

# Benefits and Potential of Using Foreign Private Capital to Supply Innovation and Investment Needs in Russia

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**Abstract**—Nowadays the innovation and investment activities of Russian enterprises often acquire distinct international characteristics. The most important innovation and investment projects relevant for the dynamic socio-economic development of the country, in some cases, are carried out with the participation of foreign private capital. In the course of the study, the characteristics of the potential for using foreign private capital in national innovation and investment projects were clarified. Existing information about investments in the Russian economy has been studied. The necessity of development and implementation of methodological approaches to determine the potential of using foreign private capital in the domestic economy has been substantiated. The perspective directions of realizing the potential of foreign private capital for financing innovations are characterized. Authors identify scientific and methodological tasks for attracting foreign private capital to Russia, including distinguishing between ownership of capital when establishing an enterprise and ownership of capital when obtaining debt financing, giving a quantitative assessment of the potential of foreign private capital, and the problem of the efficiency of IIP with the use of foreign funding.

**Keywords**—*innovations, investments, national innovation and investment projects, foreign private capital, the potential for using foreign private capital, directions for realizing the potential of foreign private capital, financing innovation.*

## I. INTRODUCTION

The dynamically developing processes in the national and world economic system force theorists and practitioners to constantly revise and correct their views and approaches to various aspects of economic development. So, today, the processes of import substitution have intensified in the domestic economy, the production of the most important types of industrial and agricultural products that guarantee economic security is growing, original innovative technologies are being created and introduced, laying the foundation for development in the 21st century. The participation of foreign private capital in the implementation of innovation and investment projects (IIP) in the country reflects the realities of the modern world economy, strengthens the economy of participants in international economic activity, and increases its efficiency. Despite the attempts of some Western countries to economically isolate Russia, its role in such integration structures as APEC, CIS,

BSEC, BRICS, EurAsEC and others is growing. [1]. At the same time, the potential of using private foreign capital, including capital from countries belonging to the aforementioned associations, is far from fully realized, although this potential directly affects the competitiveness of both the economy as a whole and individual enterprises. [2]. We may say about a certain connection between the potential for using foreign private capital and innovation potential as an essential element that determines the future of the country. [3]. That is why it is necessary to intensify the participation of foreign private capital in the implementation of IIP in the domestic economy.

## II. METHODOLOGY

The development of the Russian economy requires full satisfaction of the innovation and investment needs of national economic complexes, which can be ensured in the process of realizing the potential of foreign private capital. A deep study of the problems of foreign financing of the domestic national economy is associated with the study of the features of the international division of labor and its impact on the development of the country. The works of domestic and foreign scientists are devoted to this problem, which are based on specific international and domestic economic practice. It has been proved that the dynamic innovation and investment development of any national economy is based on a balanced approach to the use of national and foreign capital, which contributes to the solution of national and regional tasks of economic growth. The analysis shows that attracting foreign private capital can realize a number of advantages over using only national capital. Therefore, it is necessary to develop and concretize the scientific and theoretical provisions that reveal the significance of the potential of using foreign private capital to solve the problems of the country's innovative and investment development.

## III. MAIN PART

The focus of modern innovation and investment science is the most significant problems of economic development, such as investment analysis and investment management, economic justification of investments, etc. [4, 5, 6, 7, 8]. At the same time, ensuring the innovation and investment needs of national economic complexes requires the disclosure of the

potential of the capital used for this. Understanding capital as "funds", "resources", "sources of financing", etc., and from the position of the owner of the capital, we singled out state capital, formed by investing state resources and private capital, created when the authorized capital is paid by individuals, their group or a business they own. It is known that in a market economy, innovation and investment development is often carried out at the expense of private capital [9]. Therefore, an important place in the financing of national IIPs is played by foreign capital in the form of foreign private capital. Various forms of mixed capital also seem promising, the most balanced version of which is national private capital with the participation of foreign private capital, which allows you to effectively invest in the innovation and investment activities of enterprises.

It should be noted that total investment in domestic industry in recent years has grown regardless of the economic crisis and economic sanctions of Western countries, although there were certain differences in terms of investment in fixed assets by types of economic activity. (table 1) [10]. The study of the tabulars allows us to conclude that the total value of the corresponding investments as a whole increased from 2015 to 2019 by 1.5 times and reached the value of 6890.1 billion rubles, this is their maximum value for the entire period. In 2015-2019, investments in the extraction of mineral resources increased by 1.7 times and amounted to 2810.8 billion rubles. Manufacturing industries gave an increase of 1.6 times (2,496.3 billion rubles), investments in the production and distribution of electricity, gas and water increased in 2019 compared to 2015 by 1.2 times (1201.3 billion rubles).

**TABLE I. FIXED CAPITAL INVESTMENTS BY TYPE OF THE ECONOMIC ACTIVITY, MILLION RUBLES**

	2015	2016	2017	2018	2019
Total for industry:	5970.1	6113.1	6436.9	6717.6	6890.1
including by type of economic activity:					
- mining	2694.4	2710.5	2784.0	2794.8	2810.8
- manufacturing industries	2285.2	2338.5	2145.3	2384.6	2493.6
- production and distribution of electricity, gas and water	990.5	1187.6	1507.6	1538.2	1585.7

Thus, investments in fixed assets in industry and in certain types of economic activity have shown steady growth. The structure of investments in fixed assets in industry is given in Table. 2.

**TABLE II. FIXED CAPITAL INVESTMENTS BY TYPE OF ECONOMIC ACTIVITY, AS A PERCENTAGE OF THE TOTAL**

	2015	2016	2017	2018	2019
Total for industry:	100	100	100	100	100
including by type of economic activity:					
- mining	38.7	43.8	43.3	41.6	40.8
- manufacturing industries	35.7	37.9	33.3	35.5	36.2

	2015	2016	2017	2018	2019
- production and distribution of electricity, gas and water	25.6	18.3	23.4	22.9	23.0

The considered structure of investments in 2015-2019 changed as follows - the share of investments in mining and manufacturing increased, which reflects the reform of the structure of investment activity in industry in terms of investment attractiveness of certain types of economic activity. The study of investments in fixed assets of organizations with the participation of foreign capital is of great importance for the purposes of our research. Table 3 shows data illustrating the parameters of this process [10]. As can be seen in 2014-2018, investments in fixed assets of organizations with the participation of foreign capital grew in industry as a whole by 1.4 times, in mining - by 1.2 times, in manufacturing - by 1.5 times, in production and distribution of electricity, gas and water - 1.7 times.

**TABLE III. INVESTMENTS IN FIXED CAPITAL OF ORGANIZATIONS WITH FOREIGN CAPITAL BY TYPE OF ECONOMIC ACTIVITY, IN ACTUAL PRICES, MILLION RUBLES**

	2015	2016	2017	2018	2019
Total for industry:	1069309	1071798	1156230	1149810	1148527
including by type of economic activity:					
- mining	354253	354309	421383	420531	410073
- manufacturing industries	552091	554098	570831	556221	560231
- production and distribution of electricity, gas and water	162965	163391	164016	173058	178223

The greatest investment activity was shown by joint ventures in the production and distribution of electricity, gas and water, in second place are economic entities operating in the extraction of minerals, in third - manufacturing enterprises.

The importance of organizations with the participation of foreign capital in the implementation of national IIP is due to the fact that there is a lack of direct foreign investment in the domestic economy. Further we will designate approaches to determine the potential for using private foreign capital in order to meet the innovation and investment needs of national economic complexes.

It should be emphasized that in the modern economic literature there are various definitions of economic potential in general. Without analyzing in detail all these definitions, we note that the most reasonable is the point of view, according to which the foundation of economic potential is made up of funds, reserves, sources available, which can be mobilized, put into action, used to achieve a certain goal. In this regard, the definition of the economic potential of one of the well-

known authors seems to be succinct and meaningful, who believes that the economic potential is the total ability of available economic resources to ensure the production of the maximum possible amount of utilities that meet the needs of society at this stage of its development. The magnitude of the economic potential is determined by the quantity and quality of economic resources that are available and can be involved in social production, as well as the conditions that ensure their most efficient use. [11]. Based on this definition, it is convenient to develop approaches to determine the potential for using private foreign capital in order to meet the innovation and investment needs of national economic complexes. In our opinion, this potential is a combination of those opportunities, means and tools that appear at the enterprise with the emergence of private foreign capital. In our opinion, the potential for using private foreign capital includes the following components:

- 1) the potential of the underlying equity structure;
- 2) organizational potential;
- 3) the potential for the formation of a balanced structure of borrowed capital;
- 4) the potential for investment attractiveness of innovative projects;
- 5) the potential of the company's reputation.

Base capital structure potential (Пбсак) means the ability to form a balanced structure of share capital with the participation of foreign capital at the time of the organization of the enterprise. The initial presence of a foreign investor in the equity capital creates favorable opportunities for attracting foreign borrowed capital in the future. Organizational capacity (Пор), represents the potential of corporate governance, which can change in one direction or another and be implemented in different directions. Potential for the formation of a balanced structure of debt capital (Пфссзк) is the ability of an enterprise to increase cash flows of a borrowed type in accordance with the concept of the most preferred structure of borrowed capital. The build-up of these flows is the increase Пфссзк and vice versa. Potential for investment attractiveness of innovative projects (Пипип) assumes the ability of an economic entity to generate highly profitable ИП, with an increase in the number of these projects, an increase in potential is recorded, Пипип decreasing. Enterprise reputation potential (Прп) can be quantified through goodwill and fixed as part of the intangible assets of the enterprise, depending on a positive image, the presence of stable business relationships, the popularity of the brand name and brand name. It depends on the attitude towards the enterprise on the part of buyers, clients, partners, management bodies. It is also associated with the assessment of the quality and reliability of the company's products, the assessment of its trademark, the assessment of management, etc.

Thus, the potential of using private foreign capital to meet the investment needs of national economic complexes can be formally expressed as follows:

$$\text{Пичик} = (\text{Пбсак} + \text{Пор} + \text{Пфссзк} + \text{Пипип} + \text{Прп}) \quad (1)$$

where Пичик – the potential of using private foreign capital to meet the investment needs of national economic complexes;

Пбсак - base capital structure potential;

Пор - organizational capacity;

Пфссзк - potential for the formation of a balanced structure of debt capital;

Пипип - potential of investment attractiveness of innovative projects;

Прп - enterprise reputation potential;

М – multiplier of the synergistic effect from pooling potentials affecting the use of foreign private capital.

It is known that the general principle of combining any potentials is to achieve the overall performance. If  $M > 1$ , This consolidation is efficient and effective. It is also possible to evaluate by comparing the potentials for different options for structuring the capital of an enterprise. The above formula characterizes Пичик from the qualitative point of view, it shows that each of the individual potentials (Пбсак, Пор, Пфссзк, Пипип, Прп) contributes to the creation of a synergistic effect, a synergistic effect multiplier (М) determines the degree of growth in the potential for using foreign private capital in order to meet the investment needs of national economic complexes. Among specialists using the potentialist approach in economic research, there are different opinions about the generation of a multiplier effect by intermediate potentials. It seems that the formation of the potential for using foreign private capital in order to meet the investment needs of economic complexes is associated with the multiplier effect arising on the basis of all the considered potentials.

#### IV. CONCLUSIONS

In our opinion, the potentialist approach to the study of the use of foreign private capital in order to meet the innovation and investment needs of economic complexes is quite productive and allows us to reveal the essential aspects of this use. At the same time, it is necessary to solve the following scientific and methodological problems to attract foreign private capital in Russia.

First, to distinguish between ownership of capital when establishing an enterprise and ownership of capital when obtaining debt financing, which will make it possible to comprehend the potential of using foreign private capital.

Secondly, to give a quantitative assessment of the potential of foreign private capital in order to meet the investment needs of national economic complexes, taking into account the assessment of all the potentials that form it.

Thirdly, to outline, in a first approximation, the problem of the efficiency of ИП with the use of foreign funding within the framework of the potentialist approach.

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