

# The organizational component of the mechanism of investment development

Elena Semenova<sup>1,\*</sup>

<sup>1</sup>Federal Research Center of Agrarian Economy and Social Development of Rural Areas – All Russian Research Institute of Agricultural Economics, 123007, Khoroshevskoye shosse, 35k2, Moscow, Russia

**Abstract.** The organizational and economic mechanism includes the organizational and economic blocks. The article considers the elements of the organizational component of the investment development mechanism - the size of the organization, the organizational and legal form and the specialization of the organization, which influence the investment development of the industry. The research was carried out on the basis of the official accounting statements of organizations of the Russian Federation for 2016 of the database of the Federal State Statistics Service of the Russian Federation using the software of the consulting financial and analytical company Akon. Groups of agricultural organizations were identified by type of activity. It is concluded that small forms of enterprises prevail in the sectors of dairy and beef cattle breeding, and potato farming that determines their lower profitability and limits the possibilities for investing at their own funds. In specialized large and medium-sized organizations (production of grain and oilseeds, and sugar beet production) the efficiency of production is higher against the mixed production. The predominantly joint-stock form of management among large and medium-sized agricultural organizations expands the possibilities of investment activity.

## 1 Introduction

From a microeconomic point of view, the investment theory considers the investment decision-making process at the level of organizations on the basis of applying scientifically grounded methods of forming an optimal investment policy. From a macroeconomic position it is focused on the formation of state investment policy, income and employment policies.

The organizational and economic mechanism of the investment development is a set of forms (links) and methods for implementing investment activities that are interrelated and coordinated and thus provide investment in the industry. There are two main blocks in the organizational and economic mechanism: organizational and economic ones.

The organizational component includes the form of enterprises, specialization, the size of the organization, the development of entrepreneurship, planning, the management system, production technology, etc. Each of these elements will influence the opportunities for investment development of the industry.

---

\* Corresponding author: [esemenova@bk.ru](mailto:esemenova@bk.ru)

The economic block covers financing and crediting of organizations, participating in the investment process, taxation, insurance of organizations, stimulation of the development of the investment process, pricing, etc.

The purpose of the study is to analyze the organizational component of the organizational and economic mechanism of the investment development in agricultural production, and its impact on the investment process.

## 2 Research methods

The research is carried out on the basis of the official accounting statements of the organizations of the Russian Federation for 2016 of the database of the Federal State Statistics Service of the Russian Federation (2.3 million organizations) using the software of the consulting financial and analytical company Akon. Financial ratios for groups of organizations correspond to the median value of the indicators of all organizations of the Russian Federation and organizations within the framework of the sub-sectors and activities compared.

## 3 Results

Different assets, property, real estate, securities, shares, and cash can be the funds for investment. Let us consider investment opportunities for agricultural organizations at their own funds.

The Table 1 shows the grouping of organizations by type, scale of activity and specialization, which shows that by types of the agricultural activity, large organizations with revenues from 2 billion rubles prevail in pig breeding (9.68%), poultry (11.76%), and sugar beet cultivation (8.16%). In general, in Russia such organizations make up 0.5%. Medium-sized organizations with a size of revenues of 800-2000 million rubles also have the largest share in these industries.

Thus, 16.32% of the organizations that grow sugar beets, 23.93% of poultry organizations, and 18.3% of pig-breeding organizations can make investments at their own expense, since they have significant revenues.

The Table 1 presents specialized organizations by type of activity and mixed organizations, in which crop production in combination with livestock farming without specialized production of crops or animals is developed. These are the organizations whose gross profit from crop or livestock production is less than 66% of the standard gross profit [2]. Among the mixed organizations, microenterprises (41.71%) and nano-enterprises (43.43%) predominate, which cannot implement large investment projects due to the lack of own funds and low revenues. The situation is similar in the meat cattle breeding and potato growing.

**Table 1.** Characteristics of organizations by type, scale of activity and specialization, 2016.

Category of organizations	Large		Medium-sized		Small		Micro		Nano	
Scale of activity - revenue in million rubles	More than 2000		800 – 2000		120 – 800		10 – 120		Less than 10	
By type of activity:	Number of units	Share, %	Number of units	Share, %	Number of units	Share, %	Number of units	Share, %	Number of units	Share, %
01.11.1 "Growing cereals"	16	0.23	90	1.29	1030	14.78	3150	45.19	2670	38.31
01.11.3 "Growing oil seeds"	2	1.04	3	1.55	20	10.36	80	41.45	88	45.60
01.13.1 "Growing vegetables"	4	0.47	12	1.41	80	9.38	262	30.72	358	41.97
01.13.31 "Growing potatoes"	0	0.00	0	0.00	7	10.94	12	18.75	43	67.19
01.13.51 "Growing sugar beets"	4	8.16	4	8.16	16	32.65	19	38.78	6	12.24
01.41 "Breeding of dairy cattle, production of raw milk"	5	0.16	16	0.52	360	11.73	1217	39.64	1472	47.95
01.42.1 "Breeding of meat and other cattle, including buffaloes, yaks, etc."	0	0.00	0	0.00	3	5.66	26	49.06	24	45.28
01.47 "Breeding of agricultural poultry"	58	11.76	60	12.17	105	21.30	97	19.68	173	35.09
01.46 "Pig farming"	31	9.78	27	8.52	73	23.03	66	20.82	120	37.85
01.50 "Mixed agriculture"	13	0.93	7	0.50	184	13.14	584	41.71	608	43.43
All organizations of Russia, thousand units	9	0.5	14	0.9	109	7.2	513	34.8	670	56.3

The result of the specialization is an increase in the volume and quality of products, an increase in labor productivity, a reduction in the production costs, and an increase in profitability. The economic efficiency of specialization can be estimated by the indicator of profitability.

**Table 2.** Indicators of profitability by type of activity.

	01.11.1 "Growing cereals"	01.11.3 "Growing oil seeds"	01.13.1 "Growing vegetables"	01.13.51 "Growing sugar beets"	01.41 "Breeding of dairy cattle, production of raw milk"	01.42.1 "Breeding of meat and other cattle, including buffaloes, yaks, etc."	01.50 "Mixed agriculture"
Profitability of sales	18.1	19.3	0.3	25.7	4.4	5.1	7.1
Net profit margin	16.3	17.1	4.6	20	6.8	4.6	8.7
Return on assets	10.5	13.2	1.5	12.7	4	1.3	5.6

Sugar beet, oilseeds and grain crops enterprises have the highest profitability of sales. The activities of these organizations in general are also efficient, since the rate of net profit is high. The return on assets shows the return on the invested ruble to the assets of the organization. The highest return is on oilseeds - 13.2 kopecks, and on sugar beet - 12.7 kopecks. Compared with organizations with mixed farming, the specialized farms for growing grain crops, oilseeds, and sugar beet have almost twice as high efficiency indicators, which confirms the efficiency of the specialized production, and creates opportunities for investing own means in these industries. In the organizations growing potatoes, small forms of enterprises, as well as a manual labor and a low level of mechanization prevail, that reduces the effect of specialization. Meat and dairy cattle have a high proportion of small forms of enterprises.

The Table 3 presents the ratings of organizations (Top-10) by revenue and activities. Even among 10 leading organizations of one type of activity, the gap in revenues is 39.2 times - for mixed agricultural organizations (the leader is "Agro-complex" named after N.I. Tkachev, JSC), 15.4 times - for sugar beet organizations (the leader is "Rusagroinvest", LLC). At the same time, for all organizations of Russia, the gap in the Top-10 in terms of revenue is 27.4 times (the leader is VTB Capital, JSC), that indicates the hypertrophied development of individual agricultural organizations or miscalculations in the agrarian policy.

**Table 3.** Top-10 by the type of activity by revenue, 2016, million rubles.

Ranking	01.11.1 "Growing cereals"	01.11.3 "Growing oil seeds"	01.13.1 "Growing vegetables"	01.13.31 "Growing potatoes"	01.13.51 "Growing sugar beets"	01.41 "Breeding of dairy cattle, production of raw milk"	01.42.1 "Breeding of meat and other cattle, including buffaloes, yaks, etc."	01.47 "Breeding of agricultural poultry"	01.46 "Pig farming"	01.50 "Mixed agriculture"
1	7502	5411	3697	492	11704	3829	504	35079	45205	44756
2	4839	2017	3047	315	6989	3700	219	23822	16317	3934
3	3855	1010	2960	199	5170	3258	124	23546	15876	3378
4	3843	922	2947	190	2955	2367	116	19305	14738	1569
5	3593	804	1585	188	1659	2362	114	11284	8081	1464
6	3414	704	1555	165	1415	1930	92,7	10325	5998	1440
7	2996	632	1539	138	1265	1886	89,0	10115	5669	1420
8	2836	597	1457	114	824	1568	69,9	9083	5374	1410
9	2813	583	1340	109	771	1395	62,7	8360	5263	1276
10	2643	527	1310	99,1	762	1216	60,9	8261	4986	1142
Place 10 to 1, time	2.8	10.3	2.8	5.0	15.4	3.1	8.3	4.2	9.1	39.2

Enterprises of various organizational and legal forms have different opportunities to attract investment: in joint-stock companies it is done through corporatization, in a limited partnership – by the contributing members, in cooperatives – by the share contributions. In peasant (private) farms and individual entrepreneurial activities, the difficulty in accumulating sufficient financial resources for investing them in expanding production and modernization is one of the main shortcomings for investment. For small forms of enterprises, it is difficult enough to grow into a large organization at the expense of own funds. An open joint-stock company has greater opportunities to attract capital from external sources.

Since investment activity is a type of entrepreneurial activity, it is connected with forms of ownership. Depending on the existing forms of ownership and organizational and legal forms of enterprises, investment activity can be carried out in the form of state investment, investment by citizens and legal entities, foreign investment, and joint investment. The Table 4 shows the distribution of organizations by organizational and legal forms and activities. For the analysis, the first one hundred organizations in the rating were selected for each type of activity, i.e. mainly large and medium-sized organizations.

**Table 4** Distribution of organizations by organizational and legal form, and types of activity.

Type of activity	Legal form					Peasant farm
	Joint stock company, public company	Open Company	Production cooperative, artel, collective farm	State unitary enterprise	National enterprise	
01.11.1 "Growing cereals"	28	66	3	2	1	-
01.11.3 "Growing oil seeds"	7	71	14	1	1	6
01.13.1 "Growing vegetables"	32	58	6	4	-	-
01.13.31 "Growing potatoes"	7	27	19	-	-	11
01.13.51 "Growing sugar beets"	4	38	4	-	-	3
01.41 "Breeding of dairy cattle, production of raw milk"	37	48	14	1	-	-
01.42.1 "Breeding of meat and other cattle, including buffaloes, yaks, etc."	3	35	12	1	-	2
01.47 "Breeding of agricultural poultry"	61	38	1	-	-	-
01.46 "Pig farming"	30	66	4	-	-	-
01.50 "Mixed agriculture"	28	57	15	-	-	-

It can be concluded that among large and medium-sized organizations, the joint stock form prevails that corresponds to the structure of agricultural organizations by forms of management in the country as a whole: open joint stock companies - 3.3%; closed joint stock companies - 4.3%, limited companies (limited partnerships) - 57.5, agricultural cooperatives - 21.1 and state organizations - 1.9% [3].

To determine the possibilities of investment, it is advisable to consider a number of financial ratios by types of activity that investors pay attention to.

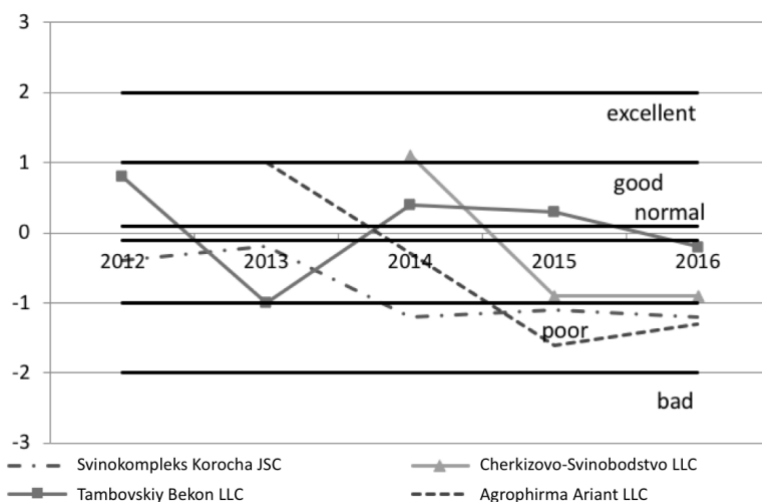
The average values of the financial state of organizations by type of activity correspond to the median. The average values of the first four financial ratios for all analyzed organizations correspond to the standard values that indicate the independence of the aggregate of organizations from the borrowed sources of financing and the adequacy of funds for financing current activities. Coefficient of investment cover testifies of the possibility of settling with creditors, but for all types of activities, except grain crops, it has a boundary value. The financial indicators of beef cattle-breeding organizations are close to the threshold values.

The ratio of quick liquidity is lower than the normative value for all organizations (except beet-growing), and there is a risk of loss of solvency. Absolute liquidity ratio does not correspond to the norm for all organizations that is determined by the specifics of the production cycle in agriculture.

However, we have to note that these are average values of financial ratios, and the analysis of the activities of each particular organization is necessary.

**Table 5.** Financial condition of the organizations of various types of activities.

	Standard value	01.11.1 "Growing cereals"	01.11.3 "Growing oil seeds"	01.13.31 "Growing potatoes"	01.13.51 "Growing sugar beets"	01.41 "Breeding of dairy cattle, production of raw milk"	01.42.1 "Breeding of meat and other cattle, including bufaloes, yaks, etc."	01.50 "Mixed agriculture"
1. Coefficient of autonomy (financial independence)	$\geq 0.5$ (optimally 0.6-0.7).	0,8	0,7	0,6	0,7	0,7	0,5	0,7
2. Ratio of self-sufficiency in working capital	not less than 0.1	0,5	0,5	0,3	0,4	0,3	0,1	0,3
3. Coefficient of investment cover	$\geq 1$ (not less than 0.7-0.8))	0,9	0,8	0,8	0,7	0,8	0,7	0,8
4. Coefficient of current liquidity	$\geq 2$ (by industry up to 1.5)	4,1	3	2,1	2	2,4	2	2.2
5. Quick liquidity ratio	$\geq 1$	0,8	0,7	0,5	1,4	0,5	0,5	0,4
6. Absolute liquidity ratio	$\geq 0.2$	0,1	0,1	0,007	0,07	0,03	0,06	0,02



**Fig. 1.** Dynamics of the integral indicator of the financial state of the leading organizations by the type of activity 01.46 "Pig farming".

Financial analysis of the leading organizations (1-4 places in sectoral rating) showed (Figure 1), that even the largest of organizations with revenues of more than 2 billion rubles have unsatisfactory financial condition, and it worsens in the dynamics. Their coefficients of financial independence and investment cover do not correspond to the standard values, and they have a negative value in the coefficient of current liquidity. This is the result of the industry's debts. On January 1, 2017, the investment loan debts in the pig farming totaled 161 219 230 000 rubles or 48% of all investment loans in livestock.

## 4 Conclusion

The analysis confirmed the influence of the organizational component (size of the organization, specialization, and form of management) of the organizational and economic mechanism on the investment process.

## References

1. TestFirm, *Comparing financial state of a firm* (<https://www.testfirm.ru>)
2. *All-Russian classifier of economic activities* (<http://новыеформы.рф>)
3. InfoLine, *Agricultural and industrial complex of Russia in 2016* (Moscow, 2017)