

ASSESSMENT OF INVESTMENT DEMAND WITH REGARD TO REGIONAL SOCIOECONOMIC DEVELOPMENT

The authors of the present paper consider development of perception and estimation of the economic category “investment demand” of a region from the standpoint of its significance in reference to regional policy-making and investment process management in a region. In order to specify regional policy priorities, a model of a finance-investment act is suggested by the authors; the given act specifies assessment criteria of investment requirements by a region, and actualizes regional policy regarding activation of investment processes in the region.

An integral role in solving the State priority task referred to the objective of innovations to become

an integral part of investment process, along with a strategic trend and social orientation, belongs to regions by right. Execution of the given task, which is far from being comprehended by regions, requires systemic transformation of approaches and methodologies of investment process management. Coordination, efficient balance of administration and self-organization processes, generation of effective legislation and a system of economic criteria of investment process efficiency are to be the primary objective for regional investment management.

Scientific and practical search for advanced approaches and management techniques related to investment processes at a regional level is a

part of the treatise [3], which specifies an integral presentation of investment management issues. Moreover, actual efficiency of investment processes and quality regarding their management at a regional level require specification of several concepts and selection of foreground assessment criteria. Only in this case regional investment policy will be focused on neutralization of unbalance between the objectives referred to socioeconomic development and investment.

In the opinion by the authors, there are at least nine interconnected concepts, which have to be clarified; if not, the activity aimed at generation of new management structures, development of legislation acts and programs will be at high risk of fragmentariness and strategic unbalance:

- finance and investment space of a region;
- investment process;
- priorities of development;
- objectives and a strategy of regional development;
- high-priority programs and development projects;
- development project portfolio;
- regional investment demand;
- efficiency of investments;
- feasibility risks regarding development projects.

Among the mentioned concepts investment demand, in our opinion, is a key one that specifies and coordinates the given group of interconnected concepts. The well-known and widely used definition of regional investment demand (RID) is

as follows: “it is such a condition of the investment activity scope, which is concerned with specific employment of capital in order to solve the tasks aimed at securing regular life activity and regional economic system development» [2, p. 9]. This can be supplemented by the fact that “investment demand is understood as requirement for investments by investment activity agents” [1, p. 10].

According to the publications related to investment process management at a corporate level, as well as at the State and regional levels, we have discovered features referred to change in comprehension and assessment of RID (table 1).

Thus, RID is the key criterion in terms of regional development; it specifies condition of regional innovation climate, as well as endowment by the required and sufficient investment resources for accomplishment of the strategy regarding regional socioeconomic development.

In order to represent regional investment demand in a systemic way, there should be a coherent idea regarding full functioning of investment capital, and ***a regional finance and investment act.***

Here a problem occurs related to the hierarchy of financial and investment decisions and advisability of considering them either conjointly or separately. In the literature a real investment process is considered as primary with regard to a financial one. On the other hand, lack of finances does not allow investment process implementation. We consider it appropriate to regard the given process as a finance and investment one. Therewith, an investment market is considered as a form of interaction of

Table 1

Change in comprehension and assessment of RID

Previous paradigm	New paradigm
ID as necessity, requirement, need, deficiency of investment resources for effective activity	ID as conscious ability and estimated capacity to employ investment resources effectively
ID as a sum of required investments for implementation of regional projects and strategic development programs	ID as an integral index of portfolio of high-priority accomplishments in terms of regional socioeconomic development
ID as a structural index in the system of GRP indicators	ID as an indicator of search for lost opportunities and synergic policy decisions
ID reflects a ratio of consumption and accumulation in a regional allocation of the GRP	ID reflects accordance between administrative and estimated rates and parameters of regional self-development processes
Estimating regional ID mostly by application of linear models	Indicative estimation techniques related to regional ID. Application of nonlinear dynamic models
ID as a rate (indicator) under responsibility of special-purpose analytic audit departments	ID as an index of organization culture and regional management quality under responsibility of regional executive authorities
ID as a principally volume term specifying the size of the required investment resources	ID as a principally structural index specifying priorities of development in the context of the limited investment resources
ID as an index specifying innovation development restraints	ID as an index specifying innovation strategy feasibility
ID as an index specifying an investment process state	ID as an index specifying management capability in terms of investment project planning, management of investment risks and procurement of capital

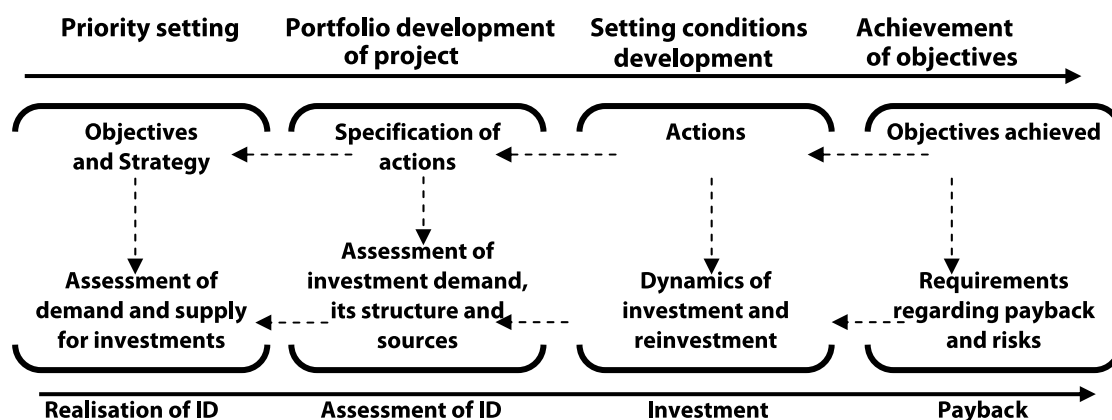


Fig. 1. Finance and investment act in the system of regional socioeconomic development

finance and investment act entities in terms of exchange of investment capital and investment commodities that are capable of producing a profit based on positive dynamics of demand and supply. Therewith, investment capital is referred to as an amount of capital accumulated by market entities, which can be applied for investment. And investment demand is understood as necessity in investments on the part of investment activity entities.

Harmonization of activity within the framework of the regional socioeconomic development strategy and the finance and investment act requires spatial representation regarding the given processes. To create such a model, let us establish certain conditions:

— for complete process of regional socioeconomic development we use a vector of action sequence, from specification of objectives and strategies to their implementation. As a basis for expansion of the given vector, let us consider the most specific stages of project life cycle (conception, development, introduction, completion);

— the finance and investment act is referred to as finance and investment activity, which favors achievement of objectives in terms of the payback criterion within the specified vector of regional socioeconomic development, provided such development is accomplished;

Table 2

Domain-specific regional finance and investment act

Aspect	Problem	Negative effects of the problem
Conceptual perspective of the finance and investment act in the context of the strategy of regional development	Lack of coherent idea regarding the system of finance and investment features of the region, and their interrelation in the system of development priorities	Finance and investment process management at a regional level is of fractionary nature (no integration in terms of volume of investments; development programs are not coordinated; projects [4] are decided on in a random way, and they do not reflect development priorities). The level of manageability of the given processes is minimal.
Investment supply and demand at a regional level	Lack of efficient control mechanisms referred to investment supply and demand based on setting priorities, structural and resource measures, rationing and self-organization measures	Price and rate growth
Assessment of investment demand, its structure and sources	Weakness of investment planning, risk assessment of projects and project portfolios, system of promotion of investment initiatives	Volume of actual investment often exceeds the planned
Investment and reinvestment dynamics	Lack of efficient control mechanisms referred to financial flows in the regional finance and investment space and those concerned with synergic effect	Project payback period grows
Requirements referred to payback and risks	Lack of efficient mechanisms of assessment of actual progress and efficiency, comparison to top results	Lack of comparable data regarding efficiency of investment in social and industrial domains; it eliminates the possibility to build up regional development project portfolio purposefully

Table 3

Regional policy priorities

Policy priority	Policy execution examples
Conceptual perspective of the finance and investment act in the context of the regional development strategy	Generation of neutral, consistent and accessible (open) information regarding regional finance and investment act; the given information is to reflect execution of the act through socioeconomic development priorities and to be a key factor for assessment of regional management quality
Monitoring of investment demand and supply at a regional level	Setting conditions for stirring up investments in the foreground domains of socioeconomic development of the region. Policy execution is to be specified by clear priorities, objectives, investment demand, results, areas of responsibility.
Assessment of investment demand, its structure and sources	Application of investment planning methodology based on priorities, which allow for both present traditional priorities, and significance of investment in generation of an organizational model of regional management. This has to be the basis for building up business standing of the region as attractive in terms of investment management quality
Investment and reinvestment dynamics	Stirring up self-organization processes, which stimulate involvement of the population and organizations into business activity; reinforcement of target search for lost opportunities regarding rational motion of cash flows
Requirements referred to payback and risks	Generation of a planning and monitoring system related to the process of program and project execution in terms of payback (return) criteria and risks with compulsory estimation of efficiency in the outcome of program and project execution

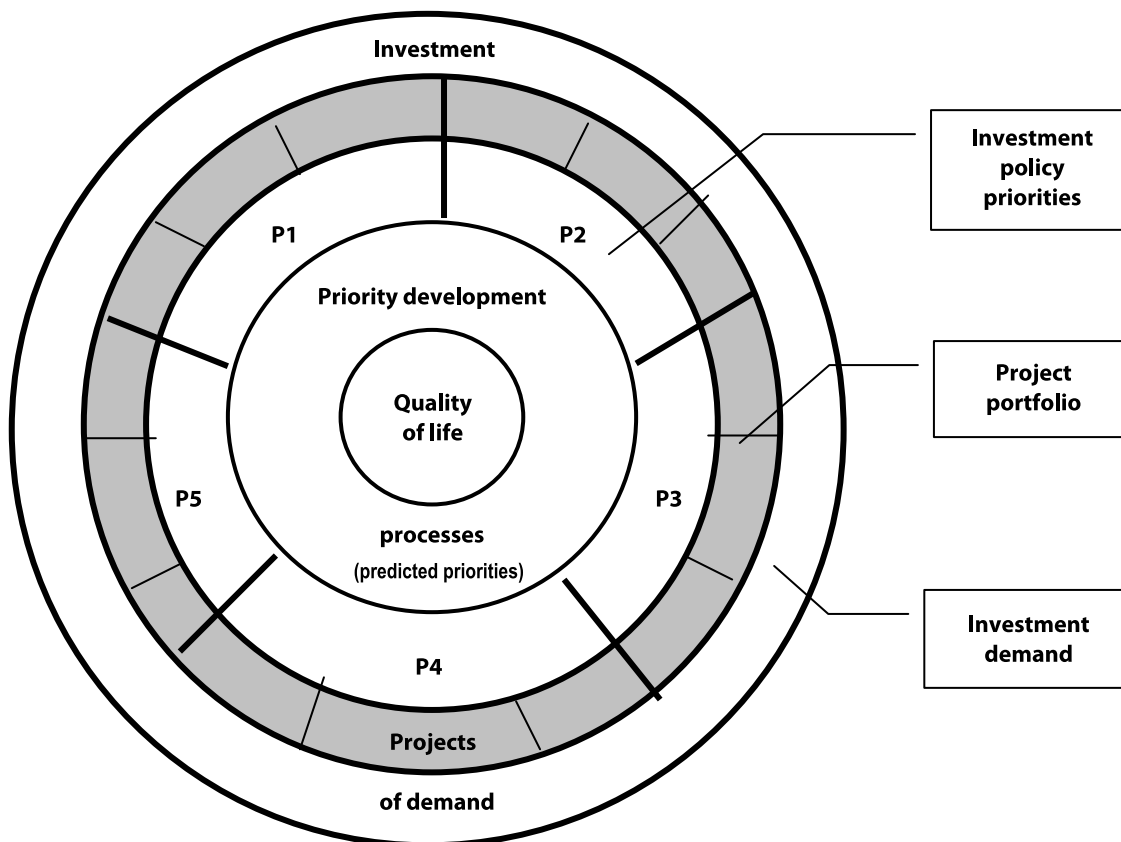


Fig. 2. Conceptual model of building-up the regional investment policy

— in the process of backward motion from the final position in the context of achievement of the objective of regional socioeconomic development to making decision regarding the priorities and strategy, let us formulate the major requirements to a regional finance and investment act and mention the problems regarding it (figure 1).

The finance and investment act in the system of regional socioeconomic development appears as a model of steric interaction of the given processes with accentuation of the most significant aspects specifying efficiency of such interaction and capable of becoming the basis for generation of respective regional policy. We have distinguished critical points

and formulated the problems regional investment policy should be directed at (table 2).

Thus, investment demand can be a backbone factor in the process of designing a regional policy of socioeconomic development. Investment demand is understood as a key criterion of the system state at each stage of regional socioeconomic development act; the given criterion specifies feasibility of the objectives and level of their supply with resources. Investment demand, as a key criterion of the system state, is to be considered in its interrelation with at least three key criteria specifying the full finance and investment act in the regional system of development “objectives – investment demand – result”.

Taking into consideration particular relevance to solve the problems mentioned in the table above, we suggest the key requirements to regional policy in the context of regional finance and investment activity. The given requirements include highlighting critical aspects of the policy (regional policy priorities); they provide collective policy-making and determination of minimum-time execution mechanisms in the context of limited resources (table 3).

Regarding the above conclusions, we suggest a model referred to the way regional policy is to be built up based on investment demand as a backbone concept and the ground for its development and

execution. Therewith, policy-making based on investment demand allows distinguishing drawing out five lines (table 3); top result can be achieved within the framework of the given lines (figure 2).

The suggested approaches actualize the problem of strategic unbalance of regional socioeconomic objectives; show opportunities regarding considerable enhancement of investment process manageability at a regional level by the example of application of regional investment demand model. Alongside with that, in our opinion, in case if innovations become an integral part of the regional finance and investment act, it will increase investment efficiency owing to enhancement of investment demand management.

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