, and 10.0% are elderly people according to international brands market, capacity is considered as small.

As for agricultural products entry to the foreign market, in recent years it has been accompanied with great difficulties for various reasons. Firstly, there is a low competitiveness of finished food products. Therefore, in terms of specific weight, raw materials prevail in exports. All of the above is a serious brake on invested agro industrial production on the foreign market, in recent years accompanied by attractiveness. Sometimes to these difficulties are added barriers in international trade associated with political instability that took place in a number of cases.

Historically, desire to invest is not always determined by investment demand and availability of specific projects, but often by general situation in the country and regions. A favorable environment is considered when investor rights are protected legally, politically and personally. This can be ensured with a stable situation in the country and its territories. Therefore, it is legitimate to talk about the need to create a stable atmosphere in republic to create social and economic development, as well as for a brighter future.

In the field of investment, initially it is necessary to design definition that ensures the investor's confidence that nothing unusual will happen with his investments, i.e. everything will be as agreed in the contractual obligations.

Investment attractiveness is provided not by one-time events or teams, but by the specific deeds of enterprises users of investments. Enterprise reputation in the market is determined in different ways, one of which is the financial position. Here arise question: does the enterprise have internal and external debts and what is its frequency and duration? Among the enterprise characteristics in terms of investment attractiveness, one can note dynamics of products enterprise competitiveness over a long period. With regard to the processing enterprises industry in the Osh region, a very abrupt situation should be noted due to the constant shortage of working capital, poor organization of marketing activities. At the same time, in Osh region, individual marketing activities perceived negatively. For example, in frequent advertising of a product, most people have an opinion that product is almost worse and useless.

The next area for investor interest is the partner's production technical level and the application of technology in the products manufacture. It is clear that a weak technical level of production or backward technology cannot create the necessary investment climate, since it will need a lot of money and time to bring technical and technological level of production into line with requirements of time. With backward technique and technology, such a situation cannot be solved.

Investment attractiveness, among other things is condition of management. Investment attractiveness is defined as feasibility assessment of investing in a particular object, choosing alternative options and determining the efficiency of resource allocation (Selikhova, 2016). Another definition for investment attractiveness can be formed as a set of objective features, properties, means and opportunities that determine potential payable demand for investment (Mizina & Subbotina, 2022).

Market management is not a strict observance of labor discipline and administrative, according

to which everyone knows his place, strictly adheres to subordination hierarchy, please the authorities at any cost, etc. Modern management is management for achieving the goal, mobilizing the entire team in the direction of achieving efficiency, taking into account the interests of each and all constituent market participants. Meanwhile, at the enterprises agro-industrial complex in Osh region, outdated management methods were added to the backward technical level and production technology noted above. Based on above, in the Western countries investment practice, so called 100 day period is used, during which the investment fund systematizes entire range of management work in order to create a climate for further efficient use of investment resources. Of course, the investor does this within the framework of the investments that he provided.

Thus, a real investor, depending on amount of investment and on the property share passed to investor, tries to control management initiative into his own hands. There is a reason for this, since investors want to create a management structure that would be effective from their point of view. At the same time, it is advised to eliminate the negative consequences of double power.

Since the investor works strictly according to the calendar, and his activity is limited by the scope of investments, the investor has several options for action. The first is when certain results achieved, the transfer of all accumulated assets to enterprise with whom it has concluded an agreement. The second is to buy out the entire enterprise and prepare it for sale or merger with others. The third is to act as a controller of expenditure of funds, production and the enterprise or the investments user carries out management activities.

## Conclusion

Measures to improve the efficiency of investment resources use are increasing results, cost reduction, using combinations of results and costs. Therefore, a constant measure to improve performance is to reduce the cost of investment activities. Investment activity costs also include

production costs, consisting of wages, materials, fuel and electricity, cost savings ensured by their optimization.

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