

Peculiarities of pursuing state investment policy

Peculiaridades de la política estatal de inversión

Marina Valentinovna ZENKINA [1](#); Olga Gennadevna SEMYANNIKOVA [2](#); Svetlana Valeryevna FIRTSEVA [3](#); Natalya Nikolaevna MILCHAKOVA [4](#)

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ABSTRACT:

Based on the analysis of time series, the article reveals tendencies related to changing the volume of investments in the basic capital of the Russian Federation. For a specific time period the coefficient of intensity of capital renewals was calculated. It allowed to reveal the extensive nature of its renewal. As a result of analyzing the structure of investments according to the sources of financing, it was defined that the situation forming in Russia differs from tendencies of the developed countries' investment activity. The dynamics of obtaining foreign investments and Russian investments abroad was considered by their types. It proves a considerable domination of other investments over direct ones. The type structure of investments in the basic capital is shown in dynamics. It shows the prevailing direction of expenses for forming a passive part of basic funds. The structure of investments by forms of basic funds reproduction where investments in new construction have a determining value is considered. The data showing a significant difference of Russian subjects by the volume of investments in the basic capital are calculated.

Key words: investments in basic capital, basic funds renewal, sources of investments financing, foreign investments, other investments, direct investments,

RESUMEN:

Basándose en el análisis de las series temporales, el artículo revela tendencias relacionadas con el cambio del volumen de inversiones en el capital básico de la Federación de Rusia. Durante un período de tiempo específico se calculó el coeficiente de intensidad de las renovaciones de capital. Permitted revelar la naturaleza extensa de su renovación. Como resultado del análisis de la estructura de las inversiones según las fuentes de financiación, se definió que la situación que se forma en Rusia difiere de las tendencias de la actividad de inversión de los países desarrollados. La dinámica de obtener inversiones extranjeras y las inversiones rusas en el exterior fue considerada por sus tipos. Demuestra una dominación considerable de otras inversiones sobre las directas. La estructura tipo de las inversiones en el capital básico se muestra en dinámica. Muestra la dirección predominante de los gastos para formar una parte pasiva de los fondos básicos. Se considera la estructura de las inversiones por formas de reproducción de fondos básicos donde las inversiones en nueva construcción tienen un valor determinante. Se calculan los datos que muestran una diferencia significativa de sujetos rusos por el volumen de inversiones en el capital básico.

Palabras clave: inversiones en capital básico,

1. Introduction

The forced development of the investment complex must play a determining role in the country economy recovery. The final goal of its functioning is an increase in the efficiency of areas and economic entities on the basis of implementing efficient investment projects.

This fact requires to further scientifically work out the current problems of the investment complex, and to develop and pursue an efficient state investment policy. It determines the need to reveal the level of development and ability of the investment mechanism to provide efficient functioning of the reproduction process in economy. It is impossible to achieve the above goals without the detailed and comprehensive analysis of the process related to pursuing the investment policy, revealing the tendencies that are formed during this, and the existing problems in order to correct the mechanism of making investments in time. This is the goal hereof.

2. Methods

The research is based on the analysis of time series and the use of their relative indicators (coefficients and growth tempos). Every time series has two main characteristics – time and level of series (specific values of the indicators). Levels of the time series are expressed both as absolute and relative values. The derived indices (absolute growth and growth coefficient) are calculated to characterize peculiarities of the development of the phenomena under research.

3. Results of the Research

In order to reveal the tendencies related to changes of the volume of investments in the basic capital of the Russian Federation, tempos of the growth as to the pre-market level – 1990 – will be calculated (Table 1).

Table 1. Investments in Basic Capital, % as to 1990

1990	1992	1995	1998	2000	2003	2005	2010	2011	2012	2013	2014	2015
100	51.3	30.8	21.1	26.1	33.3	43.5	63.9	70.8	75.6	76.2	75.1	68.8

In 1992 (the first year of the market reforms) investments in the basic capital decreased down to 51.3% of the volume of 1990. Then they had decreased on an annual basis and reached 21.1% (of the volume of 1990) in 1998. Since 1999 investments have started annually growing. In 2013 they reached 76.2% and ceased their growth in 2014.

The growth of investments in 1999-2013 could be estimated as a positive tendency. However, the actual situation does not allow to state it.

As mentioned before (Zenkina and Zenkin 2015), basic funds can be renewed by two ways: intensive and extensive. In case of the intensive method of renewal, new receipts of basic funds are directed, above all, to replace physically and morally outdated means of labor, i.e. their timely retirement. In case of the extensive method, newly purchased means of labor are directed to extend the machine park, increase its production capacity without retiring the outdated basic funds. The greatest economic effect is achieved by the intensive method of renewing the basic capital, because in case of the extensive way the effect from introducing new basic funds can be fully or entirely lost by decreasing the efficiency of work of outdated means of labor or the ones that were not replaced in time due to the fact that

Indicators	2000	2005	2007	2008	2010	2011	2012	2013	2014	2015
Investments in basic capital – in total	100	100	100	100	100	100	100	100	100	100
Including own funds	47.5	44.5	40.4	39.5	41.0	41.9	44.5	45.2	45.7	51.1
Raised funds	52.5	55.5	59.6	60.5	59.0	58.1	55.5	54.8	54.3	48.9
Including bank loans	2.9	8.1	10.4	11.8	9.0	8.6	8.4	10.0	10.6	7.8
Including foreign banks loans	0.6	1.0	1.7	3.0	2.3	1.8	1.2	1.1	2.6	1.9
Borrowed funds of other organizations	7.2	5.9	7.1	6.2	6.1	5.8	6.1	6.2	6.4	5.7
Foreign investments								0.8	0.9	0.9
Budgetary funds	22.0	20.4	21.5	20.9	19.5	19.2	17.9	19.0	17.0	16.5
Non-budgetary funds	4.8	0.5	0.5	0.4	0.3	0.2	0.4	0.3	0.2	0.3
Other	15.6	16.8	16.4	17.7	21.9	22.3	20.0	15.6	15.7	14.7
Funds of organizations and population for equity construction	-	3.8	3.7	3.5	2.2	2.0	2.7	2.9	3.5	3.0

By 2015 the raised funds prevailed in the total volume of investments in the basic capital. Herewith, their share grew. Only in 2015 the share of own funds in the total volume of investments (51.1%) inconsiderably surpassed the share of the raised funds (48.9%).

Budgetary funds are a rather important source of financing investments during the whole period under analysis. It is peculiar of non-repayable nature of providing investments.

The share of loans of banks increased from 2.9% in 2000 up to 7.8% in 2015. Along with this, in the structure of sources of financing capital investments of Russian enterprises, the share of bank loans remains inconsiderable as compared to the developed countries: in the USA this indicator is about 40%, in the European Union countries – 42-45% on average, and in Japan – 65%.

This is stipulated by the fact that in Russia there is a negative difference between the average profitability of production enterprises and the average rate of crediting. As the result, the financially reliable demand for loans on the part of enterprises is rather low because the latter

do not find it possible to use them (loans) for the loan rate exceeds the assets profitability.

The results of studying the investment activity made by the Federal Service of State Statistics says that in 2016 among the factors that restrict the investment activity, 56% of organizations mentioned "a high interest rate of the commercial loans", and 46% - "a difficult mechanism of obtaining loans for implementing investment projects".

Thus, crediting of enterprises that decreases the non-repayable financing of investments from the budget is on a rather low level in Russia.

A tendency of the investment activity of the developed countries is the domination of own means of depreciation in its financing. Thus, in Germany among the sources of financing basic funds 66% are related to depreciation deductibles (Osipov and Gorobets 2014). The use of the accelerated depreciation of capital caused a considerable growth of investment funds of American companies.

In the Russian Federation it is possible to see the opposite tendency – the domination of profit over depreciation as own resources of financing investments in the basic capital. According to the authors of the report published in the Kommersant newspaper (Russian Companies' Profit Decreased One Third, 2014), 54% of the capital investments in the Russian economy are made by enterprises out of the net profit.

Meanwhile, under the market conditions the mechanism of self-financing of enterprises at the expense of depreciation and profit considerably differs. While the depreciation returns to the enterprise and is directed to developing production, the profit is spent for tax and other deductibles, and only its remaining part becomes a part of financing investments.

The reproduction potential of the Russian economy is also not supported by depreciation due to the low cost characterizing the old time of creating basic funds. In the developed countries the depreciation as a source of investment activity enhances its participation in reproduction of basic funds, and it weakens in Russia.

Table 4 shows the dynamics of foreign investments in the economy of Russia.

Table 4. Foreign Investments by Types (bln. USD)

Type of investments	2000	2005	2010	2011	2012	2013
In total	10.96	53.65	114.75	190.64	154.57	170.18
Direct	4.43	13.07	13.81	18.42	18.67	26.12
Portfolio	0.145	0.45	1.08	0.80	1.81	1.09
other	6.38	40.13	99.86	171.42	134.09	142.97

For the period of 2000-2013, foreign investments in the Russian economy had increased 15.5 times. However, herewith, for the specified period the most efficient direct foreign investments (the foreign investor's purchase of the package of shares that enables him to control the enterprise or participate in managing it; funds invested by the foreign investor are used afterwards by the enterprise for constructing, reconstructing or technical re-equipment) increased only 5.9 times, and others (trading and other loans) – 22.4 times.

During the whole period under consideration in the total volume of foreign investments in the Russian economy, "other investments" have prevailed. Herewith, their share in the total volume of foreign investments increased from 58.3% in 2000 up to 84.0% in 2013, and the share of direct investments decreased from 40.4% down to 15.4%.

At the present time portfolio investments (purchase of the enterprise shares by a foreign

investor to re-sell them on the second market) do not have a considerable impact on the Russian economy.

Meanwhile, the annual needs of the Russian investment market make up USD 500 bln. (Pankratov and Pankratov 2014).

In 2015 in Russia the ratio of investments from abroad in the total volume of investments in the basic capital made up 0.9%, while in the economy of China and Vietnam, for example, foreign investments make up 30-40% of the volume of capital investments and are the most important condition of their economic growth (Pankratov and Pankratov 2014). Thus, at the present time the volume of foreign investments is many times lower than the level required to develop the country economy, and the situation related to their attraction must be essentially improved.

The dynamics of Russian investments abroad will be considered below (Table 5).

Table 5. Russian Investments Abroad by Types (bln. USD)

Type of investments	2000	2005	2010	2011	2012	2013
In total	15.15	31.13	96.22	151.67	149.91	201.64
Direct	0.38	0.56	10.27	19.05	17.43	76.26
Portfolio	0.03	0.41	0.80	11.10	6.97	4.27
Other	14.74	30.16	85.15	121.52	125.51	121.11

The volume of investments from Russia for the period of 2000-2013 increased 13.3 times. Herewith, the export of capital from Russia for the specified period was about USD 646 bln., and foreign investments in the Russian economy for the same period were about USD 695 bln. In other words, the investments exported from the country are almost equal to the ones received by the country.

Table 6 shows the structure of investments in the basic capital by types of basic funds.

Table 6. Type Structure of Investments in Basic Capital, % as to the Result

Years	2000	2005	2010	2011	2012	2013	2014	2015
Investments in basic capital, in total	100	100	100	100	100	100	100	100
Including by types of basic funds								
- residential houses	11.3	12.0	12.2	12.7	12.2	12.5	14.5	15.0
- buildings (excluding residential) and constructions	43.1	40.4	43.3	43.3	44.2	41.5	40.8	41.4
- machines, equipment, transportation means	36.6	41.1	37.9	37.9	37.6	38.8	36.3	34.7
- other	9.0	6.5	6.6	6.1	6.0	7.2	8.4	8.9

During the whole period under analysis (except for only 2005), the expenses for building and constructing in the structure of investments, i.e. those for the passive part of basic funds (that

do not participate in the production process but only provide the required conditions for it) prevail. The share of the active part of the basic funds (directly involved in the technological process) is lower. Herewith, in 2015 as compared to 2000 the share of investments in machines, equipment, and transportation means decreased from 36.6% down to 34.7%.

Meanwhile, the increase in the share of machines and equipment contributes to the increase in production capacities of enterprises and volumes of production (Zenkin 2015).

At the present time a form of basic funds reproduction is selected by enterprises depending on their financial state. Herewith, the financial loading on the investor differs considerably – from the highest in case of new construction and to relatively small in case of technical re-equipment of the existing productions. This fact makes investments in technical re-equipment and reconstruction the most attractive. Shorter terms of return of investments peculiar of measures on technical re-equipment and reconstruction of operating enterprises are extremely important.

Advantages of reconstruction (as compared to new construction) include the following:

- In the total amount of investments, the ratio of expenses for equipment is higher because expenses for construction and assembly works and the main part of investments are directed for improving the active part of basic funds, which allows to obtain a higher volume of production under the same volumes of capital investments,
- Reconstruction and technical re-equipment are carried out, as a rule, with lower expenses per the capacity unit,
- Expenses for the social infrastructure are increased, and
- Availability of relations on supplying raw materials, semi-finished products, components, etc. cause a higher acquisition of capacities that were reconstructed.

The dynamics of directions of investments in Russia is shown below (Table 7).

Table 7. Directions of Investments in Basic Capital, % as to the Result

Indicators	2005	2010	2011	2012	2013	2014
Investments in basic capital – in total	100	100	100	100	100	100
Including						
Construction	54.5	61.1	58.1	58.2	57.7	59.1
Modernization and reconstruction	21.7	18.8	19.3	19.5	18.8	17.5
Purchasing new capital assets	23.8	20.1	22.6	22.2	23.5	23.4

In the Russian Federation during 2005-2014 the ratio of investments in construction considerably surpasses their share directed for modernizing and reconstructing. Herewith, for the specified period this indicator considerably increased from 54.5% up to 59.1%.

The work (Zenkin 2015) noted that Russian regions were acutely differentiated by volumes of investments. The comparison of subjects of the country by the volume of investments in the basic capital says about their considerable difference: the gap in the level of investments by regions of the Russian Federation was in 2010 – 563times, in 2011 - 291 times, in 2012 - 161 times, in 2013 - 150 times, and in 2014 – 255 times.

During 2010-2014 subjects of the Russian Federation that were in the top eight list by the

volume of investments in the basic capital received above 40% of all investments in the basic capital of the country. Herewith, this indicator grew (from 40.6% in 2010 up to 45.8% in 2014). Taking into account the fact that the Russian Federation has 85 subjects, in 2014 the share of other 77 was 54.2% of all investments directed to the basic capital of the country.

The represented data show considerable disproportions in the development of regions which pre-determines the need to increase their investment attractiveness.

4. Discussion of Results.

According to the author of work (Zhukovskiy 2013), the Russian investment and banking system cannot finance the extended reproduction of basic capital and technical and technological re-equipment of production.

The physical capital of Russia is in the state of degradation. According to G. Hanin (The Country Government is Based on Incorrect Data about the Economy, 2017), official statistics considerably underestimates its size.

V.A. Osipov and Ya.V.Gorobets note (2014) that the role of depreciation as a source of basic funds reproduction stopped being actual in the activity of enterprises, and the depreciation policy pursued during recent years thwarts their progress.

According to V. Daskovskiy and V. Kiselev (2014), there is loss of the depreciation base, and including of depreciation deductibles to the cost that disfigure the measure of the profit and profitability of economic entities is reduced.

V. Zhukovskiy notes (2013) that the majority of foreign investments are not related to solving the country tasks on structural and technological modernization and development of science-driven productions. These are not more than external credits and loans that Russian enterprises have to attract because of the weakness and non-competitiveness of the national banking system.

5. Conclusion

Thus, based on the stated above, it is possible to make the following conclusions:

- The basic capital in Russia is renewed intensively, which causes the destroying of material and technical base of the production,
- Over the past years the moral tear and wear of basic funds have enhanced and their considerable physical tear and wear have been determined,
- The structure of sources to finance basic capital is not full, which excludes the intensification of the investment activity in the nearest time,
- In the structure of sources of financing capital investments of Russian enterprises, the share of bank loans remains inconsiderable as compared to developed countries,
- The budgetary funds area is a considerable source of financing investments that is peculiar by the non-repayable nature of providing investments,
- There is the domination of profit over depreciation as own sources of financing investments in basic capital,
- In the total volume of foreign investments in the Russian economy, other investments prevail, and the most efficient investments are direct,
- The current level of the needs in foreign investments is many times lower than the one required for developing the country economy,
- Investments exported from the country are almost equal to the received ones,
- The expenses for building and constructing, i.e. creating the passive part of basic funds prevail in the structure of investments,

- The ratio of investments in constructing considerably surpasses the share for modernization and reconstruction, and

- The gap of subjects of the Russian Federation according to the level of investments in basic capital is unprecedented.

The revealed tendencies are a consequence of the under-regulation of the investment activity in Russia, non-development of the investment mechanism, and its inability to ensure the efficient functioning of the reproduction process in the economy. The Government of the Russian Federation together with the executive bodies of subjects of the Russian Federation must reconsider their approaches to developing the investment policy in order to resolve (or at least neutralize) the existing problems.

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4. Federal State Budget Educational Institution of Higher Education "Industrial University of Tyumen (IUT)", 625000, Russia, Ural Federal District, Tyumen Region, Tyumen, Volodarsky St., 38

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