TEST Engineering & Management

November-December 2019
ISSN: 0193-4120 Page No. 3579 - 3584

Investment Potential of the Russian Federation as an Integral Component of the Transition to the Innovative Model of Economic Development

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Article Info
Volume 81
Page Number: 3579 - 3584
Publication Issue:
November-December 2019

Abstract:
Modern conditions dictate the need of transition to an innovative model of development of the national economy since the development of innovation is becoming a determining factor in increasing the country's competitiveness and solving social and economic problems. The relevance of this study is due to the fact that the issues of increasing innovative activity in the country are inextricably linked with its investment opportunities since they largely determine the quality and quantity of implemented innovative projects. The objective of the study is to assess the state of the investment potential of the Russian Federation as an integral component of the transition to an innovative model of economic development. In accordance with the Global Innovation Index, the weaknesses of the Russian Federation in the field of innovative development are primarily the institutional environment and the investment climate. The statistical indicators of investment activity considered in the article are of significant interest to investors, as they allow seeing the current structure and dynamics of investments. Sustainable growth demonstrates the stability of the country's economy, while sharp fluctuations reflect problems and worsen the investment climate. The analyzed indicators demonstrate the presence of certain problems that limit the development of investment potential for the development of an innovative economy, which predetermines the need for the search and systematization of these problems.

Keywords: *investments, investment potential, innovations, national economy, competitiveness, budget, modernization.*

Article History
Article Received: *5 March 2019*
Revised: *18 May 2019*
Accepted: *24 September 2019*
Publication: *18 December 2019*

I. INTRODUCTION

Universal digitalization and globalization of the world economy lay emphasis on the issue of innovativeness of the national economy. The development of innovation is becoming a determining factor in increasing the country's competitiveness. The economy of the Russian Federation, by virtue of its resource-raw nature, is highly dependent on energy prices. At the same time, modern experience shows that the highest economic growth rates in most countries were achieved due to the growth of interregional differences when several basic regions determined the economic policy of the whole country (Kuleshov& Mottaeva, 2014).

The relevance of this study is due to the fact that the issues of increasing innovative activity in the country, which is inherently associated with its investment opportunities, are of particular importance since at the present time they largely determine the quality and quantity of implemented innovative projects. Investments play an important role in the development of the economy of any country, contributing to the expansion of reproduction, the development of new production sectors and the development of the scientific and technical base (Drozdova, 2012; Pakdel & Talebbeydokhti, 2018).

II. MATERIALS AND METHODS

The Russian Federation Economic Security Strategy until 2030 notes that the lag in the development and implementation of new and promising technologies is among the threats and challenges of the country (Decree of the President of the Russian Federation No. 208, 2017). The low efficiency of the innovation system in Russia has led to an increase in the outflow of competitive personnel, technologies, ideas, and capital from the country (Podpiatnikova & Savelieva, 2013; Gomes & Romão, 2016).

In accordance with the Global Innovation Index, which reflects the results of a global study of the countries of the world in terms of the level of innovation development, according to the results of 2017, the Russian Federation takes 45th place (Federal State Statistics Service of the Russian Federation, 2018). At the same time, indicators related to human capital (the ratio of students and teachers, the number of higher education institutions and graduates in the field of science and technology) are noted as its strengths; to the scale of the domestic market; to level of employment of certain types of mental workers; to payments for intellectual property, as well as the number of patents and the level of citation of scientific works. In turn, the weak points that significantly limit the growth of innovativeness of the economy include, first of all, the institutional environment (political situation, regulatory environment) and the investment climate, in particular, the volume of venture financing, which is one of the main financial sources of innovative development in many countries. Subject the foregoing, it seems advisable to pay particular attention to the consideration of the investment potential of encouraging innovative development, as this is one of the key problems.

The value of domestic expenditures on research and development in the Russian Federation is quite small; at the end of 2016, it was only 1.1% of the country's GDP (or 943,815.2 million rubles). Despite the positive dynamics of this indicator since 2010, the value demonstrated by the results of 2009 (1.13%) has not yet been achieved. About 70% of all internal costs are allocated for the development of priority areas of science, engineering, and technology (Dubrovskii & Kiriukhina, 2016). Considering the internal costs in the context of socio-economic goals (Figure 1), it should be noted that about 40% falls on the development of sectors of the economy, 15% - on the general development of science, and 5% - on social goals.

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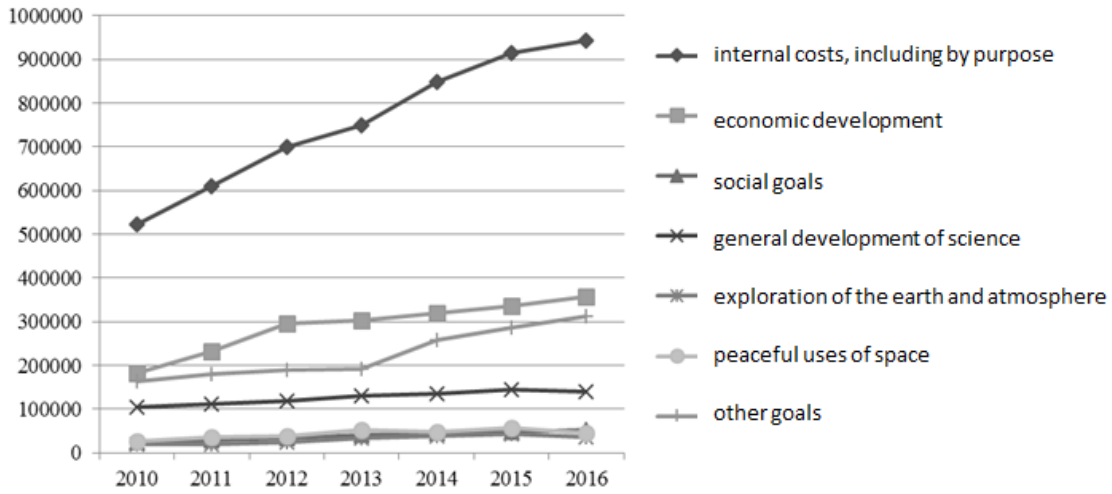

Fig. 1 Dynamics of domestic costs for research and development on socio-economic goals, million rubles

Many countries that demonstrate high innovative potential have their amount of public investment significantly inferior to the size of private investment. The danger of the transition to a market model for financing science lies in the weakness of the domestic intellectual property market, the lack of interest of private investors in basic research, which necessitates active state support at this stage of development since the transition to an innovative development model is impossible without a high-quality scientific base (Polusmakova, 2013).

The innovative potential of the economy is not least determined by the existing technical level of production and its efficiency, which, in turn, is directly related to the volume of production and the economic viability of the sectors of the national economy. The main driving force behind the development of any industrial production is an investment in fixed assets. Currently, these investments account for about 20% of the country's gross domestic product. According to the results of 2016, their value amounted to 14,639.8 billion rubles, which is 742.6 billion rubles more than the same indicator in 2015 (13,897.2 billion rubles). At the same time, the share of this type of investment traditionally amounts to more than 95% of the total number of investments in non-financial assets (98.7% in 2016, 97.7% in 2015). However, there is a negative trend in investments in private property (from 57% of the total investment in 2010 to 56, 3% in 2017) (Klimova & Murashkina, 2015).

The proportion of equity and borrowed funds in the structure of investments in fixed assets remains the same from year to year (according to the results of 2016, 50.9% and 49.1%, respectively, 50.2% and 49.8% in 2015). In the structure of borrowed funds, 33.6% are budget appropriations (56.5% of which is accounted for those of the federal budget); 21.2% - bank loans; and only 1.6% - foreign investment (Galeeva& Zinurova, 2016).

Considering the investment activity in the Russian Federation in the context of the types of economic activity, it can be seen that by the index of physical volume of investments in fixed assets the type of “mineral extraction” takes the leading position. High investment demand is also observed for such activities as real estate transactions, rental, and provision of services. Therefore, it seems interesting to consider how high the innovative potential of these types of activities is.

In the most general way, the types of economic activity can be divided into 3 groups: high-, medium- and low-tech. The renewal coefficient of fixed assets of high-tech activities at full book value in mixed prices, according to Rosstat, significantly decreased in 2016 and amounted to 11.2% (in 2015 - 17.6), which is lower than the indicator in 2008 (11.6%). This indicator also decreased in medium-tech industries. At the same time, low-tech activities showed a slight increase of 0.1 percentage points. in comparison with 2015, which, on the one hand, is a positive trend, but, at the same time, representatives of these activities are quite far from the level reached in 2008 (17.6%). It should be noted that in terms of comparable prices the coefficient of renewal of fixed assets in the whole of the Russian Federation in 2016 amounted to 4.4%, which is equal to the same indicator for 2008 and is by 0.5 percentage points higher than in 2015. Such areas as financial activities (9.7%) and mining (8.3%) demonstrated the greatest result in the renewal of fixed assets (Ivanov & Galeevab, 2016).

The share of investments aimed at reconstruction and modernization in the total volume of investments in fixed assets in 2016 amounted to 16.3%, which is 1 pp less than the same indicator in 2015. The Volga Federal District (20.4%) became the leader among federal districts in this indicator in 2016, overtaking past leaders - the Central (18.9%) and North Caucasian (19.4%) federal districts. The share of investments in machines, equipment, vehicles in the total volume of investments in fixed assets aimed at reconstruction and modernization; among the subjects of the Russian Federation in the same rating, the Volga Federal District took second place (32.7%), lagging behind the Siberian Federal District (35.3%). If we consider these indicators in dynamics, it can be noted that the largest volume of investments aimed at reconstruction and modernization is in the Central, Volga, and Siberian Federal Districts.

Most of the investments in fixed assets account for the replacement of worn-out machinery and equipment, automation and mechanization, as well as improvement of energy conservation. The share of high-tech and knowledge-intensive industries in the gross domestic product has been increasing annually since 2015. According to the results of 2017, it amounted to 22.1%, which is 0.1 pp higher than in 2016 but the rate of growth in 2017 slowed down. Compared to 2011, the total growth amounted to 2.4 pp. Statistical indicators of investment activity are of significant interest to investors, as they show the current structure and dynamics of investments. Sustainable growth demonstrates the stability of the country's economy, while sharp fluctuations reflect problems and worsen the investment climate.

Dubrovsky V.Zh. and Kiriukhina I.V. emphasize that “The innovation sphere is undergoing significant positive changes. To support innovative enterprises in the field of small and medium-sized businesses, the state has created a number of innovative infrastructure facilities: technopark structures; territories of innovative development, which apply a special regime for entrepreneurial activity; cluster development centers, funds to promote the development of venture investments in small and medium-sized enterprises in the scientific and technical field” ((Ivanov & Galeevab, 2016).

However, the considered indicators demonstrate the presence of certain problems that limit the development of investment potential for the development of an innovative economy, which predetermines the need for the search and systematization of these problems.

According to a business survey conducted by the Federal State Statistics Service, the factors limiting investment activity in the Russian Federation are insufficient demand for

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products; lack of own financial resources; a high percentage of commercial credit; investment risks; and price fluctuations in the global energy market (Panasyuk et al., 2014).

There are factors that negatively affect the investment climate of the country and domestic researchers (Bagautdinova et al., 2014). Polusmakova V.S. emphasizes that "the state of the investment climate is exacerbated by the low pace of restructuring of the banking system, the insufficient amount of own capital to credit even medium-term investments in the majority of banks that survived after the financial crisis" (Polusmakova, 2013). Negative trends in the global and Russian economies scale up the risk of bank loan portfolios. Klimova N.V. and Murashkina S.Iu. say that "the Central Bank's policy with regard to banks and the monetary policy do not contribute to the development of the loan financing market, that is, it becomes harder to get a loan and almost impossible to develop without it, especially for small businesses" (Klimova& Murashkina, 2015). Anisimova V.Iu. believes that one of the most significant reasons for low investment efficiency is the "slow modernization of domestic enterprises" (Kuleshov& Mottaeva, 2014). Studies show that the greatest contribution to the formation of investment potential is made by factors accumulated in the process of long-term economic activity, such as infrastructure development of the territory, innovative and intellectual potential of the population.

III SUMMARY

The issues of innovative potential are considered in the works by such scientists as M. Porter, I. Schumpeter, G.S. Gamidov, S.Iu. Glaziev, A.A. Davydova, M.V. Sutugina, E.E. Skliarova, I.V. Shliakhto, and others. Analysis of the works by these authors revealed that no single view on the role and content of innovative potential has been developed. Nevertheless, various interpretations make it possible to obtain a wider understanding of this concept and evaluate the significance that manifests itself in the variety of its constituent components.

Summarizing and evaluating the views of different researchers, we can conclude that innovative potential is formed due to factors such as:

1) the need and/or desire of the subject of economic relations to create and use innovative resources;

2) the availability of necessary resources (investment, human, informational, natural, etc.);

3) the formed favorable external and internal conditions for the implementation of innovative activities (the necessary infrastructure, a system of state (corporate) incentives, legislative framework, etc.).

IV CONCLUSION

Summing up, we note that a distinguishing feature of investment in innovation is that the output amount of economic benefits is very often directly related to the amount of invested funds, while investments in other areas of activity give a more predictable result, and a fixed amount of investment involves a fixed financial result for the investor. For example, investing in the construction of a residential building, the investor expects to receive the final product as a final result - a residential building, the value of which can be predicted at the initial stage of the project. At the same time, when investing in the modernization of existing production in order to increase its competitive position, the investor may be faced with the need to increase funding at the project implementation stage if new technological solutions appear, which could ensure a better effect than the originally planned technologies.

When investing in innovative projects, resources are used to finance scientific and

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ISSN: 0193-4120 Page No. 3579 - 3584

creative activities aimed at improving existing technologies, production methods, etc. or creating fundamentally new products and services. It is quite difficult to predict the final result of such activities at the initial stage, in addition, in the process of project implementation, its concept can radically change, leveling all the forecasts made earlier. In the case of the successful implementation of an innovative project, investors can earn a profit, get new technologies and advantages over competitors. If it fails, the probability of a return on invested funds is very low, which makes innovative projects highly risky. The provision of financial resources at all stages of an innovation project reduces the risks of innovation rejection by the market and increases its effectiveness.

V ACKNOWLEDGEMENT

The work is performed according to the Russian Government Program of Competitive Growth of Kazan Federal University.

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