

State Regulation of Investment Processes of Simple and Expanded Reproduction of Fixed Capital

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Abstract: The creation of favourable investment climate and increase of efficiency of investment activity leads to the strengthening of the state regulation of investments as whole and capital investments in particular. The rational administrative decisions to develop effective mechanisms of the attraction of investment resources aren't always made when the investment resources are insufficient. In the course of the research it is established that the strengthening of state regulation of investments into fixed capital in regarding formation of optimum structure of sources of their financing and the improvement of the branch and regional structures will promote inflow of investments and return increase from their use.

Key words: Investments • Capital investments • State regulation • Legal methods • Administrative methods
• Economic methods

INTRODUCTION

The investments in national economy take the leading place in the achievement of economic growth, change of capital structure, increase of the living standard, competitiveness and macroeconomic stability. The investment process includes the object of investments, their subject and interrelations between them which take place in the form of market self-regulation, state regulation of conditions (investment climate) and results of investment process (income). It is noted by many authors that the state regulation of investments is the most important component of the economic management [1-7, etc.].

A.N. Azriliyan writes the following definition of the state regulation of the investment activity in the Big economic dictionary: "State regulation of investment activity is the set of the state approaches and the decisions fixed by the legislation, organizational and legal forms within which the investor carries out the activity.

The investment policy of the state depends on the maintenance of the economic, scientific and technical and social tasks solved at each concrete stage of the development of the society. The regulation is carried out in the direct control of the state investments; in the

system of taxes with differentiation of tax rates and tax privileges; in the help in the form of grants, subsidies, budgetary loans, soft loans; in the financial and credit policy, pricing, release in the circulation of securities, depreciation policy" [8].

The basic idea of the state regulation of the investment activity is generally described in this definition. It is supposed that at macrolevel the state has to develop the investment policy for the regulation of the investment activity though it isn't told in explicit form.

Askinadze V.M., Maksimova V.F. Petrov V.S. believe that the state regulation of the investment activity is the forms established in the legislative order and the methods of administrative and economic character used by governing bodies of all levels for the implementation of the investment policy, providing the state problems of social and economic development of the country and its regions, increases the efficiency of the investments, safe conditions for the investment in various investment objects [9].

In our opinion this formulation rather deeply and objectively reflects the entity of the state regulation of the investment activity. The positive moment in this definition is the close interrelation of the state regulation of the investment activity with the investment policy.

The state regulation of the investment activity can't be effective without the development and the realization of the investment policy which has been closely interconnected with economic policy of the state.

We believe that the state regulation of the investment activity is the compound and the integral part of the economic state regulation. It is intended for providing favourable conditions for all managing subjects in the field of their investment activity to solve the planned problems of economic, social, innovative, ecological and other character at all levels and assuming direct participation of the state in the investment activity and the development of the state-private partnership.

The main objective of the state regulation of the investment activity is to create the favourable investment climate in the country for all subjects of managing, to realize the economic and social policy of the state for each certain period. Thus, the regulation of the investment activity is the major tool in the state hands which influence on the economic and social processes.

The role of the state in the regulation of the investment activity is the following.

- The state acts as backbone institute which forms the unique legal and regulatory base for all participants of the investment activity, including the implementation of real projects.
- It is a subject of the investment process, allocating budgetary funds on the competitive basis to the direct customers of projects.
- The state defines the strategy of investors behavior in the market of the investment goods and also the volume and structure of the budgetary investments.

According to the Russian economic literature there are two groups of methods by means of which the state regulates the investment activity: methods of direct and indirect influence.

The methods of direct influence are realized through the instruments of legal (legislative) regulation, administrative and economic influence. The methods of indirect regulation are carried out by economic means only.

The instruments of the legal regulation include not only the field of the investment activity, but also the contracts (investment, credit agreements), state programs and the system of realization and observance of the investment legislation [10].

The Instruments of the Administrative Regulation Are the Means of Direct Regulation of the Investment Activity:

Registration, licensing, quoting, use of system of sanctions of restrictions, development and adoption of orders, decrees, etc., introduction of administrative measures, conciliatory and allowing (administrative) procedures, management of the state ownership.

The economic methods of the state investment control depend on the role of economy which it plays in the state and social lives. The instruments of economic regulation include the following groups of means: active and structural, fiscal and structural, monetary and others.

The Active and Structural Methods Are the Following:

state support; public financing of investments (state investments); state participation; connected crediting; direct project financing; management of the external active and passive debt.

The fiscal and structural instruments (budgetary tax policy) impact on the investment activity through the budgetary and tax system.

The monetary instruments (monetary policy) influence on the investment activity through the regulation of monetary circulation and the volume of monetary weight and credit policy (rate of refinancing of the Central Bank of the Russian Federation, credit percent rates of commercial banks, etc.).

The instruments of the state regulation of the investment activity can be applied most effectively using organizational and administrative forms of the influence: information and analytical providing, methods (instruments) of advance of structural reforms and specific projects, methods (instruments) of increase of investment climate (PR, marketing of territories and others) [11].

The main form of its regulation is the creation of the favourable economic conditions of the state for the development of the investment activity. We believe that the state regulation of investments into fixed capital (capital investments) takes the leading place today.

There is much number of measures in the law of the Russian Federation of 25.02.1999 No. 39-FL "About the investment activity in the Russian Federation in the form of capital investments" to create the favourable conditions for the development of the fixed capital in the country. In particular, they include: improvement of the system of taxes, mechanism of amortization charge and the use of amortization charges; establishment of the

special tax modes which don't have individual character by the subjects of the investment activity; protection of investors interests; expansion of the use of the population funds and other off-budget sources of financing of housing construction and building of objects of appointment; acceptance of antimonopoly measures; expansion of opportunities of use of pledges at crediting implementation; leasing development; carrying out revaluations of fixed assets according to rates of inflation; creation of opportunities of formation by subjects of investment activity of own investment funds and others [12].

The various measures allowing to keep relative stability of the investment field are undertaken in this direction. At the same time Russia is in the last third of the list in the rating of the countries with favourable conditions for business (183 countries) [13].

The main problem of low investment activity is the lack of the investment resources for the innovative updating of fixed capital, the increase of the technological level of the production. The share of gross savings in gross domestic product decreased from 36,2% to 28,3% that from 2000 for 2011. And though the relation of gross accumulation of fixed capital to gross savings increased for the considered period from 46,6% to 75,1%, the Russian economy continues to lack investment resources [14].

According to the author the improvement of their structure on financing sources has to become one of the directions of strengthening of the state regulation of investments into fixed capital. The developed structure of sources of financing is shown in table 1 [15].

During all considered period the share of own means of the organizations in financing of the reproduction of fixed capital decreases and the share attracted increases on the contrary. In general it can be considered as a positive tendency which characterizes the expansion of the financing sources. At the same time, for example, the share of the bank credits is insignificant (in 2011 – 8,5%) that first of all influence on the high cost of this financing source. Now the interest rate for the provided credit resources in Russia is higher than in the developed countries. It limits the access of the Russian businessmen to the credit resources and doesn't contribute to the expansion of business activity borders.

According to some scientists S.Yu. Glazyev in particular the state that reserves funds [16] could become one of the additional sources of financing of investments into fixed capital. In their opinion the volume of currency reserves saved up in Russia exceeds all known standards of sufficiency and its forming by means of increase in Reserve fund (to 5,3 trillion Rub by 2015) has no stabilizing value. On the contrary it reduces possibilities of financing of production investments and attracts

Table 1: Investments into fixed capital on financing sources

	1995	2000	2005	2006	2007	2008	2009	2010	2011
	----- In percent in total -----								
Investments into fixed capital – in total	100	100	100	100	100	100	100	100	100
including financing sources:									
own funds	49,0	47,5	44,5	42,1	40,4	39,5	37,1	41,0	42,1
including:									
profit	20,9	23,4	20,3	19,9	19,4	18,4	16,0	17,1	17,9
amortization	22,6	18,1	20,9	19,2	17,6	17,3	18,2	20,5	20,4
involved funds	51,0	52,5	55,5	57,9	59,6	60,5	62,9	59,0	57,9
including:									
bank credits	...	2,9	8,1	9,5	10,4	11,8	10,3	9,0	8,5
including foreign banks	...	0,6	1,0	1,6	1,7	3,0	3,2	2,3	1,7
borrowed funds of other organizations	...	7,2	5,9	6,0	7,1	6,2	7,4	6,1	5,8
budgetary funds (means of the consolidated budget)	21,8 ²⁾	22,0	20,4	20,2	21,5	20,9	21,9	19,5	18,9
including:									
federal budget	10,1	6,0	7,0	7,0	8,3	8,0	11,5	10,0	9,8
budgets of territorial subjects of the Russian Federation	10,3 ³⁾	14,3	12,3	11,7	11,7	11,3	9,2	8,2	8,0
means of off-budget funds	11,5	4,8	0,5	0,5	0,5	0,4	0,3	0,3	0,2
others	...	15,6	20,6	21,7	20,1	21,2	23,0	24,1	24,5

the credit rise in price. The use of planned receipts in Reserve fund would allow to refuse the state loans and would release considerable financial resources for increase of the investment and innovative activity, would promote decrease in interest rates and increase of availability of the credit for real sector of economy.

The branch and regional structures of the investments into fixed capital lead further to the state regulation. In particular in the field of the branch policy it is necessary to emphasize on the acceleration of the updating of the active part of fixed assets in processing productions. Such branches as mechanical engineering, metal working and some other which set level of scientific and technical progress in all economy have to advance the development. If in these branches the fifth part of used fixed assets is already completely worn-out, it is rather difficult to speak about the release of the competitive production.

The regional structure of the investments into fixed capital depends on the subjects of business activity, federal authorities and subjects of federation. World experience of the development of regional economy shows that the basis of high dynamics of the investment process in them are comparative advantages in use of production factors. In recent years the leaders of the investment process are among the Russian subjects of the federation which economy carries the expressed export orientation. Therefore it is necessary to redistribute actively the natural rent in the form of the budgetary and off-budget investment directed to the preservation of cost, to the investment in the branch with low profitability, but providing the development of the priority productions.

The research shows that the insufficient level of the state regulation of investments into fixed capital puts the Russian enterprises in noncompetitive situation in the branch and regional section and also in the relation with the foreign companies.

In our opinion the increase of efficiency of the state regulation of investments into fixed capital requires the following principles:

- Creating favourable conditions for the development of all managing subjects, including the field of the investment activity;
- Priority and efficiency. First of all capital investments have to be put in perspective branches and spheres of the national economy which development promotes the economic transfer to the innovative way of the development and receiving the maximum

economic and social efficiency on this basis. This principle has to be observed at the distribution of the capital investments in regional aspect;

- Goal-setting. The point of this principle is that state regulation of the investment activity has to be directed on the realization of the definite purposes in the field of the social and economic development at various levels;
- State regulation of the investment activity is the component of economic management and has to be closely interconnected with this process;
- State regulation of the investment activity has to be aimed at the solution of the major tasks facing society in the short and long-term range;
- The effective measures considering the actual state of the economy and its development in future have to be used at the regulation of the investment activity.

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