

RESEARCH ARTICLE

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Analysis of Features of Investment Attractiveness of Agriculture in Kazakhstan

Vilnara Alibekova^{1*}Sultan Abildaev¹Karlygash Shaldarbekova¹

¹ Taraz Regional University named after M. Kh.Dulaty, Taraz, Kazakhstan

Corresponding author:

* **Vilnara Alibekova** - Cand. Sc. (Econ.), Senior lecturer the Department of Economics, Taraz Regional University named after M.Kh.Dulaty. Email: vilnara70@mail.ru

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Abstract

The article reveals the peculiarities of increasing investment attractiveness in agriculture in Kazakhstan, that is, starting from the first years of independence, the country creates favorable conditions for attracting domestic and foreign investments to the country's economy. The possibilities of reviving natural production depend on the level of their accumulation and efficiency of use, especially during a change in the geopolitical situation, against the background of which Kazakhstan may occupy one of the best positions in the world in this industry. However, at the same time, agro-industrial investment processes, particularly agricultural production, have their characteristics due to their specifics. Attracting investment in the agro-industrial complex is a multifaceted task that covers the entire range of possible financial, economic, legal and organizational resources. Which, in turn, are aimed at developing and using optimal and effective mechanisms for investing in the agricultural sector. The study of the chosen topic was carried out using the following methods of cognition: dialectical method, method of theoretical analysis and synthesis of various sources of domestic and foreign literature, structural and functional method, the system method, comparative method, description method, statistical methods of information processing, method of summarizing the information and materials obtained in this work. Based on the study of this situation in the European and CIS countries, the main problems were identified, and solutions were proposed to increase investment attractiveness in the agro-industrial complex, as well as methods for assessing them were systematized.

Keywords: Investment, Investment Activity, Investment Attractiveness, Agriculture, Agro-Industrial Complex, Economic Sector, Kazakhstan

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1. INTRODUCTION

The agro-industrial complex of Kazakhstan is the largest inter-industrial complex, uniting several sectors of the country's economy. AIC and agriculture, in particular, is a strategic sectors of the country's economy, forming food and, accordingly, national security and independence of the country, especially in the period of geopolitical changes. The agrarian sector of Kazakhstan has a vast potential to increase production volumes, provided that appropriate investments are attracted, and advanced technologies and scientific achievements are introduced.

Since the first years of independence, Kazakhstan has created favorable conditions for attracting domestic and foreign investment into its economy. Possibilities of a revival of natural production and overcoming of crisis phenomena depend on the level of their accumulation and efficiency of use. Investment processes in agro-industrial, particularly agricultural production, have their features conditioned by their specificity and therefore require scientific research. Taking into account the current events in Ukraine, which is one of the main competitors in livestock and crop production, the agro-industrial complex of Kazakhstan today is attractive to both foreign and domestic investors.

Despite several studies on investment support for the agricultural sector and its investment attractiveness, some problems still need to be fully resolved, especially in investment support for agricultural enterprises.

The purpose of the study is to analyze the investment attractiveness of the agricultural economy of the Republic of Kazakhstan, and the main methods of assessing the investment provision of the agricultural sector are proposed.

Having analyzed the state of investment security of agriculture in Kazakhstan, as well as the situation in the member states of the Eurasian Economic Union, it is worth noting that it is possible to achieve high efficiency of agricultural production thanks to investments. The primary sources of agricultural investment in the Republic of Kazakhstan, despite the measures of state support for agriculture, in the form of State programs in the field of agricultural support are own funds, budgetary resources and funds attracted from commercial sources.

In the economic life of each country, investments are the dominant factor of development and occupy a leading place in the reproduction of production resources and, consequently, in the acceleration of economic growth.

Successful implementation of market reforms in the agricultural sector of the Republic of Kazakhstan is only possible with the effective structural restructuring of the economy and the creation of a favorable investment climate.

An essential condition for attracting investments, including foreign ones, is the formation and implementation of the investment attractiveness of the economic system, which should be understood as its ability to accept significant investments. Ensure their full and efficient use, payback and transformation of investment resources into production growth, a saturation of the market with liquid products, expansion of the investor's influence on the market and guaranteeing the return of invested capital.

In this context, the production of agribusiness products should ensure the country's food security and realize its export potential, primarily in the markets of EAEC countries, Central Asia, the Caucasus and the Middle East; and improve the well-being of rural workers and residents.

2. LITERATURE REVIEW

The category of “investment attractiveness” is an occasion for discussion because in the economic literature until today, there is no accurate idea of the content of this concept. In scientific works, the term “investment attractiveness” is equated with a number of similar

concepts: “market attractiveness”, “investment climate”, “investment image”, and “investment potential” (Dontsova & Nikifirova, 2004; Zakirova et al., 2016; Roznina et al., 2018; Tsvetkov et al., 2018). They are not synonymous at the same time.

The most common definition is as follows: it is a system of various objective factors which together determine the investment potential of a region, taking into account possible investment risks and potential returns on invested funds (Jorgenson & Kuykendall, 2008). Investment attractiveness, according to the authors, should be understood as a complex economic characteristic, which is characterized by the financial condition and business activity, capital structure, corporate governance, the level of demand for products and their competitiveness and is influenced by the investment attractiveness of the country, region and industry (Kokhanovskaya & Barykina, 2019).

The investment attractiveness of an enterprise for investors is determined by the level of income that an investor can obtain from the invested funds. The main requirement for creditor investors is confirmation of the enterprise's ability to meet its obligations to repay capital and pay interest, and for investors involved in the business, confirmation of the ability to absorb the investment and increase the value of the investor's shareholding (Lavrenko, 2014).

The reliability of financial condition guarantees investment attractiveness and has much in common with it. In support of this, le Polain de Waroux argued that the financial position characterizes the allocation and use of funds of an enterprise. It is conditioned by the degree of fulfilment of the financial plan and the measure of replenishment of own funds at the expense of profit and other sources, as well as the speed of turnover of production funds and especially current assets (le Polain de Waroux et al., 2016).

There are many methods for assessing the investment attractiveness of an enterprise. The authors of the methods for assessing investment attractiveness are the following scientists. All methods can be divided into two groups: in the first group there are those methods which result in an integral estimation of the financial condition of an enterprise, and in the second group there are methods which take into account not only internal but also external factors (Testa et al., 2015). The term “investment attractiveness” means a set of indicators, including qualitative and quantitative characteristics. The definition of this concept serves as the basis for the study of principles and conditions of economic system development, functioning of sectoral, inter-sectoral complexes and individual economic entities (Zakirova, 2016). Mashkin emphasizes that investment attractiveness means the presence of such conditions of investment that influence investor's preferences in choosing one or another object of investment (Dozorova et al., 2021).

According to the definition of Krylov, Vlasova and Egorova: “investment attractiveness” is an economical category characterized by the efficiency of the enterprise property use, its solvency, stability of financial condition, its ability to self-development based on the increase of capital profitability, technical and economic production level, product quality and competitiveness (Krylov et al., 2020). According to the opinion of Russian scientists Zhukova and Nagovitsyn, one of the directions of increasing the efficiency of production in agricultural enterprises of various forms of ownership and organizational and legal forms is the activation of investment activity in all branches of the agro-industrial complex (Zhukova et al., 2016).

The effectiveness of investments, both of individual objects and their totality, is assessed, as a rule, using such indicators as the payback period, characterizing the initial point of covering investments with the total results of the project, profitability (efficiency), capital return and capital intensity, increase in profits and production volumes, reduction of labour costs and production costs per one tenge of attracted investments and others (Vorobyov et al., 2019).

Based on the study of scientific works of foreign and domestic scientists on finding investment attractiveness and its defining criteria, the concept of “investment attractiveness” can be characterized as:

- (1) it is advisable to consider investment attractiveness at all levels of the economic system - state, regional, sectoral, and the level of economic entities;
- (2) investment attractiveness can be represented as an independent economic category – a combination of external and internal factors, as well as qualitative and quantitative indicators of the investment potential of any of the levels of the economic system;
- (3) assessment of investment attractiveness at all levels of the economic system is carried out in the current period (analysis of the current situation) and the forecast period (forecast of the investment market).

Participants in assessing investment attractiveness are the main components of the economic system: the state, region, industry, and economic entity.

3. METHODS OF RESEARCH

When studying the situation and preparing the article, we used well-known research methods: a content analysis of modern sources, systematization of data, comparative and logical analysis, generalization, and statistical analysis of the dynamics of indicators.

The analytical part of the study is based on statistical and financial information: Kazakhstan Stock Exchange Survey "Agricultural Industry of the Republic of Kazakhstan, September 2021", "Agroindustrial Complex. Statistics of the Eurasian Economic Union". The methodological basis of the research was formed by the State programmers in the sphere of support of the agro-industrial complex, such as the Resolution of the Government of the Republic of Kazakhstan dated December 30, 2021, No. 960. On approval of the Concept of development of the agro-industrial complex of the Republic of Kazakhstan for 2021 - 2030, as well as statistical compilations of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan.

The analysis of the investment attractiveness features was based on the data obtained according to the statistical data of the collection "Agro-industrial complex. Statistics of the Eurasian Economic Union", an analysis was made of the situation in the agro-industrial complex of five countries. The leading socio-economic indicators of agriculture in the Eurasian Economic Union member states for the five years from 2018 to 2022 are considered.

Based on the national statistics data, the situation in attracting investments in agriculture of the Republic of Kazakhstan was analyzed. Three assessment methods are proposed to assess the investment attractiveness of Kazakhstan's agro-industrial complex. Using these methods in the development of state programs will ensure the rational distribution of investment funds in agriculture, which will increase the industry's efficiency.

4. RESULTS AND DISCUSSIONS

Russia and Ukraine are significant competitors in the agricultural sector. However, in light of recent changes in the geopolitical situation, i.e. the military action in Ukraine, great opportunities are opening up for our country and expanding markets for agricultural products worldwide. Active investment activity in Kazakhstan's agro-industrial complex is a prerequisite for its development, and attracting investment in the central agricultural regions is a crucial task for modern society and the state. Investment attractiveness is the most critical factor influencing the efficiency of an enterprise's activity. The simultaneous impact of investment potential and risk determines an enterprise's investment attractiveness. The higher the investment attractiveness of the enterprise, the higher the volume of attracted investments, which, in turn, contributes to its expanded reproduction and increased competitiveness. A low level of investment attractiveness exacerbates the problems associated with poor performance of the enterprise.

The need for investment activities in the agro-industrial complex stems from its essence. With investments, it is possible to create the agro-industrial complex, its current activity, and its further development. This predetermines the urgent need for investment activity in the agro-industrial complex during its functioning.

On the other hand, the investment activity of individual enterprises of the agroindustrial complex assumes economic growth. The country provides a higher level of welfare for the population. This is the essence of the importance and role of investment activities of enterprises in this sector of the economy for the country's whole economy.

The assessment of investment attractiveness plays a vital role in analyzing investment activities for several reasons. First, the investor is interested in returning the invested funds with a specific benefit based on supply and demand in the market of investment resources. Secondly, the investment process in the agroindustrial complex has a pronounced regional character. The functioning of the agroindustrial complex is delineated by space and time, as mentioned above. Thirdly, the comparability and comparability of economic indicators in absolute and relative values is easily ensured in the agro-industrial complex.

Based on the comparability of agricultural performance across different regions of the country and even internationally, it also makes it possible to assess the investment attractiveness of a particular region. However, this does not necessarily mean that where there is security. For example, a high grain yield is more likely to be invested there, but it can also happen that quite a lot of money was invested at one time. Now the possibility to invest has been exhausted and vice versa. Wherever yields are low, there is a real possibility to increase them by investing. Therefore, it cannot be stated unequivocally that the investment attractiveness is ensured only by the reported economic performance.

The Republic of Kazakhstan, the Republic of Armenia, the Republic of Belarus, the Kyrgyz Republic and the Russian Federation became members of the Eurasian Economic Union in 2015. This symbiosis is an international, regional economic integration organization with an international legal personality established by the Treaty on the Eurasian Economic Union. According to the statistical data of the collection "Agro-industrial complex. Statistics of the Eurasian Economic Union", it is possible to analyze the situation in the agricultural sector of the five countries (see Table 1).

TABLE 1. Main socio-economic indicators of agriculture in Eurasian Economic Union member states

Country	Years				
	2018	2019	2020	2021	2022
Gross domestic product (billion US dollars)					
Armenia	12,4	13,6	12,6	13,9	12,9
Belarus	60,0	64,5	60,8	68,2	51,8
Kazakhstan	179,3	181,7	171,1	193,0	143,0
Kyrgyzstan	8,3	8,9	7,8	8,5	7,1
Russia	1 660,7	1 693,3	1492,8	1778,9	1 532,2
EEU	1 920,7	1 962,0	1745,1	2 062,5	1 747,0
Share of agriculture, forestry and fisheries in the gross value added of the economy as a whole (percentage)					
Armenia	1,9	1,9	1,8	1,9	2,5
Belarus	9,2	9,9	9,3	9,9	12,0
Kazakhstan	13,1	13,5	15,4	17,3	20,1
Kyrgyzstan	3,0	3,2	3,2	3,8	4,2
Russia	85,5	89,6	89,9	102,8	131,2
EEU	112,7	118,1	119,6	135,7	170,0

Fixed capital investment in agriculture, forestry and fisheries					
Billions of units of national currency					
Armenia	4,9	4,2	3,2	4,2	4,1
Belarus	11,2	11,8	13,1	13,8	13,7
Kazakhstan	3,3	3,9	4,6	5,9	6,1
Kyrgyzstan	2,0	2,0	1,9	1,8	1,9
Russia	4,4	4,4	4,2	4,2	4,1

Note: compiled by authors based on data Statistics of the Eurasian Economic Union (2022)

As seen from this Table 1, the share of agriculture, forestry and fisheries in the gross value added of the EAEU economies as a whole is insignificant. This is because the agribusiness sectors are characterized by low labor productivity and are also located in a high-risk farming zone, requiring a considerable amount of investment in the fixed capital of the agribusiness sector. In particular, in the Republic of Kazakhstan, the output of agricultural products in 2022 in crop production by 39.4% formed by peasant and private farms. In livestock production, this indicator reached 67.1%. Thus, private and subsidiary farms produce almost half of the country's agricultural products.

Cereals account for about 69.1% of the total crop area, and Kazakhstan is one of the world leaders in grain and flour exports. The main export markets are Central Asia, Azerbaijan, Afghanistan and Iran.

In 2020, due to the Covid - 2019 pandemic, there was a decline in economic activity that affected all member states and almost all sectors of the economy. The decline in the EAEU was 2.9% and lower than in the Euro zone (6.6%) and the USA (3.5%). The decline was observed in most sectors of the economy: investment in fixed capital decreased by 4.2%, retail trade turnover by 4.1%, freight turnover by 4.8%, and passenger traffic almost halved (by 49.1%). Only construction (0.7%) and agriculture (2.3%) maintained a positive trend (Agribusiness. Statistics of the Eurasian Economic Union: Statistical collection, 2020).

Investment attractiveness is that more comparative production efficiency per unit of investment is achieved by investing. In order to inject it, potential calculations are needed. In order to increase the investment attractiveness of the agricultural sector, it is necessary to introduce a number of financial instruments aimed at reducing the cost of loans attracted to finance AIC projects and instruments to reduce the risks of lenders and investors. According to the national statistics of the ASE&RK for 2018 - 2020, the total gross output of agriculture increased from 4.5 trillion tenge to 6.3 trillion tenge. The share of the service sector in total gross agricultural output fell from 13.1 billion tenge to 10.9 billion tenge, which is less than 0.2 per cent. Because of the underdeveloped service infrastructure, today, agricultural enterprises are forced to buy the inputs required for production at high prices and sell their products at low prices. In addition, the vast majority of small and medium-sized producers are unable to retain specialists, even though they need their services the most.

Most farmers and peasant households do not have the possibility to obtain credit for the development of their farms. The main two reasons are, on the one hand, the underdevelopment of various types of financial instruments and the lack of structural subdivisions of second-tier banks in the field and, on the other hand, the lack of collateral that might be acceptable as collateral.

In addition to the low renewal rate of agricultural machinery and equipment in the sector, the situation could be better for small and household farms regarding energy supply and technical equipment.

In recent years, the following state support measures have been introduced to stimulate the development of cooperation: investment subsidies; reduction in the cost of harvested agricultural

raw materials; a special tax regime has been established for agricultural cooperatives, providing a 70% reduction in all taxes (Siksimbayeva et al., 2023).

In addition, there are simplified registration procedures, information and financial support, a state register and statistical monitoring.

According to the latest data, 2919 agricultural cooperatives and 49374 members were registered in Kazakhstan at the beginning of 2021.

However, these cooperatives' performance remains abysmal, which is a discouraging factor for most agricultural cooperatives. The 2018 audit revealed that 18% of cooperatives were inactive and 42% were "fictitious", organized to receive state subsidies.

According to a Finprom.kz study, in January-August 2021, investment in fixed capital in agriculture, forestry and fisheries amounted to 427 billion tenge, 46.2% more than a year earlier. Real growth in physical volume was 43.2%.

Most investments are directed to crop and livestock production: 99.4% of the RoK, or 424.4 billion tenge. Thus, 278.1 billion KZT was invested in one- or two-year crops, 98.2 billion KZT in livestock farming, 38.9 billion KZT in mixed farming, 7.8 billion KZT in perennial crops and 1.4 billion KZT in crop cultivation and animal breeding and crop processing activities.

The remaining investments are in fisheries (KZT2.5 billion) and forestry and logging (KZT77.3 million). In the same period of 2020, 292 billion tenge was invested in the agricultural sector, plus 10.7% for the year (Statistics of the Eurasian Economic Union, 2022). In Figure 1 presents fixed capital investments from 2015 to 2021.

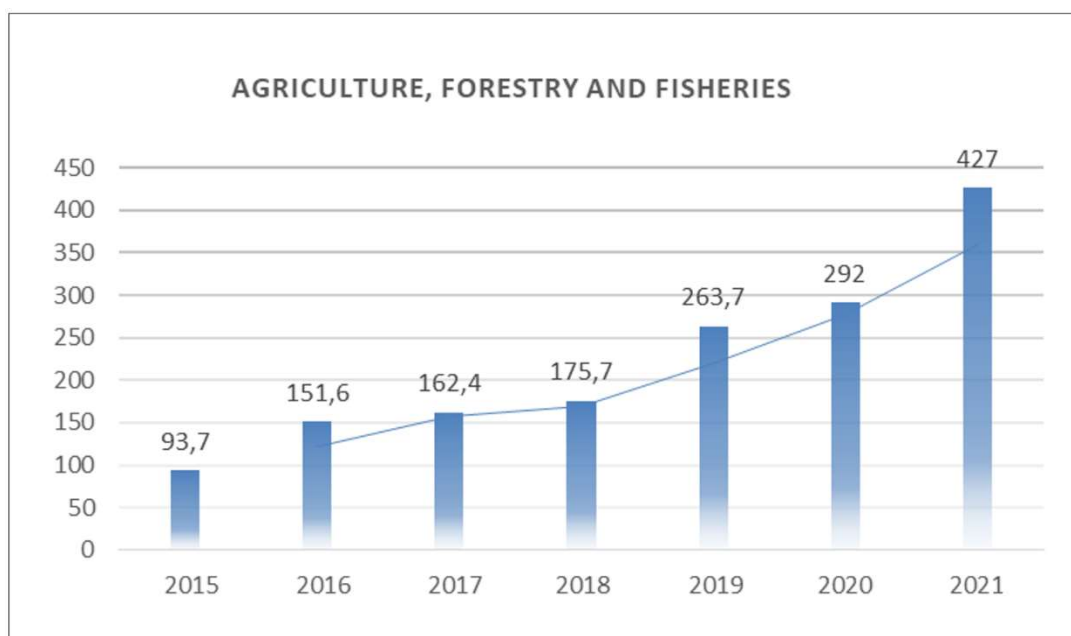


FIGURE 1. Fixed capital investment for 2005-2021

Note: compiled by the authors based on the data from the Bureau of National Statistics (2022)

Most of the investment in the sector came from enterprises' funds: 291.9 billion tenge, 43.8% more than last year. Non-bank loans accounted for 116.6 billion tenge, 76.3% more than last year. Bank loans financed 18.5 billion tenge, 19.1% less than a year earlier. There were no

direct capital investments from budgetary funds in the sector (Statistics of the Eurasian Economic Union, 2022). The level of the ratio of investment in fixed assets is presented in Table 2.

TABLE 2. Investment in fixed capital. Agriculture, forestry and fisheries

Investment	2020	2021	growth
Total	292,0	427,0	46,2%
Equity funds	203,1	291,9	43,8%
Borrowed funds	66,1	116,6	76,3%
Loans from banks	22,8	18,5	-19,1%

Note: compiled by authors based on the data from the Bureau of National Statistics (2022)

According to data from Government Decision No. 960 of 30 December 2021 on approval of the Concept of Development of the Agro-industrial Complex of the Republic of Kazakhstan for 2021-2030, the trend of stable development in crop production has not changed.

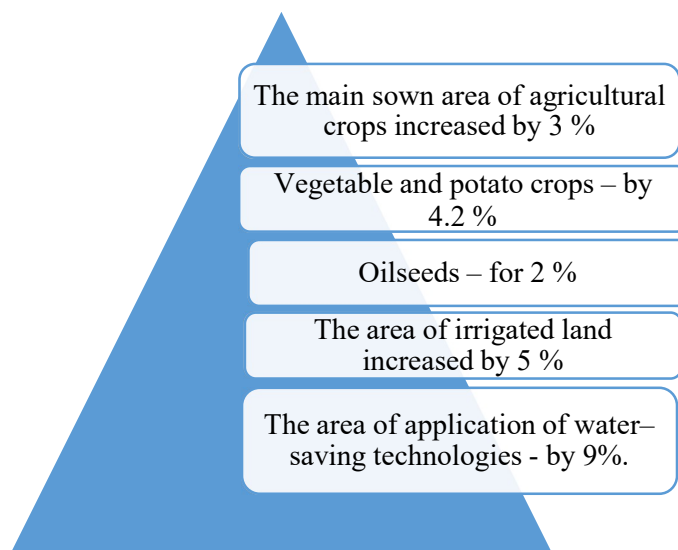


FIGURE 2. Main area under crops in Kazakhstan

Note: compiled by authors based on the data from the Bureau of National Statistics (2022)

The average yield of potatoes rose by 4%, vegetables by 3%, sugar beet by 6% and fruit and berry crops by 7.8%. However, diversification in the crop sector needs to be at an adequate level. Monoculture is predominant in the country's major grain-growing regions. More attention should be paid to the development of forage production. The extension of irrigated land and the introduction of modern water-saving technologies are prolonged. There are areas for improvement in the work on the preservation of soil fertility. The volume of applied mineral fertilizers is only 23% of the scientifically grounded norms and only 1.2% for organic fertilizers. During this period, domestic fertilizers accounted, on average, for 65% of the total fertilizer application, while imported fertilizers accounted for 35%. Fertilizers not produced in the republic (urea, ammonium sulphate, complex (nitrogen-phosphorus-potassium) fertilizers, liquid and micro fertilizers) are in demand among agricultural producers. There is a problematic situation in the seed production system as well. Because of insufficient development of the domestic seed

production system, the provision of seeds of the main crop varieties is decreasing. Thus, the import of wheat seeds for the last five years increased by seven times, barley seeds - by four times, and provision with seeds of hybrids of oil-bearing, vegetable crops and sugar beet is about 10 %. The renewal rate of the technical fleet in agriculture also needs to catch up to the requirements of the time. Thus, in 2020 this figure was 4.1 %, while the norm is 6-8 %. About 76% of the technical fleet has a more than ten-year service life. In most regions, there is no real diversification in the crop sector, and land use regulations are violated without effective control methods.

Recently, work on developing organic farming has continued in the country. Since 2009 the certified areas of organic land have more than doubled - from 134 thousand ha to 300 thousand ha. Currently, 70 farms have received certificates from foreign bodies for confirmation of compliance for the production of organic products. In 2020, Kazakhstan exported 12.5 million USD worth of organic products.

According to IFOAM's international ranking of 123 countries, Kazakhstan ranks 9th among countries exporting organic products to EU member states, including such strategic products as organic wheat in fourth place and organic oilseeds in sixth place.

The potential for developing organic farming is not being utilized to the extent it is available. Of the total area of 22 million hectares of crops on organic crop technology is cultivated only about 1.5%. At the same time, according to calculations of foreign experts in Kazakhstan, 46% of used arable land (11.5 million hectares) and 70% of pastures in ecological condition are suitable for organic crop and livestock production. There is no domestic market for certification services in organic production. There are no forms of collective certification of organic producers.

To assess the investment attractiveness of Kazakhstan's agro-industrial complex, we propose using three methods of approach to assessing the investment attractiveness. These methods are recommended in domestic and foreign literature (see Table 3).

TABLE 3. Methods for assessing investment attractiveness

Name of methods	Formula	Reference
Integral assessment method	$I_y = \sum_{i=1}^n X_i * p_j$ <p>Where I_y-is the integral indicator of investment attractiveness; n-number of indicators included in the assessment; X_i-weight of an individual indicator; p_j-point depending on the change in the particular indicator.</p>	is calculated on the entire set of indicators that characterise investment attractiveness
Point system	Grade I, absolute financial strength, -value of the integral indicator 100-97 points. Grade II, normal financial stability, -value of integral index 96-67 points. III class, relative financial instability, -Integral indicator score 66-37. - Grade IV, absolute financial instability, -Integral indicator value 36-11 points. -Grade V (10-0 points) -crisis financial condition	The analysis of investment attractiveness is carried out according to groups of indicators, which are assigned a score (Zhukovaet al., 2016)

Rating the financial situation of a company	<ol style="list-style-type: none"> 1) Evaluating the profitability of economic activities; 2) evaluation of management efficiency; 3) evaluation of business activity; 4) evaluation of liquidity and financial stability. 	a tool for comparative analysis and assessment of investment attractiveness. A. D. Sheremet's methodology was used (Sheremet, 2011), according to which the initial indicators for rating assessment are formed into four groups
<i>Note:</i> compiled by authors		

Investment projects in agriculture, as well as in other sectors of the economy, are subject to numerous risks. Based on a review of the practice of analyzing the risks of implementing investment projects in the agro-industrial complex, including ways to assess them, it can be concluded that in most cases, it is not possible to determine the exact quantitative value of each risk of an investment project at the stage of its preparation. At the same time, a qualitative assessment of the risks of an investment project carried out with the involvement of consultants and experts and with sufficient data on the cost of the project and ways of its implementation, including from a financial point of view, allows us to make a realistic enough representation of the possible risks of the project and their size in order to further implement their rational distribution among project participants and qualified management of them in the process of implementation.

5. CONCLUSION

In conclusion, there is a need to say once again about the importance of the Kazakhstan agro-industrial complex as a whole and the investment attractiveness of agriculture. In light of recent geopolitical changes, the main competitors in this area, Russia and Ukraine, are embroiled in a military conflict. Favorable opportunities have been created for our country to be a leader in the world market of exporters of agricultural products. However, it is necessary to emphasize the negative aspects that affect the final results. For example, it should be noted that due to the low investment potential and shortcomings in working capital, all agricultural producers' profits go to current assets, leaving virtually no funds for capital investments. Therefore, the intensification of investment activity, including the search for additional sources of investment, is not only the primary condition for preventing a crisis in agriculture but also becomes the determining direction of its long-term development.

After conducting a study of a number of methods used to assess the investment attractiveness of the agro-industrial complex of Kazakhstan, it can be concluded that all the developed methods have both advantages and disadvantages. Currently, there is no single, well-established comprehensive methodology for assessing the attractiveness of the agricultural sector, which would not have drawbacks and would help investors make the right decision.

Three assessment methods have been proposed: the method of integral assessment, the scoring system and the rating assessment of the financial condition. Nevertheless, these methods for assessing investment attractiveness can be considered purely subjective for a given sector of the national economy.

The investment attractiveness of agriculture largely determines its competitiveness through the timely technological renewal of production. Objective and inverse relationship. The more technologically advanced the production, the more efficient and investment-attractive it is.

In addition, this paper describes the multiplier effect of investment attractiveness. Once attracted, investments enhance subsequent investment flows, creating conditions for transitioning to a new technological order. It seems possible to break the vicious circle of technological backwardness due to insufficient investment if agricultural enterprises widely use financial instruments to attract additional capital, combined with publicity and openness to the investment community of their strategic goals and recent decisions to achieve them.

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AUTHOR BIOGRAPHIES

***Vilnara Alibekova** – Cand. Sc. (Econ.), Senior lecturer the Department of Economics, Taraz Regional University named after M.Kh.Dulaty, Taraz, Kazakhstan. Email: vilnara70@mail.ru, ORCID ID: <https://orcid.org/0000-0001-9577-476X>

Sultan Abildaev – PhD, Associate Professor, Department of Economics; Taraz Regional University named after M.Kh.Dulaty, Taraz, Kazakhstan. Email: sultan_feb@mail.ru, ORCID ID: <https://orcid.org/0000-0002-7525-5097>

Karlygash Shaldarbekova – Senior Lecturer, Department of Economics, Taraz Regional University named after M.Kh.Dulaty, Taraz, Kazakhstan. Email: karla80.taraz@mail.ru, ORCID ID: <https://orcid.org/0009-0003-8395-6197>