

DETERMINING THE INVESTMENT ATTRACTIVENESS OF THE CORPORATION

**M. A. Mammadov^{*}, Doctor of Sciences (Economics), Professor,
A. M. Aliyev^{**}, PhD, Associate Professor,
M. M. Badalov^{***}, Doctorant,
Sh. I. Alizada^{****}, PhD (Economics), Senior Lecturer,
Azerbaijan University of Architecture and Construction, Baku, Azerbaijan**

^{*}ORCID 0000-0002-5327-2507

^{**}ORCID 0000-0002-5134-188X

^{***}ORCID 0000-0002-6705-1967

^{****}ORCID 0000-0001-8079-3255

© Mammadov M., 2021.

© Aliyev A., 2021.

© Badalov M., 2021.

© Alizada Sh., 2021.

*Стаття отримана редакцією 28.08.2021 р.
The article received by the reduction 28.08.2021.*

Introduction. The term corporation is a word of Latin origin taken from the word "corporatio" – association. Associations are established in any society to achieve certain goals.

In contemporary times, corporations share the same content with joint stock companies. The first corporations were involved in railway construction in the United States in the late 19th century.

At present, they play a decisive role in all areas of the country's economy. Corporations alone account for 98% of revenues in US's processing industry.

Years long and various of experience of corporations have supplied analytical and consulting firms with a wealth of material to provide a single normative statement, generalization and advice on corporate governance. In was in 1992 in the USA when a legal document on Corporate Governance. The Round Table on Business Issues prepares proposals periodically. In its turn, all this create an atmosphere of a certain order and understanding of the essence of corporate relations in society as well as, of self-interest of various structural categories of society.

Results. As it is known, any entity, including a corporation, carries out its activities under the influence of external and internal environment. A more accurate picture of the corporation's external environment is the macroeconomic environment. As a rule, economic entities operating in foreign environment combine a set of a set of economic, natural, socio-cultural, and political environments

The economic environment of the corporate activity is characterized by the specific features of the country's legislation and the relatively recent history of entrepreneurial activity in Azerbaijan. In the process of economic environment transformation, the corporation gets adapted to this environment.

The above-mentioned sets a basis to conclude that in the implementation of strategic planning, corporations should take into account not only domestic reserves, but also the economic environment – a multifactorial indicator of macroeconomic situations in the country and the world. The general state of the macro-environment is assessed on the basis of macroeconomic indicators. The list of these indicators is as wide as possible, but, in our opinion, the following factors that affect the activities of local corporations shall be distinguished:

- Dynamics of the country's gross domestic product;
- Exchange rate dynamics;
- The level of demand for manufactured products;
- Bank lending interest rate;
- Rate of taxes;

- Structures and dynamics of foreign investment in the country's economy.

The mentioned regulatory indicators are calculated both for the country's economy and different areas. Therefore, they can be considered completely unbiased and used for a detailed analysis of the current economic situation and business activity conditions.

The dynamics of the growth domestic product allows assessing the effectiveness of macroeconomic policy in the country. It should be noted that while the vast majority of countries are still in recession, during 8 months of 2021, Azerbaijan's GDP has increased by 3.4%.

Competition, an integral element of market relations, is not just a certain economic dynamism, but it also refers to the stagnation of production, the opposite side thereof. The problem of attracting a working capital needs to be addressed to ensure that normal functioning of any entity is recovered. In this case, the actor of market relations becomes a borrower and requests the other party, the lender, i.e. the one who has the necessary resources.

Owners of the funds try to protect themselves from possible losses when investing money, as losses of this kind could result in a situation where the invested money is not repaid. The likelihood of loss of the invested funds or part thereof is called the risk of non-repayment of loans. The task of the creditor is to reduce, i.e. to minimize the loss (risk) probability. To this end, the lender must carefully select the potential counteragents.

Obviously, loan risks are characterized by the ability of borrowers to fulfill own financial obligations. In the experience of foreign lenders (in the case of investors corporations or banks, Merrill Lynch, CS First Boston and other), the most common credit risk mitigation measures include:

1. Assessment of the investment attractiveness of borrower;

The most common method in the experience of foreign lenders is determined based on a technique that assesses the borrower's points. This method involves determining the rating of the borrower. The borrower's assessment criteria are very important for each lender. It is based on his or her practical experience, and is reviewed periodically.

2. Reduce the amount of loans to be issued to one of the borrowers. This method is used when the lender is not sure about the buyer's investment attractiveness.

3. Loan insurance. Loan insurance involves the full transfer to an insurance company of the risk of loan non-repayment. All costs associated with insurance, as set by guidelines, are borne by the borrower.

4. Involve sufficient security (guarantee): This method practically guarantees that the amount is repaid and the interests are received by creditors. Priority should be given to the analysis of borrower's investment attractiveness and efforts to avoid such losses when protecting against the risk of non-repayment of the loan not issued for involvement of necessary security to recover the losses.

5. Issuing discounted loans: Discounted loans only reduce the risk of non-repayment of loans to a very small extent. This method of extending credits guarantees at least a receipt of loan fee, but the issue of repayment of loans (unless other warning and risk mitigation methods are used) remains open.

Investment activity is an integral part of the corporation's financial activities. It includes measures such as the movement of capital and resources, their sale or purchase. A more effective approach to managing a corporation's investment activities is, in our view, is the investment attractiveness for the reliability of the borrower. It helps to classify and group potential objects of resource investment, depending on the goals of the investor or lenders. So, the investment attractiveness of a corporation is the set of certain indicators of formal and informal assessment of various aspects of corporation's activities.

The set of indicators selected to assess the attractiveness of investment relies on many conditions, but we can separate several that are important for the corporation:

- loan and commercial reliability of the corporation;
- degree of diversification and nature of performance of the corporation;
- the amount of resources provided;
- form and degree of investor participation in the corporation's activity;
- directions of the use of received resources.

The reliability of a corporation can be characterized, above all, by its credit history. It is a "biography", which exemplifies a corporation's previous relationship with creditors or investors. Focus should be given to creditors' reliability when studying the credit history, as in the proverb saying: "Tell me who your friend is, and I'll tell you who you are." If the previous creditors were banks that are actively involved in the respectable credit market, or giant institutional investors, or banks that received dividends in due time, this requires caution and additional information. With the assessment of the credit reputation, creditors or investors get some opinion about the corporation as a potential object of investment.

The purpose of assessing the investment attractiveness is not to determine the state of affairs within the corporation, but to assess the possible investment risks. To achieve these goals, there is always a system of principles in the experience of creditors, which help to assess the investment attractiveness of the corporation. However, its implementation causes reduction in investment risks. Knowledge of these stages allows the corporate manager to effectively manage the investment attractiveness of the corporation.

The first stage involves identification of the corporation regardless of the character of future credit transactions. The identification process helps to precisely determine the nature of activities (reliability of internal organizational structure, the list of persons, the main areas of focus of the activities, the degree of diversification, etc.) and indicate a sample set of indicators to assess investment attractiveness. The second stage proceeds with the assessment of corporation's credit history and commercial reputation.

Formal indicators are calculated using the indicators in the corporation's financial statements, which are to be disclosed under the liability. Informal indicators can only be assessed by experts, as they lack a formula for accounts and exact set of final indicators. A comprehensive assessment of financial statements involves an analysis of the performance of the corporation. Assessment of commercial reputation is the result of complex experts, which, in turn, guarantees the continued cooperation with the corporation.

When the investment attractiveness of the corporation is analyzed, i.e., internal financial flows are distributed, it is recommended to launch analysis procedure with identification of borrowers. To put differently, we determine the place in the corporate structure and characteristics of borrowers. Upon completion of borrower's identification process and determination of a set of formal and informal indicators, corporate managers try to make direct calculations and obtain expert results.

We assess the financial conditions of borrower using the formal indicators, while also assessing its financial outcomes, as well as resources and cost-effective performance of the borrower.

Formal indicators are calculated using the borrower's financial statements. To this end, the general approach involves many features of formal indicators, settlements, above all, the characteristics that preconditioned by diversity of external reports. In our opinion, it is appropriate to consider specialized approaches for legal entities in the formal indicators report.

Conclusions. The following factors have more influence on the activities of local corporations:

- Dynamics of the country's gross domestic product;
- Exchange rate dynamics;
- The level of demand for manufactured products;
- Bank lending interest rate;
- Rate of taxes;
- Structures and dynamics of foreign investment in the country's economy

The mentioned regulatory indicators are calculated both for the country's economy and different areas. Therefore, they can be considered completely unbiased and used for a detailed analysis of the current economic situation and business activity conditions.

The set of indicators selected to assess the attractiveness of investment relies on many conditions, but we can separate several that are important for the corporation: loan and commercial reliability of the corporation; degree of diversification and nature of performance of the corporation; the amount of resources provided; form and degree of investor participation in the corporation's activity; directions of the use of received resources.

The measures described above to assess investment attractiveness serve as the basis for involvement of resources. Their introduction is important to lay the groundwork for attracting external resources. Corporations can use emissions proficiently as a tool to attract resources. On the one hand, the corporation will be able to issue its own shares, i.e., increase the share capital of the corporation, on the other hand, the corporation may decide to issue shares in order to attract resources in a specific form of its business.

The conduct of corporate management is similar in both cases and depends only on the level of emissions determined by the emission strategy of the corporation.

REFERENCES:

1. Olypher V.G., Olypher N.A. (2001). *Computer networks. Principles, technologies, protocols*. St. Petersburg. 672 p.
2. Osovetsky L.G., Nemolochnov O. F., Tverdiy L. V., Belyakov D. A. (2004). *Fundamentals of corporate information theory*. SPb: SPbGU ITMO.
3. Biyachuev T.A. (2004). *Security of corporate networks*. SPb: SPb GU ITMO. 161 p.
4. Mammadov M.A. (2008). *Program-targeted management in the transition economy*. "Kooperasiya" Publishing House.

УДК 336.77

JEL D25

М. А. Мамедов, доктор економічних наук, професор. **А. М. Алієв**, кандидат економічних наук, доцент. **М. М. Бадалов**, докторант. **Ш. І. Алізада**, кандидат економічних наук, старший викладач. Азербайджанський архітектурно-будівельний університет, Баку, Азербайджан. **Визначення інвестиційної привабливості корпорації.** Пояснено ядро концепції корпорації, що надає інформацію про перші коли-небудь створені корпорації. Крім того, підкреслено важливість оцінювання інвестиційної привабливості позичальників серед заходів, спрямованих на зниження кредитних ризиків у практиці діяльності корпорацій-інвесторів, а також представлено важливу систему показників при оцінюванні інвестиційної привабливості. Надійність корпорацій характеризується перш за все тим, наскільки своєчасно вони виплачують кредити. У процесі аналізу привабливості корпорації необхідно визначити місце та роль позичальників у її структурі. Також підкреслено значення плану дій, що пов'язано з оцінюванням інвестиційної привабливості, для привабливості ресурсів, а також звичаїв, пов'язаних з привабливістю ресурсів.

Ключові слова: корпорація, інвестиції, кредитні ризики, інвестиційна привабливість, формальні та неформальні показники.

UDC 336.77

JEL D25

M. A. Mammadov, D.Sc. (Economics), Professor. **A. M. Aliyev**, PhD (Economics), Associate Professor. **M. M. Badalov**, Doctorant. **Sh. I. Alizada**, PhD (Economics), Senior Lecturer. Azerbaijan University of Architecture and Construction, Baku, Azerbaijan. **Determining the Investment Attractiveness of the Corporation.** This article explains the core of the concept of corporation providing information on the first ever – created corporations. In addition, the article highlights the importance of assessing the investment attractiveness of borrowers among the actions aimed at reduction of loan risks in the practice of investor corporations. Next, it also presents the important system of indicators in the assessment of investment attractiveness. The reliability of corporations is characterized, above all, by how timely they repair loans. When analyzing the attractiveness of the corporation, the place and role of borrowers in the structure of a corporation must be determined. Regardless of the nature of future credit transactions, identification allows to accurately determine the nature of the corporation's activities, which is reflected in the article. At the end, the article emphasizes the contribution of the action plan associated with investment attractiveness assessment to the resources attractiveness, as well as customs associated with the resource attractiveness.

Key words: corporation, loan risks, investment attractiveness, formal and informal indicators, economic environment.