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INVESTMENT PROCESS DEVELOPMENT: PRINCIPLES AND CHARACTERISTICS

Sergey Vasilievich Kupriyanov, Alexander Sergeevich Troshin, Ivan Stepanovich Sandy,

Elena Anatolievna Stryabkova

Belgorod State Technological University named after V.G. Shukhov,
Russian Federation, 308012, Belgorod, Kostukov Street, 46.

Belgorod State Technological University named after V.G. Shukhov,
Russian Federation, 308012, Belgorod, Kostukov Street, 46.

FGBSI All-Russian scientific research institute for the rural economy
123007, Moscow, Choroshevskoe highway, bld. 35/2

Belgorod State Technological University named after V.G. Shukhov,
Russian Federation, 308012, Belgorod, Kostukov Street, 46.

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Abstract.

We have formulated a number of optimization basic principles to determine the spectrum of funding sources on the basis of existing experience generalization in the field of investment processes. The characteristics of investment processes for their compliance with the 'development' and 'sustainability' criteria are presented, their peculiarities are determined in terms of economic science applications. The approaches to the determination of financial leverage mechanism through the management by investment process financing sources. The importance of such parameter as time is noted as any development is carried out in real time, and only time will reveal its trend. Thus, it is legitimate to say that the development result is a new qualitative state of an object. Accordingly, the development is considered as one of the investment process components. The concept of sustainability is determined by using the analytical method of research. The stability was also examined in the framework of a technical approach, through the prism of its imposition on economic sciences.

Keywords: investment process, development, stability, balance stability, movement stability, investment capital, financial leverage, financial leverage effect.

Introduction.

The issues of investment portfolio optimization in various sectors of Russian economy will not reduce its relevance, and this is conditioned by the role and the place occupied by investments, as one of the catalysts for economic growth. The investment development in the light of our country membership within the World Trade Organization (WTO) acquires a particular importance; secondly, the sanction policy provides its influence in respect of Russia,

*Elena Michailovna Parashchuk*et al. /International Journal of Pharmacy & Technology* including the implementation of international investment projects. The foreign investments from the USA and Western Europe are limited, and in some cases, they are not provided; Thirdly, the issues of investment process methodological support remain debatable, both in terms of their identification, development trends, and in terms of their impact peculiarities on the investment attractiveness of the research objects. The structuring and specification require methodical approaches to the investment processes, taking into account the developed sectoral and cross-sectoral structure of the national industry.

Many domestic and foreign researchers made a significant contribution to the development of scientific approaches in the field of investment [1,2,3,4,5,6].

The conceptual approaches to the development of investment processes in modern foreign policy and economic conditions acquire a special role. The above-mentioned things determine the scientific interest to the problems of investment process development in the light of Russian economy.

Methods

The issues of investment process development are studied by scientists and experts, both in Russia and abroad. Currently they published quite a number of works devoted to this subject: terminological issues, economic and budgetary efficiency of investments, the rating component of investment attractiveness at different hierarchical levels, and so forth.

A number of works determines the overall conceptual presentation of investment issues in Russia and abroad in the context of globalization, the recurring economic crises, import substitution and others.

The theoretical and methodological issues of investment in various sectors of economy were reflected in the writings of the following economists: L.I. Abalkin, I.G. Ushachev, I.S. Sandu, Y.A. Doroshenko, V.V. Kuznetsov, J.S. Melkumov, A.G. Tretyakov, R.Z. Khalikov, V.I. Nechayev and others.

Main part

Defining the characteristics of investment processes, we should identify the term "process". Process can be defined as a succession of events or conditions following each other and meeting the requirement of continuity. It is obvious that the process may have different orientation, including an investment one.

The investment process is defined by us as a set of actions carried out in sequence according to the quantitative and qualitative changes of the productive resources in the process of its participant interaction.

The features of investment processes will occur in different degrees of their compliance with the criteria of development and sustainability.

Defining "sustainability" and "development", scientists hold to the following approach [7]. The development is presented like a natural qualitative change of material and ideal objects (enterprises, economic systems), characterized as an irreversible and a directed one. The simultaneous presence of the claimed properties distinguishes the development from other changes. Reversible changes are natural for the processes of operation, that is, for a cyclic reproduction of connections and relations permanent system. In the absence of a direction changes can not be accumulated, which deprives the process of a unified, internally coherent line inherent to the development, and the absence of laws characterizes the random variations of a catastrophic type [7].

Time makes an essential characteristic of development, because any development is carried out in real time, and only time reveals its direction. So, the development result is a new qualitative state of an object. So, the development result is a new qualitative state of an object.

Thus, in our opinion, it can be argued that the development is one of investment process components. However, not every development can be assessed as good in the framework of the investment process implementation, for example, if the development is accompanied by the violation of environmental, antitrust, tax, customs and other requirements. The social orientation of the development is also important because investment processes should contribute to the achievement of public welfare orientation in a greater or in a lesser extent.

Using an analytical research method, let's define the features of "sustainability" concept. Let's refer to the technical sciences, where such categories as the stability of equilibrium (the ability of the mechanical system to return to the equilibrium position under the action of forces in equilibrium) and a driving stability (the ability of a mechanical system (moving under the action of applied forces) to deviate hardly from this movement at minor random influences - light pushes, weak gushes of wind, etc.) [7].

These definitions can be also applied in economics with some reservations. The stability of the investment process may reflect its ability to unwanted change counteraction in the external and internal environment (the desired changes of the internal and external environment meet the development demand and are considered as expected ones).

In our case, the stability criterion is regarded as the conditions at which the restoration of the violated balance or the return to a sustainable movement takes place. At that, let's note that the preservation of its inherent properties as the result of various changes is especially important for mechanical systems and this can be attributed to the investment process.

The considered circumstances confirm the appropriateness of a chosen research direction concerning the investment processes in terms of their compliance with the stated criteria.

As the part of the proposed approach, it should be noted separately that an unequal value of a specific funding source is a precondition for such a difference. The cost of a particular funding source is expressed as a percentage rate (or a unit share) from the amount of capital that must be paid to an investor during an investment source use term. Since any source of funding is based on the principle of payment, its cost will be the measure of this payment.

The cost of a particular source of financing is defined as the income expected by an investor from the capital investment alternatives at a constant risk. In practice, this is expressed in the fact that business entities should provide at least equal income to a potential investor, subject to the alternative use of funds by him.

The total cost of the specific financing sources is reflected in the total cost of investment capital, which is defined as the weighted average cost [7].

According to the capital cost concept, the cost of its borrowing component is determined by the cost of a loan servicing, i.e. the interest rate on loans. At that it is necessary to calculate the tax cost of a loan after. The paid loan interest are related to costs, and thereby reduce the tax profit after and thus create the so-called "tax shield". Thus, there is a situation in practice, when the cost of debt capital is lower than the loan interest rate. After that the tax cost of a loan is calculated by the product of its cost before tax and an income tax rate under current legislation.

The cost of equity capital during the reporting period is determined on the basis of net profit development and distribution.

The management of equity cost is based on the formation and the distribution of operating profit.

Financial leverage can be the mechanism of financing source structure optimization.

In general, financial leverage is regarded as an objective factor of loaned investment financing source influence on equity return ratio change.

Financial leverage is actualized with the introduction of extra loans, which may allow some more return on equity.

The effect of financial leverage for any business entity arises from the calculation of additionally generated return on equity at a different proportion of borrowed financing source use.

The dedicated components are necessary to control the considered effect on the level of a single economic entity.

The tax corrector of the financial leverage is virtually independent on the activity of economic entities, while such an income tax rate is set in Russia by law. However, the following situations may appear in practice with the use of financial leverage tax corrector [7]:

- Differentiated rates of profit taxation;
- The use of tax incentives for profit;

- The implementation of activities in free economic zones using the current preferential taxation of profits;
- The implementation of activities in the countries with a lower level of income taxation.

Within the alleged cases the economic entities may increase the impact of financial leverage tax corrector on its effect by acting on sectoral or regional production structure and reducing the average tax rate of profit.

The financial leverage differential is a dominant one during the development of their financial leverage positive effect. A similar effect occurs in the case of gross margin volume exceeding above the average rate of interest from a used loan.

This indicator requires permanent monitoring, conditioned by:

- The changes of market conditions, which results the increase of cost in respect of the borrowed investment financing sources;
- The decline in terms of financial stability within the framework of investment financing borrowed sources increase;
- The reduction of sales volumes during the periods of market condition worsening, natural disasters and climatic changes.

We may conclude that the knowledge of financial leverage impact mechanism on the level of own capital equity profitability allows to manage the cost and structure of funding sources purposefully thereby determining the cost-effectiveness of future investment processes.

In general, within the framework of financial source development it would be appropriate to use the following principles formulated on the basis of investment experience generalization in various sectors of the Russian economy [8,9,10]:

- Extra sources of investment financing are updated only if the profitability of their own source is increased at the same time;
 - The consideration of an available financing investment experience in various industries, both in Russia and abroad.
- So, the data of innovative investment activity using the agro-industrial complex example, allow us to state the fact that the main sources of their funding in our country, including present time, are the state budget, bank loans and own sources of financing. At the same time, the foreign experience shows a slightly different approach, in particular, the sale of securities is the main source of financing in European countries;
- The focus on long-term cash investments, which allows to have a long-term source of investment funding and the possibility of their operation on the basis of conversion and differentiation. Besides, according to expert estimates it allows to reduce the amount of interest on invested capital and pay a fixed interest in respect of the bonds;

- The priority of public sources for investment funding within the framework of the planned programs and projects implementation. First of all this is conditioned by the value of provided resources, and secondly, by favorable conditions of their development, and thirdly, by the possibility of their intended use in terms of new technological solution creation;

- The optimization of funding sources by composition and structure, taking into account the time factor. At that it is important to analyze the profitability concerning various combinations of investment financing sources and the selection of the least expensive one.

One may recommend the following approaches to the development of investment financing source package:

- If a proposed investment project is related to the improvement of technological equipment on the basis of innovatory proposal or with some slight changes in technology such actions would be more appropriate to perform with the involvement of its own sources;

- During the implementation of major investment projects on the basis of transition to new technologies one may use combined investments. Thus, economic subjects may be combined to form a so-called single fund. This is realized in the form of financial and industrial groups, associations and funds;

- If you plan to implement the strategy of product distribution for foreign markets, the use of foreign sources for investment financing will be attractive enough. However, this assumption will be commonly used in practice only in the case of a significant competitiveness increase among economic entities in the current conditions of membership in WTO and the change of foreign policy and foreign economic conditions.

Conclusions. The current stage of productive forces and production relations development is characterized by their transformation within the developed investment models on the level of separate countries which leaves its mark on the investment processes, their characteristics and development trends. These statements is reflected:

First of all, in the present level of Russian economy development at macro, meso and micro levels. Investment processes contribute to the activation of innovative investment development models produced in our country;

Secondly, the diversity of practical implementation trends concerning investment projects, programs, models is specified in respect of identified critical technologies with an innovative component;

Thirdly, the development of regulatory provision is necessary as soon as possible to implement specific investment models in various industries;

Fourth, institutional and infrastructural support of investment processes based on these terms and conditions, must be completed in the near future.

Conclusions

1. The performed study allows us to state the fact for early investment need to ensure the quick development of Russian economy at the expense of domestic sources of financing, due to the limited use of foreign capital by imposed sanctions.
2. The investment process is defined as a set of actions carried out in sequence according to the quantitative and qualitative change of productive resources in the process of interaction between its participants. The features of investment processes will occur in various degrees of their compliance with the development and sustainability criteria. A prerequisite for such a difference is an unequal value of investment financing particular source, which will be determined using the method of the weighted average calculation based on the weight fraction of its components.
3. In the process of an optimal set of financial sources development by economic entities, it is appropriate to be guided by such principles as the focus on a long-term nature, the priority of public sources in terms of payment for their use, the optimization of funding sources according to a composition and a structure, a compulsory record of funding periods and other parameters.

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