

# COMPLEX MULTIDIMENSIONAL APPROACH OF INVESTMENT APPRAISAL IN THE FORM OF CAPITAL INVESTMENTS

V. A. Dolgoplova, student

Institute of Humanities, Social Sciences & Technologies

Scientific advisor: Averkieva L.G., Senior Lecturer

**Abstract:** The article deals with one of the methodological approaches to the study of the investment process- complex multidimensional assessment of investments, which is held in the following major sections:

- investment in fixed capital by ownership;
- investment in fixed capital by sources of financing;
- investment in fixed capital by type of fixed assets;
- investment in fixed capital by economic activity;
- capital investments in subjects of federation;
- reproductive structure of capital investments;
- functional structure of investments in real capital.

**Keywords:** investment, Russia, fixed capital, ownership, sources of financing, type of fixed assets, economic activity, subjects of federation, reproductive structure, functional structure.

The point of this approach is that any investment project (object) on the one hand, is independent and autonomous. On the other hand, it functions within proposed sections. Thus, it is an organic part of the investment process as a whole. This approach creates objective prerequisites for the development and practical implementation of the scientific validity of the concept of investment and investment policy. On this basis, federal, regional and municipal investment programs should be developed.

The investment process and social reproduction is characterized by contradictory dynamics of growth of investment in real capital. First, in current prices and, second, in constant prices.

For twenty years of market transformation of Russian economy there has been positive growth of investment in fixed capital in current prices. Their volume from 249.1 billion rubles in 1990 increased to 9151.4 billion rubles in 2010 thus having increased by 37 times (Инвестиции в основной капитал 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-02.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-02.htm/)). It is due to hyperinflationary processes in the economy.

Sharp fluctuations in the dynamics of investment in fixed assets were in constant prices. From 1991 to 1995 they decreased by 10%. From 2000 to 2008 they increased sharply due to the economic crisis in 2008. Their volume decreased sharply to 84% in 2009. But in 2010 it increased to 106% (Инвестиции в основной капитал 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-02.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-02.htm/)).

Now we are going to make a more detailed study of complex multidimensional approach of investments in fixed capital in the above proposed sections.

## **Investment in fixed capital by ownership**

The search for optimal proportions in the formation of the investment resources in the context of the most important forms of property is one of the key objectives of macroeconomic regulation of capital investment.

Due to the market transformation of the Russian economy, a new structure of investments in fixed capital by ownership is formed.

According to the State Statistics Committee, there is a steady redistribution of capital investments. This is a result of privatization of state and municipal as well as a mixed Russian ownership to private ownership.

So far the joint Russian and foreign, as well as foreign ownership does not play a significant role in the investment process in Russia. In 2010 their proportion was as high as 7.6% and 5.3% (Инвестиции в основной капитал по формам собственности 2010 [сайт]. URL

[http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-04.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-04.htm/)). This fact is due to unfavorable investment climate for foreign investors.

Private property is the leader in Russia. The reason is that illegal privatization of state property in Russia is strongly developed. And the mechanism of de-privatization did not find application.

### **Investment in fixed capital by sources of financing**

Cardinal changes in the structure of the main sources of funding for capital investments become crucial in the conditions of market economy in Russia.

Budget funds of federation subjects were 10.3% in 1995. In 2010 they dropped to 8.2% (Инвестиции в основной капитал по источникам финансирования 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-05.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-05.htm/)).

Budget financing is usually directed at socially significant objects of noncommercial nature. For example, the construction of production facilities to ensure the safety of nuclear power plants, defense and economic security of Russia.

One of the main sources of capital investments were and are funds of enterprises - their profits and depreciation.

Share of equity decreases. In 1995 it was 49%, in 2005 it was 44.5% and it was reduced to 41.2% in 2010 (Инвестиции в основной капитал по источникам финансирования 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-05.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-05.htm/)). And there is the reduction of not only profits but also of depreciation.

We can make the conclusion that businesses do not have a solid economic base for expanded reproduction of fixed assets at their own expense.

Budgetary funds are an important source of capital investments. But in Russia they have been realized little. Their share was 11.5% in 1995 and it dropped to 0.3% in 2010 (Инвестиции в основной капитал по источникам финансирования 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-05.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-05.htm/)).

In the future significant potential sources of investment financing can be:

- limit the outflow of domestic capital abroad;
- repatriation of illegally exported capital;
- outstanding indebtedness of many foreign countries Russia;
- government, non-governmental and international organizations grants.

### **Investment in fixed capital by type of fixed assets**

The ratio of funds for active and passive investing part of fixed assets characterizes the degree of progressivity of the structure of investments.

The active part of fixed assets includes machinery, equipment, vehicles, tools, fixtures.

Passive part of the fixed assets is an investment in construction and installation work for the construction of buildings, structures and so on (Об инвестиционной деятельности в Российской Федерации, осуществляемой в форме капитальных вложений [сайт]. URL <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=123436/>).

According to the State Statistics Committee classification investments in fixed assets are classified into types.

Investment in dwellings does not refer to production investments. They are spent on the construction of residential buildings, hostels, dormitories boarding schools, institutions for orphans and children left without parental care, shelters for the elderly and disabled. These residential buildings (premises) are not included in the housing stock (Об инвестиционной деятельности в Российской Федерации, осуществляемой в форме капитальных вложений [сайт]. URL <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=123436/>). These investments were in the redistribution of 11-12 % (Инвестиции в основной капитал по видам основных фондов 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-03.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-03.htm/)).

Investments in buildings (excluding housing) and facilities are the cost of construction of residential buildings which include construction contracts and other capital costs associated with them. The share of these investments was 43.1% in 2000 and it was 42.6% in 2010 (Инвестиции в основной капитал по видам основных фондов 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-03.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-03.htm/)).

Investments in the active part of fixed assets are the cost of purchasing machinery, vehicles, equipment, tools and equipment, as well as the cost of installation of equipment at the place of its

permanent operation, inspection and test quality installation from 36.6% up to 38.6% (Инвестиции в основной капитал по видам основных фондов 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-03.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-03.htm/)).

The data presented above indicate that the update of the active part of fixed assets is very slow.

### **Investment in fixed capital by economic activity**

Classification by type of economic activity is an important aspect of the analysis of investments in fixed capital.

In 2005 the basic directions of Russia's policy in the field of innovation system development until 2010 were adopted. In 2006, the strategy of development of science and innovation until 2015 was adopted. Until 2020 the Ministry of Economic Development has drafted a strategy of innovative development. According to estimates of the Ministry it should take 5-10 % of the market of high-tech and intelligent services in 5-7 positions and there will be a twofold increase of the share of high-tech sector in the structure of gross domestic product (from 10.9% to 17-20%) (Инвестиции в основной капитал по видам экономической деятельности 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-06.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-06.htm/)).

However, these calculations of officials are rather declarative. The reality shows the opposite situation.

In the period of 1995-2010 the economic policy emphasis was on the development of the commodity, namely fuel and energy complex. The share of investments was 14.2% in 1995, 18.1% in 2000 and 15.1% in 2010 (Инвестиции в основной капитал по видам экономической деятельности 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-06.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-06.htm/)).

Negative situation is taking place in the manufacturing sector. Their share was 14.8% in 1995. In 2000 it increased to 18.3%. In 2010 it declined to 14.2%.

Production and distribution of electricity, gas and water increased to 9.9% in 2010.

Share of such important industry as construction fell from 6.4% in 2000 to 4.2% in 2010.

Unsatisfactory situation has developed in the social sphere. Its funding has still been scanty.

The total investment in fixed assets of the social sphere was 9% in 1995 and only 7.6% in 2010 (Инвестиции в основной капитал по видам экономической деятельности 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-06.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-06.htm/)).

It is necessary to completely change the system of financing and provide a real priority to the development of this sphere.

### **Capital investments in subjects of federation**

Russia is a huge country, so the regional factor plays a significant role in the investment process. After all, the investment conditions in the central and western regions differ from the Siberian and Far Eastern. Set of factors such as: availability of resources, infrastructure equipment, advanced market reforms and other predetermined position is not the same in some regions of the country.

Russia needs a policy of decentralization. However, it has not got its desired development.

Regional aspect of state investment policy remains a weak point and is still under development.

Federal Fund for Financial Support of the Russian Federation has no investment orientation.

Although it could be an effective instrument of regional investment policy.

As a result, many federal districts due to unfavorable investment climate are characterized by low investment activity.

Central Federal District occupies a leading position. In 1990 it had a 22.2% investment. In 2005 its number increased to 26.6% and in 2010 it dropped to 20.7% (Инвестиции в основной капитал по субъектам Российской Федерации 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-13.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-13.htm/)).

Second place goes to the Urals Federal District. The Investment in this region is due to the priority development of the fuel and energy complex.

Volga Federal District is in third place. During the period from 1990 to 2010 the share of investments decreased by 5% (Инвестиции в основной капитал по субъектам Российской Федерации 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-13.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-13.htm/)).

There is Negative situation in the North Caucasus, the Siberian and Far Eastern Federal Districts. In 2010 the share of investment was 3.1%, 9.7% and 7.9% respectively.

Therefore it is required to develop a clear mechanism for optimizing the allocation of investment resources for the reproduction of capital in all federal districts.

### **Reproductive structure of capital investments**

Reproductive structure of capital investments is determined by the ratio of investment resources for new construction, acquisition of new fixed assets and investment resources for modernization and reconstruction (Об инвестиционных фондах [сайт]. URL <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=123436/>). This ratio usually refers to the degree of progressivity of the investment process.

During this period the share of new construction has increased from 54.5% to 61.1%. Costs for the purchase of new fixed assets decreased from 23.8% to 20.1% (Инвестиционная деятельность 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/Main.htm/](http://www.gks.ru/bgd/regl/b10_51/Main.htm/)).

Due to slow modernization and reconstruction the share of investment in fixed assets decreased.

An important way to improve the reproductive structure of investment in fixed assets is to determine the optimal proportions of resource allocation for new construction, acquisition of new fixed assets, as well as the renovation and modernization.

### **Functional structure of investments in fixed capital**

The effectiveness of the functional structure of investments in fixed capital is defined by gross and net investment. Gross investment has total investment for the reproduction of fixed assets during a certain period. Net investment is gross investment minus depreciation.

The changes of the net investment are an indicator of the economy. If gross investment exceeds depreciation, and hence the net investment has a positive value, the increase in productive capacity provides expanded reproduction; the economy is at the stage of recovery.

Gross investment and depreciation are equal when the net investment is equal to zero. This situation means that the flow of investment funds and consumption and economic growth are absent.

If the value of gross investment is less than depreciation, this means reducing production capacity.

In Russia there is a negative decline in the share of profit organizations. It was 20.9% in 1995 and it decreased to 14.7% in 2010.

Share of depreciation also decreased to 20.5% in 2010 (Инвестиционная деятельность 2010 [сайт]. URL [http://www.gks.ru/bgd/regl/b10\\_51/Main.htm/](http://www.gks.ru/bgd/regl/b10_51/Main.htm/)).

In the situation of the sharp budget cuts public authorities have focused on the increase of businesses investment resources that had to compensate for budget cuts. However, due to financial instability of businesses this direction has not been implemented.

Making an analysis of the most important aspects of investment in fixed assets we can conclude that such a multidimensional integrated approach is an important prerequisite for the mobilization of investment resources and improvement of the efficiency of the investment process in general.

## References

1. Инвестиции в основной капитал 2010 [Электронный ресурс]: сайт / Росстат. – URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-02.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-02.htm/) (дата обращения 15.11.2013)
2. Инвестиции в основной капитал по формам собственности 2010 [Электронный ресурс]: сайт / Росстат. – URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-04.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-04.htm/) (дата обращения 15.11.2013)
3. Инвестиции в основной капитал по источникам финансирования 2010 [Электронный ресурс]: сайт / Росстат. – URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-05.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-05.htm/) (дата обращения 15.11.2013)
4. Инвестиции в основной капитал по видам экономической деятельности 2010 [Электронный ресурс]: сайт / Росстат. – URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-06.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-06.htm/) (дата обращения 15.11.2013)
5. Инвестиции в основной капитал по субъектам Российской Федерации 2010 [Электронный ресурс]: сайт / Росстат. – URL [http://www.gks.ru/bgd/regl/b10\\_51/IssWWW.exe/Stg/04-13.htm/](http://www.gks.ru/bgd/regl/b10_51/IssWWW.exe/Stg/04-13.htm/) (дата обращения 15.11.2013)
6. Инвестиционная деятельность 2010 [Электронный ресурс]: сайт / Росстат. – URL [http://www.gks.ru/bgd/regl/b10\\_51/Main.htm/](http://www.gks.ru/bgd/regl/b10_51/Main.htm/) (дата обращения 15.11.2013)
7. Об инвестиционной деятельности в Российской Федерации, осуществляемой в форме капитальных вложений: федеральный закон РФ от 25.02. 1999 N 39-ФЗ [Электронный ресурс] : сайт / Справочная правовая система "Консультант плюс". – URL <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=123436> (дата обращения 15.11.2013)
8. Об инвестиционных фондах: федеральный закон от 29.11. 2001 N 156-ФЗ [Электронный ресурс] : сайт / Справочная правовая система "Консультант плюс". – URL <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=LAW;n=123436> (дата обращения 15.11.2013)