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## DUALISTIC APPROACH TO THE ECONOMIC NATURE OF INVESTMENT CAPITAL DETERMINING

In the article the views of domestic and foreign scientist on investment capital are summarized, the content of this economic concept in the light of its dualistic nature as a resource and as an asset within the space-time continuum is grounded, the essence and components of investment resources are determined.

*Key words: investment capital, investment funds, assets, investments, space-time continuum.*

**Problem Formulation.** The problem of ensuring of an economic development is urgent in Ukraine due to high need for new capital assets, insufficient savings capitalization, limited investment capacity of state and local budgets, low levels of certain segments of the financial market development, political, social and economic tension, and significant gap between national economy and developed countries, which reduces the possibility of its integration into the global economy. The way to overcome these obstacles should be found in the area of the formation and activation of investment capital efficient allocation. The need to deepen the theoretical foundations of the investment capital nature within the investment science is an integral part of this task.

**Analysis of recent research.** Today there are series of works on the theory of investment in the national economics. In particular, such scientists as L. Borsch, A. Mertens, A. Peresada, T. Mayorova, S. Reverchuk, V. Savchuk, S. Prilipko, O. Velichko, V. Fedorenko, N. Tatarenko, A. Poruchnyk reveal the fundamentals of investments, analyze their role and place in the basic theoretical concepts and the process of economic development, determine the characteristics of various investment entities. I. Lunin, S. Pokropyvnyy, B. Zhnyakina, A. Cherep, J. Karpun, M. Bondar, A. Ramsky, N. Kraus

and others have devoted their works to the investment resources mobilization.

Among foreign scientists who have made significant contributions to the theory of investments should be named Z. Bodie, A. Kane, L. Gitman, D. Joehnk, J. Keynes, M. Markowitz, P. Massa, F. Modigliani, M. Miller, W. Sharp, H. Alexander, J. Bailey, E. Schneider, F. Fabozzi, M. Harrison and others. Particular attention should be focused on scientific results of Russian economists, including V. Bocharov, V. Tsarev, V. Sheremet, V. Pavlyuchenko, V. Shapiro and others.

Despite a wide range of research in the field of investment, we believe that even a number of methodological and theoretical issues are underdeveloped. Among them there are essential characteristics of the concept of «investment capital». In this context, **the aim of this investigation** is to find out the meaning of investment capital as an economic concept. According to this aim the following **tasks** should be done. First, the research results of domestic and foreign scientists should be critically reviewed and synthesized to name the basic concepts of investment capital and related terms understanding. Secondly, the dualistic approach to determining of the economic nature of investment capital should be grounded.

**Main body.** In the modern scientific literature the content of investment capital is

not fully discovered. Proof of this imperfection is the fact that in the dictionary of modern economic theory by McMillan [1] and in the Russian new economic encyclopedia, edited by A. Romyantseva [2], there is generally no the definition of «investment capital». In domestic encyclopedias such as the financial and economic dictionary, edited by A. Zagorodnyy and G. Vozniuk [3, p. 381], and the economic encyclopedia, edited by S. Mochernyy, «investment capital» is given a rather simplistic definition – the capital invested in long-term investments [4, p. 302].

We can find the similar definition in the Russian new economic encyclopedia, edited by professor A. Borysov: «Investment capital is a capital invested in long-term investments for a long period of time» [5, p. 274]. The wider interpretation of an investment capital, proposed by S. Urvantseva, can be found in the common monograph: long-term (internal and external) sources of funds involved in the investment process [6, p. 179].

It is difficult to agree with this all definitions because they represent only long-term investments but not short-term ones. In our opinion investments can't be generally interpreted only as long-term ones, it means the unlawful exclusion of the financial market instruments from this list.

The authors, heading by S. Yuriy, consider investment capital to be exclusively a financial component of total capital of the enterprise [7, p. 330]. T. Terent'eva [8] notes that capital starts its cycle as cash, and therefore investment capital is determined as additional funds being spent on the purchase of capital goods for the implementation of various projects in order to generate additional income. In this case, the content of the studied concept is defined more precisely, but is limited by focusing exclusively on the enterprise level.

In their book M. Azarov, F. Yaroshenko and S. Bushuev characterize investment capital as money invested for the long term in the production of goods and services for profit [9, p. 112]. We believe that the identification of investment capital exclusively as funds aimed at investing activities is unacceptable, because the investor can make in-

vestments in the form of tangible and intangible values. We also consider unacceptable identification of enrichment as the sole purpose of investments, since they results can have both economic and social impact.

The study of modern approaches of domestic and foreign scientists showed the lack of unity in the interpretation of investment capital and a number of omissions. The main ones are equating with cash investing, solely connection with long-term investment, insufficiently stated goal of forming and using investment capital, and its content characteristic only for micro economy. We see the way to eliminate these shortcomings in resorting to a retrospective analysis of the major theoretical approaches to understanding of the concept of «capital» in general.

First, the subject-functional approach grounded in the period of classical economic theory dominance should be named. According to it, capital is identified with the accumulated labor that is all used in production in order to produce sales and make profit. D. Ricardo believed that capital was the means of production [10, p. 9]. Marshall counted all the things to the capital, other than land, bringing income and making for commercial and industrial purposes [11, s. 140]. Similar approaches exist in the new economic science, for example, Paul Samuelson attributes to capital natural resources, human resources and capital goods produced by economic system [12, p. 203].

Later the so-called monetarist approach formed, in which capital is investigated as a financial resource producing revenue to its owner in a percentage form. Proponents of this concept based their thoughts on the fact that capital was money or their substitutes (credit money) associated with income. I. Fisher should be considered the main representative of this approach. In his book «The nature of capital and income» he defines capital as a stock of wealth at the moment, including both natural and cost aspects, but mostly emphasizing the first one. The scientist stressed on the fact that the content of capital should bring interest income [13, p. 52–53].

Within the socio-economic approach, K. Marx treats capital as an economic category, specific social relations that arise under certain historical conditions [14, p. 886]. His analysis starts with a statement that any capital (industrial, commercial, loan) begins its circulation as cash, that is a certain amount of money. Later he proposes a general formula of capital circulation, which became classic:

$$M - G - M'$$

where  $M$  – initial money capital invested in the production of goods ( $G$ ), which sale allows to obtain new money ( $M'$ ). The last one consists of initial advanced amount of money and its increase. This increase Marx called surplus value. The ability to create surplus value for money turns it into capital or the value that brings added value [15, c. 166]. Marx concludes that such surplus value arise from the use value of goods and is created during its production.

So money converts into capital when it invested in the production process components (the means of production and labor) for additional value and appropriation of someone else's work results. In this case we deal with the so-called real capital. However, Marx explored its other form – fictitious capital, represented by securities, which unlike the real one has no intrinsic value and gives the right to receive income. The fictitious capital creates no income by itself, but only contributes to its redistribution.

All three approaches separately cannot be used to determine the complex nature of capital and investment capital in particular. Thus according to the subject-functional approach capital is identified as the means of production that allows to see the connection of the concept with the term «resources». However, the questions of this resources usage and this process expected result remain uncertain.

To answer these questions we should go to the monetarist conception of capital as a source of income. But we disagree that this income can only be an interest and have only a monetary form.

Within Marx's theory of capital the antagonism of the two previous approaches

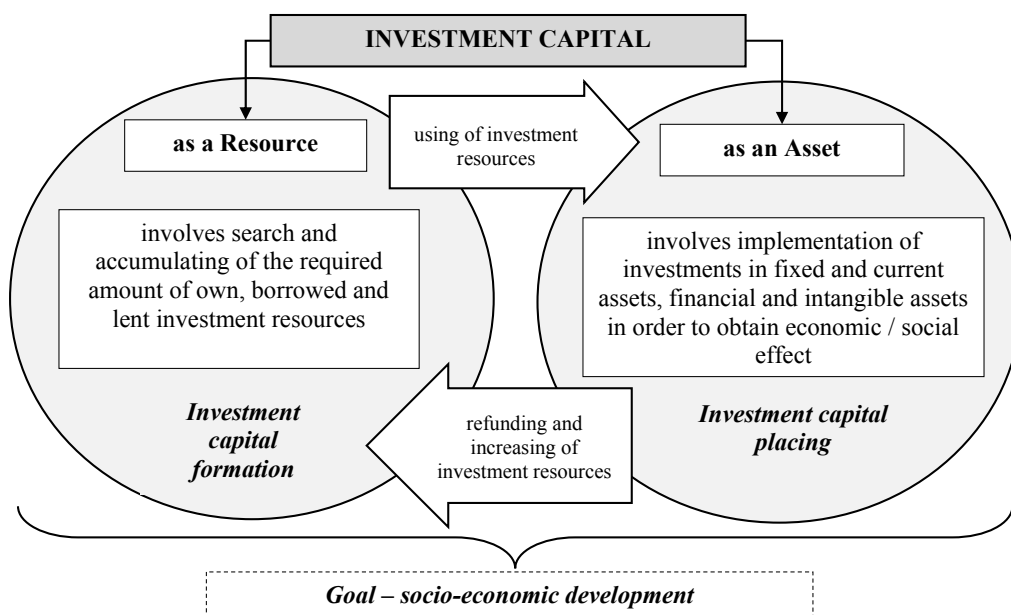
was in some way removed: capital existence starts as a financial resource that goes into production, where gets growth in the form of surplus value and provides thus economic development. However, we do not support the view that capital should be seen only as a cash resource. We also do not share the opinion that capital is social and economic relations by its nature. We believe that the origin of capital should be linked to resources, and relationships arise among economic agents in the process of their formation, distribution and usage.

Summarizing the theoretical understanding of the concept of capital and determining those corresponding to the investment science, we consider to investigate further an investment capital according to the duality of its nature (fig. 1).

Investment capital should be studied in the space-time continuum – the placement and movement of the object in space and time.

Thus, we connect the existence of investment capital with two major processes – the formation and placing. During the first one it acts as a «resource» due to searching and accumulation of different investment resources required for investment activity. At the same time investment resources are used in the process of investment capital placing. Under these conditions investment capital transforms into the asset. This is possible because investment resources are allocated into investments in the form of fixed assets, working capital, financial and intangible assets expected to obtain economic and / or social effect.

Spatial being of investment capital is connected with the fact that the processes of its formation and placing are closely linked. New investment capital must be created as a result of investments, which means increasing of the initial volume of investment resources and growth of opportunities for their future usage. In addition, there is the spatial movement of investment capital at the macro level due to redistribution of investment resources between entities, their groups, industries, regions and countries.



**Fig. 1. Dualistic nature of investment capital\***

\* *Source:* authoring.

The dualism of investment capital nature greatly complicates the task of formulation of the definition of this concept. In discussion on this issue, we believe that the formation of the required volume of investment resources precedes the investment-implementation, therefore we consider investment capital to be investigated from the standpoint of its nature as a resource.

Search results of investment resources essence let a number of authors formulate the definition of this concept (tab. 1)

We can see that both Russian and Ukrainian authors have no unity in the interpretation of the essence of investment resources. However, it applies more approaches to the definition but not the content. The idea is that some authors investigate investment resources at the micro level from the standpoint of a particular company. From this angle the investment resources are characterized by O. Bogovyk, V. Bard, G. Voznyuk, A. Zahorodniy, L. Fenyak, N. Kravchenko and others. At the same time, some authors approach to the interpretation of «investment resources» broadly, not focusing on the fact what subjects involved in their formation (A. Bystryakov, V. Bocharov, N. Vorobiev,

B. Kushlin, T. Mayorova, D. Starik, V. Feshchenko, etc.).

We believe that the wording of the content of investment resources according to the level at which they are formed and used (micro or macro) is quite acceptable as long as it does not affect the essential unity of the concept and just underlines its complex nature. Instead, the main problem we see as an uncertainty of investment resources components.

A. Bystryakov and V. Kushlin argue that investment resources are «monetary and material investments», V. Bard describes them as «a set of financial resources» and D. Starik indicates that it is «funds in the form of material and intellectual values». Separately, each of these statements is not correct, because the concept of resource is not limited only by understanding them as financial, material or intellectual.

We agree with the authors who emphasize the variety of components of investment resources, based on the concept of «economic resources». However, we think it's better to avoid defining investment resources as a combination of their certain species, because in that case there will be a pleonasm terminology.

«Investment resources» definition in the works of economists \*

Author, Source	Definition
A. Zahorodniy, G. Voznyuk [3, p. 783]	all kinds of money and other enterprise assets, which can be used for investment activities
B. Feschenko [16, p. 214]	set of financial, tangible, intangible and human resources involved in the investment process; capital goods used for investment projects
A. Bystryakov, V. Kushlin [17, p. 190]	monetary and material investments aimed directly at facilities, securities, real estate
O. Bogovyk [18, p. 12]	all forms of enterprise capital involved for real and financial investments
T. Mayorova [19, p. 361]	financial, material and non-material resources that are involved for the implementation of investments
N. Vorobyov [20, p. 233]	all kinds of economic resources that are involved in order to investment
L. Fenyak [21, p. 135]	monetary, tangible and intangible assets used by the entity (investor) in the process of investing for profit or social impact achievement
V. Bard [22, p. 129]	set of financial resources, which formed by enterprise to solve the problems associated with the design, construction, development of business entities that finance company investment
V. Bocharov [23, p. 28–29]	values invested in certain projects to increase wealth in one form or another, from material one to cash
D. Starik [24, p. 5–8]	funds in the form of material and intellectual values invested in industrial, business and other activities in order to organize the production of products, works and services and to get profit or other end-result (environmental protection, quality of life, etc.), that economic resources invested in long period in order to obtain net benefits in the future
N. Kravchenko [25, p. 25]	opportunities, facilities, value, stock of the company, sources of its income, which can be used during its innovation and investment activity, efficient usage of which is inextricably linked to the definition of these resources source

\* Source: authoring.

So, we offer own definition: **investment resources** are a set of means and possibilities that are created and accumulated at all levels of the economy and used for investment activities by different entities.

The peculiarity of this approach is that it can be applied to all economic subjects at different levels of the social reproduction process and takes into account all the functional components of investment resources (fig. 2).

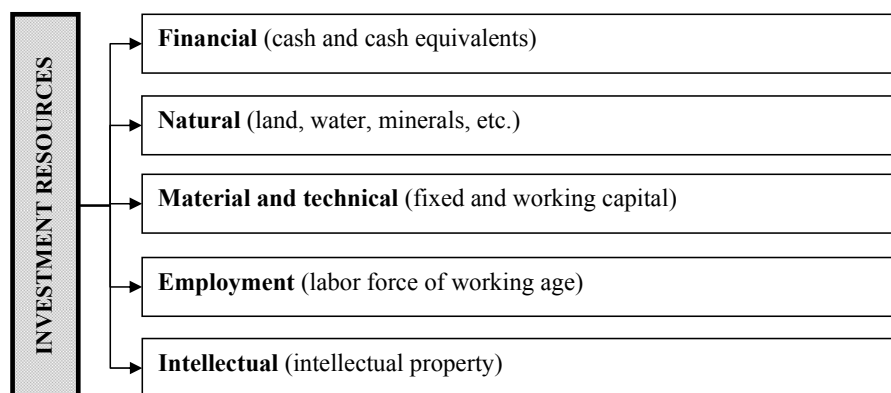


Fig. 2. Components of investment resources\*

\* Source: authoring.

Thus, the required amount and combination of different types of investment resources are prerequisites for the realization of investments. Therefore, we can formulate the following definition: *investment capital is a set of investment resources (financial, natural, material, technical, labor, intellectual), which search and mobilization are made by the entities for further direction in the creation of new or rehabilitation of existing assets from the exploitation or implementation of which is expected to achieve positive economic and / or social effect, and the creation of surplus value.*

Unlike others proposed definition reconciles somehow the differences of subject-functional, monetarist and socio-economic approaches to the concept interpretation of capital, takes into account the duality nature of investment capital, indicating the priority of its formation as a resource and to further accommodation in the assets in the investment activities. It emphasizes that investment capital as a resource must be used to keep its self-expansion as an asset (a surplus value) and to provide conditions for the investments growth.

**Conclusions and suggestions for further research.** The set of domestic and foreign scientists views on investment capital content is investigated. We believe that the economic nature of this concept can be considered as dualistic due to the existence of investment capital in space and time. The formation and placing of investment capital lead to its being both as a combination of investment resources and a set of assets on the acquisition, creation or restoration which they are directed. The proposed approach allows us to reconcile some contradictions of the content of investment capital determining, first of all due to the priority of investment resources accumulation process. However, we associate prospects for further research of this issue with the development of polynomial approach to determining the content of investment capital in the light of the multiplicity of views on the category «capital» nature.

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В статье обобщены взгляды отечественных и зарубежных ученых на инвестиционный капитал, раскрыто содержание данного понятия сквозь призму дуализма его экономической природы как ресурса и как актива в рамках пространственно-временного континуума, определены сущность и составляющие инвестиционных ресурсов.

**Ключевые слова:** *инвестиционный капитал, инвестиционные ресурсы, активы, инвестиции, пространственно-временной континуум.*

У статті узагальнено погляди вітчизняних та зарубіжних науковців на інвестиційний капітал, розкрито зміст цього поняття крізь призму дуалізму його економічної природи як ресурсу і як активу в рамках просторово-часового континууму, визначено сутність та складові інвестиційних ресурсів.

**Ключові слова:** *інвестиційний капітал, інвестиційні ресурси, активи, інвестиції, просторово-часовий континуум.*

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