



## ECONOMIC ASPECTS OF INVESTMENT AND INVESTMENT ACTIVITY OF AGRICULTURAL ORGANIZATIONS

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### ABSTRACT

**Objective:** In recent years, several large transnational companies that invested in the agricultural production sector have left the Russian market. Due to the emerging negative dynamics in the investment sphere, attracting investment is extremely important for agricultural enterprises. The article aims to refine the definition of investment in the agricultural sector, addressing its critical role amid modern economic trends and growing uncertainty.

**Methods:** The study analyzes and compares different scientific approaches to the definition of investment to identify the essential features that should be reflected in this concept.

**Results:** As a result, the authors present their view on the modern definition of the term which considers the shortcomings identified in the analysis of approaches to the definition by other scholars, the impact of contemporary economics, and the transition of society to the information age.

**Conclusion:** Investment activity, especially in agriculture, should consider the modern challenges of the knowledge economy, be oriented to sustainable development and industrial security and contribute to competitiveness and innovation.

**Keywords:** *investment, investment activity, agricultural organization, social capital.*

### 1 INTRODUCTION





A rural territory is a complex natural and socio-agro-economic system that interacts with other similar and urban territorial systems in a special way (Ydyrys et al., 2023). All elements of rural territories are connected, but to be a sustainable system, all elements must be sufficiently developed, and the system must reach its limit values (parameters) (Bogolyubov, 2023; Zhyrgalova et al., 2024).

A rural territory's basic element is agricultural production. Improving its economic efficiency is an important but not the only source of investment and financing of rural social sphere and infrastructure projects.

The sustainable development of Russian agriculture and stabilization of agricultural production are connected to overcoming risks and threats: foreign economic sanctions, migration outflow from rural areas, low income of the majority of the population, insufficient level of infrastructure development, significant depreciation of fixed assets, a large number of intermediaries, etc.

A key element in maintaining an enterprise's financial stability and ensuring its strategic development is investment (Obolenskaya & Bekulova, 2023; (Mazina et al., 2022). Investments increase companies' innovative, financial, and economic potential, affecting their competitiveness and entrepreneurial success. Effective return from investments based on achieving goals implies the need to use modern scientifically-based and tested management methods. This provides the maximum accounting of existing and possible risks, assessment of the effectiveness of implemented measures, and making optimal decisions in investment project implementation based on the information obtained.

The primary areas of investment in agriculture are investments in logistics and infrastructure, which are generally recognized as bottlenecks of the Russian agro-export. As part of state support for agro-export, it is necessary to invest in research of foreign markets (analysis of key players, consumer preferences, etc.).

## **2 LITERATURE REVIEW**

Economists pay attention to growing investment activity in agriculture and directions to improve investment policy. There were many economic schools with different views on the essence and role of investment. However, these views have common essential features. All of them connect investments with the increase





(increment) of capital and obtaining additional income, which is the main goal of the investor, represents their reward for the refusal of current consumption, and is associated with investment risks

The functional mechanism of investment relations was reflected in the works of Smith (1791), Ricardo (1819), and Mill (1909).

A. Smith explained savings as “a direct source of economic growth in the mechanism of transformation of savings into real capital” (Smith, 1791).

A significant role in the study of investment was played by Keynes (2012) and his followers. According to their views, investment activity can be regulated through active state credit and fiscal policy. Keynes showed that a company's investment behavior is justified by savings, investment profitability, and bank interest.

Investments and investment processes were also studied by representatives of the monetary economic school (Friedman, 1957), who considered investment in terms of the state monetary policy and the turnover of the entire money supply.

The organic development of society and the transition to the information age with the development of the digital economy predetermined the growing importance of other forms of investment to ensure enterprises' operational and strategic efficiency. Thus, modern economic and social conditions have become the basis for an innovation economy based on scientific and technological knowledge. The idea of an innovation economy was introduced by Schumpeter (1982), who believed that the development of the economy is based on innovations. An integral element of an innovation economy is the market of intellectual capital, innovations, and scientific and intellectual services. The innovation economy is based on intellectual capital, which is the driving factor of the knowledge economy. Today, intellectual capital is a strategic resource of development that requires investment. Investments in intellectual capital are characterized by high efficiency. For this reason, investment in intellectual capital is a promising form of investment, which improves the efficiency and competitiveness of enterprises and ensures leading positions in the market.

A sufficiently elaborated concept of analyzing intellectual capital was presented by Edvinsson & Malone (1999), who considered it as a combination of human capital (mental abilities and competences of personnel) and structural capital (knowledge and assets of the company). Structural capital comprises customer capital, which is the result of interaction with customers and contractual bases. Organizational capital includes processes and innovations aimed at creating hardware and software, patents,





trademarks, etc.

A reason for different approaches to the definition of this term is the scope of this concept and the methodological disparity associated with mixing its definitions at two levels (macroeconomic and microeconomic). The common feature is the connection of investment with the increase in capital value or other positive effects which can have different manifestations. From the macroeconomic perspective, investments are considered a part of total expenditure aimed at acquiring new means of production, increasing inventories, constructing infrastructure facilities, etc.

Thus, the study aims at refining and expanding the definition of investment with a focus on agricultural organizations by identifying and analyzing the key elements of investment activity.

### **3 METHODS**

To achieve our objective, we conducted a qualitative content analysis of research papers from Scopus, Web of Science, and Google Scholar and statistical and analytical reports and respondent surveys conducted by expert internet resources and companies using the following keywords: “investment”, “agriculture”, “uncertainty”, “economics”, “innovation”, “management”, “finance”, and “sustainability”. Only articles published after 2020 were included in the sampling. A reverse search was used to include articles relevant to the research objective.

### **4 RESULTS AND DISCUSSION**

Let us outline the general essential features that are inherent in investments:

- A subject making investments. The investor may have their own goals, which do not always coincide with the goals of profit maximization, reputation growth, and market conquest;
- The ability of the investment to bring profit (income) to the investor;
- A time characteristic of the investment;
- A definite purpose of investing funds in objects, projects, etc;





- Funds and resources can be investments depending on market demand and supply;
- The availability of various sources of financing for investments: own cash, technology, securities, machinery, equipment, and other property;
- Risk in the investment process.

We analyzed the following views on the essence of investment:

- The views of A. Marshall, J.M. Keynes, M. Friedman, and others;
- The ideas of innovation economy put forward by J. Schumpeter;
- L. Edvinsson's views on intellectual capital, its essence, role, and necessity of its development.

Thus, we proposed to highlight the key elements in the definition of the term "investment":

- The different nature of investment: commercial and non-commercial (in the objects of the social sphere);
- Investments can represent various forms (capital, financial, intellectual, etc.);
- Elements of intellectual capital (knowledge economy) as one of the most important areas of investment;
- The risk component as a mandatory element of the investment process.

Today, investing in intangible assets, such as intellectual, reputational, human, and social capital, is particularly significant. These assets offer their holders competitive advantages, enabling the creation of conditions for sustained economic effectiveness over the long term.

Based on these considerations, we propose our interpretation of investment. This definition should incorporate the discussed points, address the shortcomings of existing approaches, and reflect the impact of contemporary economic trends and society's transition into the information age.

Investments in agricultural organizations represent various forms of investments in the subjects of entrepreneurial and non-entrepreneurial activity aimed at the development of intellectual, human, organizational, and technological capital to make a profit or achieve other positive effects, which is the reward of the investor for the risk of failure to return the funds invested. Our view on the term considers the key



characteristics of this definition and reflects the essence of modern investment in a more complex and complete manner for its further study.

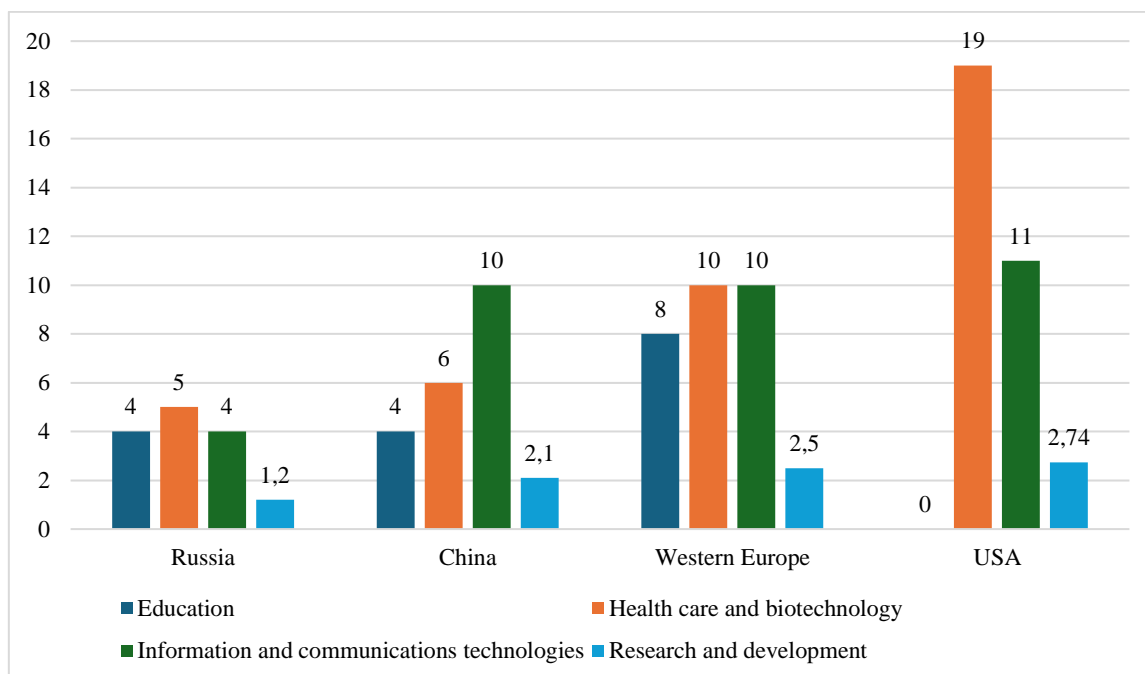
The economic definition of investment activity is given by Yuzvovich et al. (2016). According to them, it is “investments and a set of practical actions for their realization”. Sklyarova and Latysheva (2015) believe that “investment activity should be understood as the activity of legal entities, individuals, and the state aimed at attracting and increasing funds for the investment process to obtain economic and social effects”. Burov (2018) understands investment activity as “a type of economic activity that provides financial and credit resources for the reproduction of fixed capital”. We can conclude that investment is the activity of the state, legal entities, or individuals, whose purpose is to place capital to obtain profit or other useful effects.

According to our research, “investment activity in agriculture is an investment in the objects of investment activity to obtain profit and/or to achieve other useful effects, which allows to reconstruct the production capacity of the enterprise, modernize the material and technical base, and build up intellectual, human, organizational, and technological capital” (Gayduk et al., 1999).

The development of intellectual capital in the agro-industrial complex plays a significant role in achieving planned financial and production indicators. Investment in the agro-industrial complex’s intellectual capital contributes to the realization of the goals and the formation of competitive advantages in the industry.

According to Aganbegyan (2022), the share of the Russian knowledge economy (R&D, education, health care, biotechnology, and information and communications technologies) in GDP is 14%, which is significantly lower than that of China (22%), Western Europe (30%), and the USA (40%) (Figure 1).





**Figure 1.** Share of industries and spheres of the knowledge economy in GDP, %, 2020-2021 on average  
Source: compiled based on (Aganbegyan, 2022)

Therefore, the modern model of agricultural education should focus on training a new generation of highly qualified specialists with the potential to implement innovations, organize investment activities, strengthen the global competitiveness of the Russian agro-industrial complex, and create conditions for sustainable development and prosperity of rural areas.

The university's concept of educational policy is lifelong learning. A graduate of an agricultural university is not just a highly qualified specialist in a narrow field of knowledge but a personality and an independent element of the human capital of agribusiness capable of initiative and self-development, possessing system thinking, having interdisciplinary knowledge, including digital competence, and able to learn and improve their professionalism "from an intern until they are old and gray" (Trubilin et al., 2022).

The university's target model is based on the image of a future graduate.

For a well-balanced formation of the target model of the graduate, universities should focus their efforts on the following results:

- Competitive professional competences;
- Formed supraprofessional skills and the ability to self-development;



- Professional thinking;
- The mastery of modern digital tools and technologies.

To manage the formation of investment resources, organizational and economic mechanisms are used, including profit, depreciation charges, borrowed funds, and self-financing mechanisms. Investment resources are scarce, which complicates their formation and makes agricultural organizations consider the new economic conditions of their functioning (Askinadzi, 2016).

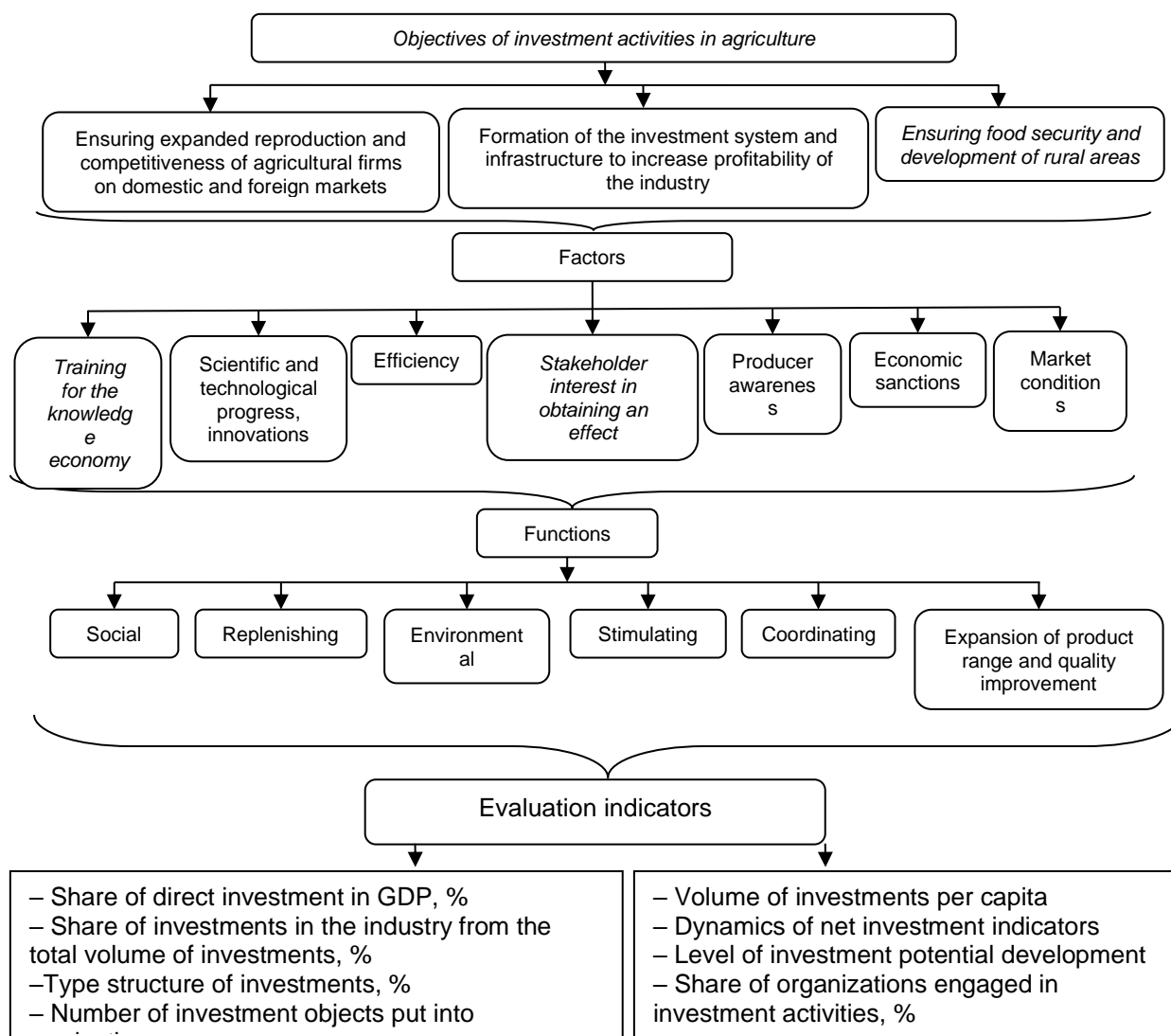
For agricultural organizations, it is crucial to create an effective mechanism for managing investment processes. This mechanism covers the sources of property formation and methods of assessing the effectiveness of investment resources (Trubilin & Gayduk, 2022; Trubilin et al., 2023).

Investment activity in agriculture involves realizing objectives and functions with due regard to the factors affecting investment activity tasks (Figure 2).

We supplemented the objectives (ensuring food security and developing rural areas), factors (training of personnel for the knowledge economy, stakeholders' interest in obtaining the effect), and systematized functions and indicators for assessing investment activity in agriculture.

One of the most important tasks of investment activity in agriculture is to ensure food security as an element of economic and national security. The solution to the problem is mainly associated with the leveling of negative effects of earlier agricultural reforms, renewal of economic, technical, and technological potential of economic entities, and increasing the competitiveness of domestic producers.





**Figure 2.** Investment activity in agriculture  
Source: developed based on (Bershtskii et al., 2022)

When ensuring food security, the state should consider qualitative characteristics and ensure the effective development of agriculture based on investment, the formation of income of the population, and providing a balanced diet (Trubilin et al., 2020).

## 5 CONCLUSIONS AND RECOMMENDATIONS

It is proposed to highlight the key elements in the definition of the term “investment”:

– The different nature of investment: commercial and non-commercial (in the objects of the social sphere);





- Investments can represent various forms (capital, financial, intellectual, etc.);
- Elements of intellectual capital (knowledge economy) as one of the most important areas of investment;

- The risk component as a mandatory element of the investment process.

Investments in agricultural organizations are forms of investment in the subjects of entrepreneurial and non-entrepreneurial activity aimed at developing an organization's intellectual, human, organizational, and technological capital to make a profit or other positive effect, which is the reward of the investor for the risk of non-return of invested funds.

Investment activity in agriculture implies the realization of objectives and functions with due regard to the factors affecting the realization of the tasks of investment activity. We supplemented the objectives (ensuring food security and development of rural areas), factors (training of personnel for the knowledge economy, stakeholders' interest in obtaining the effect), and systematized functions and indicators for assessing investment activity in agriculture.

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