

## Financial provision of investment processes in the regions of the North-West federal district

*The presence of various potentialities in achieving economic growth and stirring up investment processes at the regional level is complicated by spatial inequality of financial resources distribution. This study has revealed epy specificity of forming fixed capital financing structure influencing the differentiation level in economic development of regions. Solution of the problem requires improvement of the financial system functioning. Information basis of the study includes statistical collections, published by the Federal statistic service. Methods of statistical analysis are used for the results substantiation.*

*Fixed capital financing, investment resources, self-financing, financial investments, profit, external financial sources, lending, organizations' loans.*



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Financial provision of investment process is associated with the search for solutions in the area of identification the possible investment financing sources, ways of their mobilization, and effectiveness increase.

Getting down to the analysis of investment financing sources, it should be borne in mind that their formation has its own peculiarities at the macro and micro levels. In both cases, there are internal and external sources. At the macroeconomic level the internal sources include: state budget financing, savings of population, savings of enterprises, commercial banks, investment funds and companies, private pension funds, insurance companies, etc. The external sources include foreign investment, lending and loans. At the microeconomic level, the internal sources of investment include income, depreciation, investment of enterprises owners; the external ones – public finance,

investment loans, mutual funding in the non-financial corporate sector, the funds attracted by placing own securities [2].

With incomplete information and lack of institutional environment various ways of financing are not completely interchangeable and equally effective and, depending on certain information or institutional conditions they produce a fundamentally different economic dynamics on both the macro- and microeconomic level [1].

The object of the present study is the micro level, i.e. the level of enterprises and organizations.

In countries with developed market economies the structure of investment financing sources at the firm level varies, usually depending on the phase of the business cycle: the share of internal sources is reduced during the periods of revival and growth, when

investment and business activity rises, and increases in the periods of economic recession that is due to the reduction of investment, reducing the money supply, rising prices of credit [2].

In the Russian Federation the structure of fixed capital financing sources has changed significantly in the direction of reducing their own funds for the period of 2000 – 2009. This trend is characteristic not only for Russia as a whole, but also for its individual regions. In particular, it is quite pronounced in the regions of the North-West Federal District (*tab. 1*).

The own funds share is higher than the average value (in averaged index over the period) in the regions such as the Murmansk, Vologda, Pskov, Kaliningrad oblasts, Komi Republic. In the Kaliningrad Oblasts, which is characterized by almost the highest proportion of self-financing at the beginning of the study period, the share of own funds since 2003 has been rapidly declining. A similar trend has been observed in the Vologda Oblast since 2004. The lowest values of this index is in the Arkhangelsk Oblast and its constituent Nenets Autonomous Okrug (the exception is the crisis year of 2009) and in St. Petersburg. Sharp decline in self-financing since 2006 has also been observed in the Leningrad Oblast.

The described process is actually accompanied by economic growth (except for certain periods primarily the crisis one), but its occupancy with sufficient investment resources is differentiated (*tab. 2*).

The Arkhangelsk Oblast with its member Nenets AO marked by high activity to attract investment resources have leading positions in terms of economic growth and provision with investment resources relative to the gross regional product (GRP). They are followed by the Leningrad Oblast. Nevertheless, the subjects considered are characterized by positive correlation between the gross regional product growth rates and the share of own funds sources (*figure*).

The Murmansk Oblast and Karelia also have positive dependence. Both regions are characterized by low economic growth (the Murmansk Oblast is on the final position by this indicator), and insufficient volume of investment.

A negative correlation is characteristic of Russia as a whole, clearly expressed in Saint-Petersburg, the Pskov, Novgorod, Kaliningrad and Vologda Oblasts. Among the most secured with investment with respect to the GRP is the Kaliningrad Oblast. In time of crisis the position worsened in the Vologda Oblast, and slightly improved in the Novgorod Oblast.

Table 1. Own funds in the structure of fixed capital financing sources [5]

Territory	2000	2005	2006	2007	2008	2009	Average*
<b>Russian Federation</b>	<b>47.7</b>	<b>44.5</b>	<b>42.1</b>	<b>40.3</b>	<b>39.5</b>	<b>37.1</b>	<b>44.05</b>
<i>North-West F. D.</i>	<i>49</i>	<i>42.9</i>	<i>34.3</i>	<i>31.8</i>	<i>31.3</i>	<i>29</i>	<i>41.1</i>
Republic of Karelia	55	41.9	33.6	43.8	34.5	30.3	40.77
Komi Republic	57.2	33.7	43.7	56.1	51.7	31.1	47.81
Arkhangelsk Oblast	44.7	31.3	20.1	17.0	22.1	35	30.63
including Nenets AO	24.9	33.1	18.5	13.0	18.4	35.3	23.67
Vologda Oblast	19.1	39.8	38.4	34.4	44.0	36.7	46.15
Kaliningrad Oblast	74.8	36.3	37.4	29.7	25.3	21.6	45.08
Leningrad Oblast	59.5	55.8	27.4	30.4	26.7	19.8	43.33
Murmansk Oblast	77.0	61.9	49.2	54.0	42.3	43.8	58.28
Novgorod Oblast	48.8	48.7	48.4	45.3	33	23.4	43.48
Pskov Oblast	42.7	55.5	58.3	40.2	42.1	32.1	45.31
St.-Petersburg	45.4	42.3	36.2	<b>29.4</b>	28.7	30.5	38.99

\* Average value is calculated for the period 2000 – 2009.

Table 2. Characteristics of the regions in terms of GRP growth  
(in constant prices, % to the previous year) and the share of investment [5, 6]

Index	2000	2005	2006	2007	2008	2009	Average *
<b>Russian Federation</b>							
GRP growth rates	<b>110.6</b>	<b>107.6</b>	<b>108.3</b>	<b>108.3</b>	<b>105.7</b>	<b>92.4</b>	<b>105.9</b>
Share of investment in GRP	<b>20.3</b>	<b>20.1</b>	<b>21.2</b>	<b>23.45</b>	<b>25.6</b>	<b>24.7</b>	<b>21.8</b>
<i>North-West F. D.</i>							
GRP growth rates	109.7	106.6	107.7	109	104.7	<b>94.9</b>	106.2
Share of investment in GRP	20.2	26.9	29.6	30.1	30.7	26.8	26.1
Republic of Karelia							
GRP growth rates	108.3	106.9	105.1	108.5	<b>95.4</b>	<b>87.6</b>	102.7
Share of investment in GRP	22.7	19.8	21.5	18.3	22.7	17.6	21.6
Komi Republic							
GRP growth rates	110.1	104.0	108.6	<b>99.6</b>	103.3	<b>98.5</b>	103.8
Share of investment in GRP	28.8	29.4	33.9	26.1	28.7	36.0	28.6
Arkhangelsk Oblast							
GRP growth rates	116.4	109.0	107.2	112.2	100.0	102.2	108.4
Share of investment in GRP	16.9	28.7	40.9	48.6	50.3	20.4	30.6
including Nenets AO							
GRP growth rates	...	108.8	114.6	118.7	<b>86.7</b>	122.6	114.7
Share of investment in GRP	32.1	50.2	74.5	93.2	95.2	26.4	62.6
Vologda Oblast							
GRP growth rates	107.5	104.5	104.8	105.1	<b>96.7</b>	<b>87.1</b>	102.4
Share of investment in GRP	12.4	31.3	32.7	32.6	26.6	26.1	23.8
Kaliningrad Oblast							
GRP growth rates	115.1	103.6	115.3	119.9	104.7	<b>91.5</b>	108.5
Share of investment in GRP	19.6	36.6	31.6	32.1	39.5	31.5	28.6
Leningrad Oblast							
GRP growth rates	112.6	109.6	111.2	106.3	105.3	<b>99.6</b>	109.2
Share of investment in GRP	34.4	40.3	48.0	40.9	43.3	45.5	40.7
Murmansk Oblast							
GRP growth rates	104.2	102.4	102.7	102.2	<b>99.8</b>	<b>91.2</b>	100.7
Share of investment in GRP	13.0	15.1	15.5	14.0	21.9	20.5	16.1
Novgorod Oblast							
GRP growth rates	102.9	103.8	104.0	105.5	108.2	<b>98.9</b>	104.4
Share of investment in GRP	22.7	21.9	25.3	27.6	29.5	31.5	24.5
Pskov Oblast							
GRP growth rates	105.8	100.3	104.9	105.6	103.1	<b>93.8</b>	102.8
Share of investment in GRP	15.1	13.7	14.8	22.2	22.5	17.3	16.8
St.-Petersburg							
GRP growth rates	110.1	108.3	108.3	113.1	109.3	<b>94.3</b>	108.1
share of investment in GRP	19.1	23.5	23.5	27.1	26.0	22.0	23.4
* Average value is calculated for the period 2000 – 2009.							

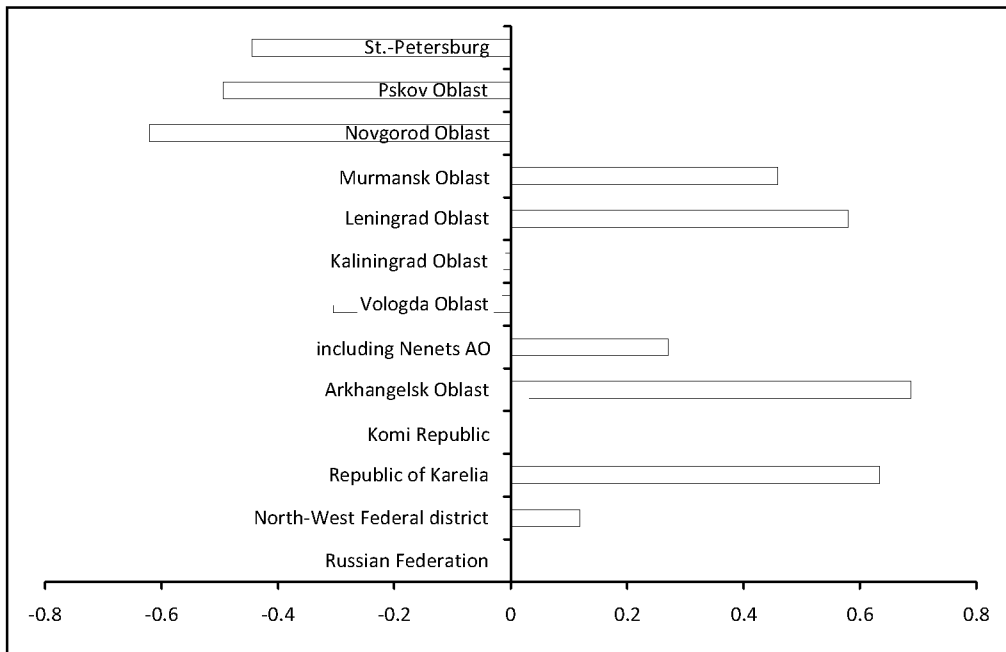
The ambiguity of interpretations of the identified relationships requires more careful analysis of the financing structure of investment processes in the regions studied.

Initially, we shall try to identify the causes of decline in the share of self-financing in the structure of fixed capital investments funding.

A key role in the structure of own sources of financing investment activities of enterprises and organizations, belongs to profit.

Most regions of the North-West during the study period are characterized by a significant increase in weight gains. However, against this background its role in the investment process

Correlation dependence between the GRP growth rates and the share their own sources in the structure of fixed capital financing investment (author's calculations on the basis [5])



is substantially reduced not only in the overall fixed capital funding structure, but also in the structure of the ways of income uses (*tab. 3*).

Thus, we can conclude that the decline in the share of profits is due to not only the increasing demand of economic entities in additional capital against the background of increasing economic activity, but rather because of its replacement with attracted resources: financial performance of companies and organizations primarily and substantially exceed the funds that are directed to the purpose of investment.

The situation would be justified in terms of current needs of businesses in the accumulation of capital within a certain period in order to further investment.

Indeed in some regions there are bursts of activity aimed to use the financial results for investment purposes. These include: the Pskov and Arkhangelsk Oblasts and Nenets Autonomous Okrug. In certain periods the amounts of investment in these regions exceed income

of the current period, which, respectively, may indicate the accumulation of profit with its subsequent investments. However, in this case it is notable that the selected three regions have the lowest financial performance relative to the GRP (*tab. 4*).

The most productive in terms of profit are the Vologda, Leningrad, Novgorod, Murmansk Oblasts and St. Petersburg. However, the share of the profit directed for investment purposes in these regions tends to decrease (excluding the crisis period). Accordingly, the profit is used for other purposes.

An alternative investment in fixed capital is financial investments. It should be noted that in a market economy it is one of the main forms of capital accumulation.

In accordance with the Russian regulations [4] the financial investments include:

- state and municipal securities, securities of other organizations, including debt securities, in which the date and the redemption value is determined (bonds, promissory notes);

Table 3. Evaluation of profits participation in fixed capital investment,  
% (calculated by the author on the basis of [5, 6])

	2000	2005	2006	2007	2008	2009
<b>Russian Federation</b>						
Share of profits in FCF *	<b>23.4</b>	<b>20.3</b>	<b>19.9</b>	<b>19.4</b>	<b>18.5</b>	<b>14.8</b>
Share of investment in TVP **	<b>18.1</b>	<b>15.9</b>	<b>12.5</b>	<b>15.8</b>	<b>23.2</b>	<b>14.6</b>
<i>North-West F.D.</i>						
Share of profits in FCF *	27.5	21.9	16.4	13.3	13.4	11.5
Share of investment in TVP **	21.6	33.1	20.3	15.4	19.5	14.8
Republic of Karelia						
Share of profits in FCF *	38.2	15.3	11.8	13.3	8.8	4.2
Share of investment in TVP **	55.0	14.9	19.3	19.1	11.7	14.5
Komi Republic						
Share of profits in FCF *	38.5	10.2	14.1	12.2	15.1	10.4
Share of investment in TVP **	30.5	17.2	31.0	18.2	42.9	19.9
Arkhangelsk Oblast						
Share of profits in FCF *	23.4	12.3	7.5	3.7	6.9	9.5
Share of investment in TVP **	20.7	30.7	45.6	32.0	101.0	20.2
including Nenets AO						
Share of profits in FCF *	5.9	13.5	6.5	1.7	6.7	10.7
Share of investment in TVP **	3.7	46.7	70.8	28.4	159.5	16.1
Vologda Oblast						
Share of profits in FCF *	29.7	28.2	25.0	16.0	21.8	10.3
Share of investment in TVP **	7.7	28.3	22.8	14.4	15.1	27.4
Kaliningrad Oblast						
Share of profits in FCF *	63.4	12.2	16.9	17.1	4.6	8.5
Share of investment in TVP **	46.4	18.2	30.3	33.3	17.7	14.5
Leningrad Oblast						
Share of profits in FCF *	15.4	35.7	16.6	13.5	14.6	8.1
Share of investment in TVP **	22.3	54.3	37.3	21.9	28.5	19.9
Murmansk Oblast						
Share of profits in FCF *	46.7	21.4	20.2	23.1	22.0	22.6
Share of investment in TVP **	29.9	20.8	15.0	12.9	23.6	21.5
Novgorod Oblast						
Share of profits in FCF *	21.9	30.3	29.4	25.4	18.1	13.0
Share of investment in TVP **	26.0	37.5	20.6	14.7	54.4	10.0
Pskov Oblast						
Share of profits in FCF *	20.7	22.2	36.1	18.5	20.5	12.5
Share of investment in TVP **	28.8	61.4	130.8	78.9	91.9	52.9
St.-Petersburg						
Share of profits in FCF *	21.5	20.8	16.7	14.9	13.5	13.8
Share of investment in TVP **	17.7	38.3	12.1	12.0	12.8	11.1
* FCF – fixed capital funding.						
** TVP – total volume of profits.						

Table 4. The ratio of profit to the GRP, % (calculated by the author on the basis of [5])

Territory	2000	2005	2006	2007	2008	2009	Average
<b>Russian Federation</b>	<b>23.7</b>	<b>20.4</b>	<b>27.1</b>	<b>22.9</b>	<b>15.6</b>	<b>18.2</b>	<b>19.8</b>
<i>North-West F. D.</i>	22.4	15.1	20.2	21.6	17.4	16.5	16.7
Republic of Karelia	14.0	17.1	11.2	11.1	13.6	3.6	10.0
Komi Republic	28.1	16.3	14.1	15.1	8.5	17.2	15.9
Arkhangelsk Oblast	15.5	10.6	6.2	5.2	3.1	8.6	7.8
including Nenets AO	31.9	14.2	6.8	5.5	4.0	17.3	12.3
Vologda Oblast	42.4	28.5	31.0	31.5	31.4	8.2	27.7
Kaliningrad Oblast	20.9	16.2	12.3	10.8	7.2	11.0	13.1
Leningrad Oblast	22.0	22.2	18.0	21.9	19.4	15.2	18.1
Murmansk Oblast	23.5	13.5	18.3	22.8	18.1	18.7	15.7
Novgorod Oblast	17.0	14.2	28.7	34.3	7.5	27.9	17.5
Pskov Oblast	7.7	3.5	3.2	4.0	3.8	2.9	4.2
St.-Petersburg	18.7	10.5	26.1	26.9	21.9	20.7	17.6

Table 5. The share of short-term investments in financial investments [6]

Territory	2000	2005	2006	2007	2008	2009	Average*
<b>Russian Federation</b>	<b>77.2</b>	<b>79.9</b>	<b>84.2</b>	<b>76.4</b>	<b>82.8</b>	<b>78.6</b>	<b>79.3</b>
<i>North-West F. D.</i>	93.5	76.0	58.4	88.7	88.6	86.4	83.0
Republic of Karelia	89.6	83.6	54.1	76.7	94.7	19.7	73.1
Komi Republic	68.9	90.2	37.0	42.7	74.7	96.8	62.8
Arkhangelsk Oblast	91.0	81.1	88.0	93.9	96.9	94.5	89.8
including Nenets AO	99.8	92.0	97.1	97.7	97.6	91.8	90.9
Vologda Oblast	99.2	36.9	12.6	82.7	82.5	84.1	71.4
Kaliningrad Oblast	79.9	86.7	84.9	86.8	82.7	85.9	85.8
Leningrad Oblast	97.4	93.4	65.3	47.5	75.2	81.5	83.8
Murmansk Oblast	92.0	83.8	78.2	97.1	92.7	79.7	87.6
Novgorod Oblast	77.3	95.2	91.3	68.6	30.0	57.3	76.3
Pskov Oblast	85.8	58.1	68.3	89.4	81.5	99.3	74.8
St.-Petersburg	79.8	82.2	75.8	93.8	94.7	89.2	84.0

\* Average value is calculated for the period 2000 to 2009.

- investments to authorized (reserve) capital of other organizations (including subsidiaries and affiliates);
- loans granted to other organizations;
- deposits with credit institutions;
- receivables acquired on the basis of assignment of claims;
- investments to the organization and partnerships under a partnership contract and others.

Some of these areas can potentially act as a direct investment for other enterprises (organizations). In particular, they include investments in corporate securities (stocks, bonds) and loans to other organizations. Such invest-

ments like deposits are an indirect form of financing through commercial banks. In both cases these funds may be used as an investment resource only in case of long-term investment.

Unfortunately, in the regions of the North-West Federal District, though, as in Russia as a whole, by short-term financial investments dominate (*tab. 5*).

However, the enterprises and organizations have a real opportunity to build a long-term resource, since the bulk of financial investments is made by own funds (most available and predictable source), and in most regions of the District, this figure is much higher than the national average (*tab. 6*).

Table 6. The share of own funds in financial investments, % \*

Territory	2005	2006	2007	2008	2009
<b>Russian Federation</b>	<b>79.8</b>	<b>83.5</b>	<b>68.0</b>	<b>66.0</b>	<b>85.0</b>
<i>North-West F. D.</i>	65.7	59.3	68.8	72.0	72.4
Republic of Karelia	<b>88.5</b>	63.2	58.8	94.8	74.2
Komi Republic	15.6	55.8	88.6	<b>94.7</b>	<b>97.8</b>
Arkhangelsk Oblast	55.1	<b>80.5</b>	<b>81.5</b>	70.4	<b>82.5</b>
including Nenets AO	59.9	<b>95.1</b>	<b>95.9</b>	<b>97.3</b>	78.9
Vologda Oblast	<b>83.8</b>	37.2	<b>98.1</b>	<b>99.0</b>	<b>98.0</b>
Kaliningrad Oblast	49.1	<b>80.3</b>	<b>88.0</b>	<b>80.5</b>	<b>88.7</b>
Leningrad Oblast	<b>86.2</b>	79.0	71.6	44.8	<b>85.9</b>
Murmansk Oblast	73.5	79.0	<b>97.0</b>	<b>96.8</b>	<b>96.3</b>
Novgorod Oblast	<b>98.5</b>	<b>99.9</b>	<b>99.8</b>	<b>98.8</b>	<b>98.4</b>
Pskov Oblast	<b>88.9</b>	67.0	<b>94.2</b>	56.3	<b>97.4</b>
St.-Petersburg	61.3	59.1	52.1	57.1	57.5

\* Calculated by the author based on [5, 6], the data on financial investments formed at the expense of own funds until 2004 in an information based of Federal Statistics Service is absent.

Probably the highest risks of investing in securities and the illiquidity of stocks and bonds of most companies-issuers do not allow the firms to consider them as long-term investments.

Nevertheless, the potential exists and it is not small. This is shown by comparing the volume of investments generated through own funds with the general volume of investments (*tab. 7*).

In some regions (marked in bold in table 7) investments formed through own capital significantly exceed not only the own capital invested in fixed assets, but the total volume investment. This is to a great extent inherent to the resourced regions which were discussed above (see table 4). The exclusion makes the Leningrad Oblast.

Thus, it seems that the more the region earns, the more actively it uses its own resources to finance, and investment needs are covered by outside sources.

We should recall that the rates of decline in the own funds share and, consequently, the activity of attracting resources in the context of the North-West Federal District are sufficiently differentiated (see table 1).

To make the results convenient and clear for the analysis of external sources of investments financing it is necessary to separate them

because of a different nature of their operation [3]. Some of them are engaged on a market basis, but some are based on other principles. For example, public funding, for should be mostly aimed at creating a favorable investment environment, i.e. the creation of conditions enabling an increase in investment activity of private investment, which does not exclude direct government participation in investment projects. Inside the nonfinancial corporate sector there are own sources. This is borrowing from other businesses, parent organizations funding of their departments, share in construction, etc. In this case, the effect of market principles is limited as in the allocation and reallocation of resources a limited number of individuals are involved, and investment decisions, to some extent can be subjective. Purely market sources include bank loans and securities issues. The use of market sources determine the degree of involvement of financial markets in the financing of fixed capital and affect the efficiency of the processes of transformation of savings into investment.

In regions of the North-West Federal District market sources have not been well developed, not only in the initial stages of market reforms, but also in the study period. This is especially true for the issue of shares and bonds (*tab. 8*).

Table 7. The ratio of investments to financial investments, formed through the own capital (calculated by the author based on [5, 6])

Index	2005	2006	2007	2008	2009
<b>Russian Federation</b>					
TVI/ IFOC	<b>49.2</b>	<b>39.3</b>	<b>52.6</b>	<b>50.4</b>	<b>41.0</b>
OCI/ IFOC	<b>36.8</b>	<b>32.5</b>	<b>54.2</b>	<b>40.5</b>	<b>49.2</b>
<i>North-West F.D.</i>					
TVI/ IFOC	189.1	153.3	85.9	62.1	56.4
OCI/ IFOC	81.1	52.7	27.3	19.4	16.3
Republic of Karelia					
TVI/ IFOC	368.3	203.4	142.9	<b>45.8</b>	200.5
OCI/ IFOC	154.3	68.3	62.6	15.8	60.8
Komi Republic					
TVI/ IFOC	912.6	593.7	277.5	258.1	304.9
OCI/ IFOC	307.5	259.4	155.7	133.4	94.8
Arkhangelsk Oblast					
TVI/ IFOC	174.8	264.1	635.8	648.7	157.7
OCI/ IFOC	54.7	53.1	108.1	143.4	55.2
including Nenets Autonomous Okrug					
TVI/ IFOC	123.3	239.4	503.0	484.4	295.6
OCI/ IFOC	40.8	44.3	65.4	89.1	104.3
Vologda Oblast					
TVI/ IFOC	<b>96.4</b>	<b>90.2</b>	<b>35.5</b>	<b>13.8</b>	<b>11.3</b>
OCI/ IFOC	38.4	35.1	12.1	6.1	4.1
Kaliningrad Oblast					
TVI/ IFOC	514.5	170.0	156.3	241.9	157.7
OCI/ IFOC	186.8	63.6	46.4	61.2	34.1
Leningrad Oblast					
TVI/ IFOC	357.0	522.0	483.6	622.7	160.6
OCI/ IFOC	199.2	143.0	147.0	166.3	31.8
Murmansk Oblast					
TVI/ IFOC	226.0	<b>77.9</b>	<b>19.7</b>	<b>54.7</b>	<b>57.2</b>
OCI/ IFOC	139.9	38.3	10.6	23.1	25.0
Novgorod Oblast					
TVI/ IFOC	<b>46.3</b>	<b>46.8</b>	<b>39.9</b>	<b>46.9</b>	<b>85.2</b>
OCI/ IFOC	22.5	22.6	18.1	15.5	19.9
Pskov Oblast					
TVI/ IFOC	731.7	1371.2	1371.6	1671.6	410.1
OCI/ IFOC	406.1	799.4	551.4	703.8	131.7
St. Petersburg					
TVI/ IFOC	180.8	107.2	<b>69.8</b>	<b>47.8</b>	<b>42.4</b>
OCI/ IFOC	76.5	38.8	20.5	13.7	12.9
Notes: TVI – the total volume of investments; IFOC – investments, formed through own capital; OCI – own capital investments.					



Table 8. The share of funds raised through market mechanisms in the structure of fixed capital financing, % (calculated by the author on the basis of [6])

Index	2000	2005	2006	2007	2008	2009
<b>Russian Federation</b>						
Issue of shares and bonds	...	<b>3.4</b>	<b>2.3</b>	<b>1.9</b>	<b>0.9</b>	<b>1.0</b>
Lending	<b>2.9</b>	<b>8.3</b>	<b>9.5</b>	<b>10.4</b>	<b>11.8</b>	<b>10.3</b>
<i>North-West F.D.</i>						
Issue of shares and bonds	...	0.7	1.5	1.5	1.0	1.2
Lending	5.2	8.6	7.8	9.4	10.6	9.2
Republic of Karelia						
Issue of shares and bonds	...	0.1	0.1	0.4	0.7	0.0
Lending	1.2	20.3	8.7	13.9	21.1	11
Komi Republic						
Issue of shares and bonds	...	0.2	0.1	0.1	0.2	0.0
Lending	9.8	2.1	1.7	9.3	10.4	15.7
Arkhangelsk Oblast						
Issue of shares and bonds	...	0.5	0.5	0.0	0.2	0.0
Lending	0.5	4.2	2.3	4.3	6.5	3.3
including Nenets Autonomous Okrug						
Issue of shares and bonds	0.0	0.0	0.0	0.0	0.0	0.0
Lending	...	3.6	0.6	1.3	3.2	0.9
Vologda Oblast						
Issue of shares and bonds	...	0.2	0.2	0.1	1.5	0.0
Lending	3.8	7.5	3.7	11.5	7.2	9.2
Kaliningrad Oblast						
Issue of shares and bonds	...	0.6	0.4	0.2	0.4	1.8
Lending	3.6	30	12.5	27.1	24	5.3
Leningrad Oblast						
Issue of shares and bonds	...	0.8	5.0	7.1	1.6	0.0
Lending	1	4.2	6.9	6.7	6.9	4.5
Murmansk Oblast						
Issue of shares and bonds	...	0.0	0.3	0.0	2.7	19.9
Lending	1.1	6.5	4.6	11.3	3.7	9.3
Novgorod Oblast						
Issue of shares and bonds	...	0.8	0.8	0.0	1.1	0.0
Lending	1.2	3.2	10.3	7.6	14.9	14.3
Pskov						
Issue of shares and bonds	...	6.6	0.0	0.0	2.7	7.3
Lending	0.2	2.2	10.1	17.8	17.7	19.5
St. Petersburg						
Issue of shares and bonds	...	1.2	1.2	0.9	1.0	0.0
Lending	10.2	11.6	14.9	9.6	12.3	10.7

Table 9. The share of budget financing in the funding structure of investments in fixed capital formation, % [5]

Territory	2000	2005	2006	2007	2008	2009
<b>Russian Federation</b>	<b>22.0</b>	<b>20.7</b>	<b>20.2</b>	<b>21.5</b>	<b>20.9</b>	<b>21.8</b>
<i>North-West F. D.</i>	<i>15.5</i>	<i>15.0</i>	<i>15.7</i>	<i>20.9</i>	<i>21.3</i>	<i>23.8</i>
Republic of Karelia	17.0	14.7	18.1	18.2	20.8	24
Komi Republic	6.8	5.9	5.5	7.3	6.7	4.6
Arkhangelsk Oblast	12.7	6.8	4.3	6.3	6.9	16.1
including Nenets AO	3.4	3.7	1.8	2.1	2.5	7.2
Vologda Oblast	20	6.3	5	6.3	11.5	10.1
Kaliningrad Oblast	13.9	18.3	21.4	15.3	21.2	29.9
Leningrad Oblast	12.5	7.3	12.9	7.2	12.4	17.1
Murmansk Oblast	11.6	16.8	15.1	19.7	18.2	19.2
Novgorod Oblast	7.6	10.6	6.3	7.9	12.2	21
Pskov Oblast	39.6	21.1	19.2	26	21	28.8
St.-Petersburg	22	28.5	32.1	43	39	39.8

Therefore, among the market sources the main share is made up by loans. The increasing share of lending which is typical for Russia, in the North-West is carried out more slowly.

Credit resources in the investment sphere are most actively attracted by the Republic of Karelia, the Kaliningrad Oblast and St. Petersburg. In the recent years, the Pskov Oblast has been activated. The last three of them have a special status: Saint-Petersburg is the “Northern capital”, the Kaliningrad Oblast is a special economic zone, the Pskov Oblast is a depressed region.

Practically the same composition of the federation subjects stands out as the main recipients of budgetary resources (*tab. 9*). The Murmansk Oblast is added to them.

For the leading regions in attracting external investment resources (the Arkhangelsk Oblast, Nenets Autonomous Okrug) the funds redistributed within the financial sector are their primary source of capital: loans from other enterprises (organizations) and the means of superior organizations (*tab. 10*).

The close dependence of investment processes activity on the superior organization is inherent in almost all northern regions. They are joined by the Leningrad Oblast.

Thus, the decrease of own funds in the structure of fixed capital financing sources is compensated by non-market sources, which

violates the market principles of financial resources redistribution. In this case, if it comes to public funding, it can be an incentive for increased involvement of market sources. Examples of such influence are the Pskov Oblast and the Republic of Karelia with a fairly high proportion of loans in fixed assets financing.

The predominance of sources being redistributed within the nonfinancial corporate sector in investment financing may have the following consequences for the region: the restriction of the competitive environment, impediment for the development of diversified economy, reducing the possibilities of achieving stable economic growth. This particularly concerns the dependence on the superior organizations' funds (the northern resource oriented regions mainly fall into in this group) and, respectively, on management decisions taken by management companies. The latter are usually registered outside the region and are not interested in its economic development.

Therefore, the stimulating of development of exactly market sources of fixed capital financing should become the priority in terms of improving the investment processes financial security.

In expanding the use of market mechanisms to attract investment resources one should be based on the following assumptions.

Table 10. The share of other sources in the structure of fixed capital funding,  
% (calculated by the author on the basis of [6])

Index	2000	2005	2006	2007	2008	2009
<b>Russian Federation</b>						
Superior organizations	...	10.6	12.5	11.3	13.8	15.4
Loans from other organizations	7.2	5.9	6.0	7.1	6.2	10.7
<i>North-West F.D.</i>						
Superior organizations	...	18.6	24.4	14.9	18.3	24.4
Loans from other organizations	9.5	9.3	12.2	16.8	12.0	9.2
Republic of Karelia						
Superior organizations	...	14.3	31.0	6.3	9.3	23.2
Loans from other organizations	2.7	4.3	5.1	10.3	7.2	5.8
Komi Republic						
Superior organizations	...	48.9	43.2	21.6	26.2	47.5
Loans from other organizations	6.7	5.8	3.9	3.1	1.9	0.7
Arkhangelsk Oblast						
Superior organizations	...	23.6	31.8	8.4	17.3	22.2
Loans from other organizations	18.0	32.0	39.0	62.7	45.2	23.0
including Nenets Autonomous Okrug						
Superior organizations	...	8.6	13.8	0.9	4.5	23.9
Loans from other organizations	56.7	49.4	63.0	81.9	69.3	35.1
Vologda Oblast						
Superior organizations	...	42.9	48.8	42.9	28.6	35.2
Loans from other organizations	4.0	0.7	0.9	1.2	2.3	0.5
Kaliningrad Oblast						
Superior organizations	...	0.5	11.8	2.5	10.3	18.0
Loans from other organizations	2.1	12.7	13.8	21.0	16.6	33.9
Leningrad Oblast						
Superior organizations	...	15.7	28.4	31.2	36.8	39.3
Loans from other organizations	19.6	13.8	16.4	12.4	9.3	14.1
Murmansk Oblast						
Superior organizations	...	5.7	24.2	8.0	27.1	20.0
Loans from other organizations	4.2	0.4	3.0	3.3	2.8	1.8
Novgorod Oblast						
Superior organizations	...	7.3	14.4	18.7	15.2	18.4
Loans from other organizations	0.6	20.3	10.0	6.4	13.8	15.6
Pskov Oblast						
Superior organizations	...	3.6	2.5	2.9	3.2	5.7
Loans from other organizations	3.1	6.0	6.2	5.2	4.8	5.4
St.-Petersburg						
Superior organizations	...	3.15	3.45	4.25	7.1	6.8
Loans from other organizations	4.9	4.3	4.9	6.2	3.9	5.5

Incorporation as a method of attracting resources, as well as the issue of corporate bonds, is effective only for competitive large enterprises. The presence of large plants, often limiting the possibilities of diversifying the economy and restraining the development of a competitive environment (which, inter alia, affect the financial resources reallocation), is characteristic of the northern regions. On the other hand, these are the large enterprises which need the mechanisms that can provide large-scale investments. These include mechanisms to attract resources through the stock market. Activation of the latter requires the following measures to be taken:

- formation of a system of providing information on investment opportunities in the region, investors, stock market participants, as well as the method and means of organizations' attracting investments through the tools of securities market;
- support in building the information infrastructure of the securities market: the organization of education, training and con-

sulting for issuers, specialists of the regional government, law enforcement bodies and the public;

- organization of study, methodical compilation and dissemination of experience of issuers in other regions, successfully attracting investment through issues of corporate securities;
- creating conditions for free circulation of securities of the region's companies by facilitating the organization of the stock centers and stores, ensuring the output of regional businesses' securities to the national stock market.

Bank lending will continue to be the main mechanism of attracting investment resources for small and medium-sized businesses.

Banks' participation in the investment processes may be activated by the creation of favorable environment for business: setting up preferences in the form of tax concessions, provision of the areas with engineering infrastructure, providing investment guarantees and compensation payments for interest paid to a bank lender at the expense of budget funds.

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