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TRADE INVESTMENT: STATE AND PROSPECTS

Objection. *The objection of this article is analyze the investment processes in trade and to provide practical recommendations regarding their improvement taking into account the innovative orientation.*

Procedure. *In the process of the study there were engaged: methods of the system analysis of economic phenomenon (for the general investment evaluation in trade), sampling study and clustering (for investment evaluation in retail and wholesale trade), index method and comparative evaluation method (to analyze the investment activity indices in trade).*

Results. *It was developed the system of financial indices, which characterize the investment activity in trade. On the base of the official data of Ukrainian State Statistic Service it was conducted the analyse of the current state of investment in trade.*

Academic novelty. *There were suggested the promising investment patterns of commercial enterprises with a focus on their innovative component.*

Practical importance. *The obtained results allow to work out the innovative – investment model of the trade development and to increase efficiency of commercial enterprises activity.*

Key words: *commercial enterprises, investment, investment activity, financial crisis, innovative investment.*

The problem definition and its connection with the most important scientific and practical tasks. The implementation of economic transformations and the crisis overcoming cover the improvement of organizational and management process, structural readjustment of business entities, their competitiveness provision. A lot of problems appear when coming out of recession, which are connected with determination of the market needs, improvement of competitive environment, which in their turn influence on the effectiveness increase of economical activity. In modern conditions it is very necessary to provide conditions of the qualitative functioning of the trade companies on the base of the owned capital increase, the attraction of additional internal and external investment in development of key assets, technical

innovations implementation, etc. Therefore, the questions of the current state value of investment activity in the commerce and suggestions concerning its further development are of great importance for the modern theory and practice of economic management.

The latest research review. The organization of innovative-investment activity in different companies are stated in the publications of such prominent academic economists as Aptekar S. [2], Birman R., Blank I., Volkov A., Githman L., Johnk, M., Kostyrko L., Peresada A., Poderyogin A., Starik D., Sadekov A. [8], Kharev P., Shumpeter I., Sharp U. etc. Their publications concern the theoretical and practical organizational basis of innovative and investment activity in the manufacturing enterprises. However, the questions of the current state value of investment activity in the commerce and suggestions concerning its further development still remain unsolved.

Therefore, the objective of this article and its main task is to value the investment processes in the commerce and to provide the practical recommendations regarding their improvement, taking into account the innovative directivity.

The methods of this research are system analysis of economic phenomena, sampling study and cluster analysis, indexed method and method of comparative evaluations. In order to carry out the comparative analysis there were used the official data of Ukrainian State Statistic Service [9] and of the National Bank of Ukraine [10].

The main research subject summary. At the modern stage of economic development investment and innovations have become the dominant factors of progress of society and of competitive increase of companies, of satisfaction of needs and reasonable income distribution.

They are of special importance for commercial companies. It is connected with a fact that on the one hand the commerce as the branch of economy has very important socio-economic role. It is actually the integrated branch, which includes such important for the country factors as the level of production development, product quality, public and family welfare, their paying capacity.

On the other hand, this is the branch which is characterized by the low level of automation of trade-technological process, lack of professional managers in the innovative-investment activity organization.

As the commercial companies operate under conditions of severe and growing competition and dynamically changing environment, the questions of the concept and directions of effective organization of innovative-investment processes are of the great importance.

Having analyzed the existing points of view concerning these categories definition, there were suggested to mean by the term of “investment” the allocation of resources into the appropriate objects to achieve the certain effect in some period of time. Meanwhile, there can be different effects – from economic to ecological, social, organizational etc.

The author’s point of view on the definition “innovations” is that they are some particular kind of investment, which can be of any form, but must be aimed

not so much at qualitative development of a system, as at the change of its qualitative characteristics.

One should understand by the term “innovative-investment process” the investment goal setting, which is connected with changes in qualitative characteristics of a system, the choice of innovative investment object, implementation and controlling of investment in order to obtain new effect.

Analyzing the current state of investment activity in trade it should be noticed that during 2004-2011 this type of activity ranked second after the financial one in the rates of increase of fixed assets value, i.e. their value quadrupled. The increase in investment took place predominantly during 2004-2008, and in Ukraine it was marked by relative economic stability, decline in inflation, stable economic growth of 8 % per year in average, and also by building of investors and customers trust. The financial crisis curtailed drastically the investment in trade, which in its turn reflected negatively on its further development.

The more detailed analysis of investment processes in trade was conducted on the base of developed system of qualitative and quantitative indices concerning the investment activity in this field [3]. The algorithm of their calculations is given in the table 1.

The assessment of these indices (Table 2) showed that during the years 2004 – 2011 the investment ratio of commercial companies in total investment in the aggregate capital increased. During this period the investment of commercial companies increased by 1,5 % (from 7 % up to 8,5%). Meanwhile the tendency of growth was proper only to 204-2008. The period of the financial crisis (end of 2008 - 2009) influenced negatively on the branch development. As a result the ratio of investment in the trade decreased by 4.4 % during 2009-2010.

The same situation was proper also to wholesale, where ratio investment increased from 4.2 % in 2004 to 5% in 2011 (with appropriate changes occurred during those years).

However, during the recent years investment in retail has been gradually decreasing, which in general influences badly on its development.

Analyzing the investment activity, it should be noticed that alongside with increase of investment in fixed assets and their value increase there is no increase of depreciation reserves in the structure of transaction costs of commercial companies. It only proves that investment in fixed assets is carried out only by small quantity of commercial companies, and it doesn't influence on the average structure of their transaction costs.

The small quantity on companies which implemented investment during 2004 – 2006 gradually diminished annually – from 14 % to 11.2 % and from 12.8 % o 10 % approximately. In 2007 – 2011 their total quantity was relatively stable and ranged between 13 % and 11.5 % approximately. Along with it, the sum of innovative investment multiplied up 3.8 times, and in the period of the financial crisis (2009 – 2010) decreased by 33 %. Therefore, companies which implemented investment in innovations increased their volumes.

Table 1. The algorithm of calculation of indices which characterize the investment activity in trade

No.	Index	Symbol	The algorithm of calculation
1.	The ratio of investment in trade in the total volume of investment	RI_m	$RI_m = \frac{I_m}{I_3}, \text{ where}$ I_m – the sum of investment in trade over a certain period; I_3 – total sum of investment in the country over the relevant period
2.	The Ratio of owned capital in investment	OC_i	$OC_i = \frac{OC}{L_B}, \text{ where}$ OC – the sum of owned capital of commercial companies over the relevant period; L_B - the total of balance liabilities over the relevant period
3.	The Ratio of debt capital in investment	DC_i	$DC_i = \frac{DC}{L_B}, \text{ where}$ DC – the total sum of the debt capital of commercial companies over the relevant period; L_B - the total of balance liabilities over the relevant period
4.	Sales turnover for 1 UAH of the capital investment	SO_i	$ST_i = \frac{ST}{I_m}, \text{ where}$ TO – the total sum of turnover over the relevant period; I_m – the sum of investment in trade over the relevant period.
5.	The financial performance from operating activities before taxation for 1 UAH of capital investment	FP_i	$FP_i = \frac{FP}{I_t}, \text{ where}$ FP - The financial performance from operating activities before taxation over the relevant period; I_t - the sum of investment in trade over the relevant period.

The financing of technological investment in trade are implemented predominantly at the cost of obtained funds. During 2004- 2011 the share of the owned capital of commercial companies slowly, but surely increased from 12 % to 17 %.

Table 2. The structure and dynamics of investment in fixed capital of commercial companies in Ukraine during 2004 – 2011

Kind of activity	2004	2005	2006	2007	2008	2009	2010	2011
The share of investment in commerce in total volume of investment in Ukraine, %								
Wholesale	4,2	4,2	4,3	4,0	5,0	2,7	2,4	5,0
Retail	1,9	2,8	3,4	4,1	4,2	3,4	2,9	2,0
The ratio of the owned capital in investment, %								
Wholesale	10	13	12	13	7	28	29	11
Retail	31	26	22	20	11	32	30	20
The ratio of the debt capital in investment, %								
Wholesale	90	87	88	87	93	72	71	89
Retail	69	74	78	80	89	68	70	80
Sales turnover for 1 UAH of the capital investment, UAH.								
Wholesale	162,21	130,3 3	123,9 3	113,8 8	90,13	164,4 0	230,0 8	133,3
Retail	45,86	36,91	30,22	23,35	25,32	34,62	50,32	49,1
The financial performance from operating activities before taxation on 1 UAH of capital investment, UAH.								
Wholesale	2,071	1,995	1,517	1,749	-1,862	-0,55	3,41	2,63
Retail	0,117	0,207	0,125	0,028	-0,45	-0,26	-0,08	0,07

The most essential growth of the owned capital occurred during the crisis period (30 % and 29 % respectively).

Meanwhile, in wholesale and retail there are quite contrary tendencies. In wholesale the share of owned capital was gradually increasing, while in retail on the contrary it was decreasing. Let's make a comparison: during the same period of time in Ukrainian economics the share of owned capital in the total sum of investment resources in average amounted to 45 %.

In our opinion, such drastic changes in the structure of investment sources in trade are connected firstly with a reduction of rates of interest on credits of private banks and secondly with insufficiently reasonable liberalization of credit policy from the side of the banking system prior to crisis.

The financial crisis led almost to a complete severance of economics crediting in general and in trade in particular. The consequence of it was the activation of companies in forming of the owned capital and its growth in comparison to the debt capital. Therefore, during the crisis period the owned capital in trade increased by 37 %, while its general index in economics was equal to 26 %. The increase of long term and current liabilities was in the range of 20 %. So, the preliminary growth of owned financial resources in comparison to the debt ones was the positive moment to form owned investment resources and to secure the further stable financial development of commercial entities.

One of the main indices which influence on dynamics and structure of the commercial companies investment are growth rates of wholesale and retail, and also of its numerous segments. Trade is one of the most prospective branches of economics of Ukraine. As on the 1st of January 2012 nearly 20.7 % of all the participants of Uniform State Registry of Enterprises and Organizations of Ukraine

belonged to commercial branch. Its share in wholesale and retail in GDP during 2004-2011 amounted to 10-13 % in average – which ranked second after industry. However, despite its annual growth, the trade weight in GDP still hasn't reached the level of such countries as USA, where the trade covers 15-16 %, Great Britain (14 %), Poland (18-19 %), the Russian Federation (19-20 %).

Analyzing the effectiveness of capital investment in trade it may be noted that despite the increase of wholesale and retail turnover (from 515543 mln. UAH and from 1107289 mln.UAH to 350059 mln.UAH per 2004 -2011 respectively), still it decreases gradually. It is proved by the values of specific indicators, such as turnover for 1 UAH of capital investment and financial performance for 1 UAH of capital investment.

Thus, in retail the turnover for 1 UAH of capital investment amounted to 45.86 UAH in 2004, and by 2007 this indicator slid to 23.35 UAH. During this period its value in average reduced to 20.12 % per year, which was caused by the advance growth of capital investment in retail in comparison with the growth of retail turnover (the investment in the fixed capital quintupled, and the retail turnover increased in 2.63 times).

This situation can be explained by the buildup of investment with a big payback period.

In 2008 the retail turnover for 1 UAH of the capital investment increased a little (by 8.45 %). The capital investment in retail increased by 27.8 % (predominantly due to credit resources), and the retail turnover increased by 38.5 %.

In 2009-2010 there was the further growth of this index – in 2009 it increased by 9.3 UAH, and in 2010 – by 15.9 %. However, this growth, which occurred in 2009 under the conditions of the economic crisis in Ukraine, was connected with advance rates of capital investment reduction in comparison with rates of retail turnover reduction.

In 2011 there was the reduction of the retail turnover for one UAH of capital investment by 1.22 UAH. Thus, we can't talk about amelioration of the investment situation in the sphere of the retail in 2009-2010, having only positive dynamics of turnover for one UAH of capital investment.

In the wholesale the turnover for 1 UAH of capital investment decreased from 162.21UAH to 90.13 UAH during the 2004- 2008. In other words, there was the stable annual decrease of this value, which was connected with higher rates of capital investment increase as compared to turnover volume. The further decrease occurred also in 2011 (by 97.5 UAH). The positive increase of this value can be attributed to the same reasons, which were in retail.

The analysis of dynamic changes of the financial performance index from the operating activity before taxation for 1 UAH of capital investment revealed more rapid decline in investment efficiency.

Thus, in retail the value of this specific index decreased by 76.35 % during the 2004-2007. During the 2008-2010 there was the negative financial performance in this kind of activity. And only in 2011 there was though very low, but still positive value – 7 kopecks. There was the identical situation in wholesale.

However, in 2010-2011 in this field there was a positive financial result from the operating activity before taxation for 1 UAH of capital investment which amounted to 3.41 UAH and to 2.63 UAH, which goes to prove the gradual surmounting the crisis in the wholesale.

Therefore, according to the conducted analysis we may draw a conclusion that the investment activity in trade is insufficient. Exactly because of this particular index Ukraine is always at the bottom of the list of Global Retail Development Index.

According to this, we consider that the commercial companies should concentrate on the innovative component in order to improve the investment activity.

The successful innovations of commercial companies will draw customers, increase the customers' base, increase the profits and gain the loyalty of customers. On the contrary, without innovative ideas a company runs a risk to lose its competitive advantages, because it won't be able to make the favorable offer of a customer value to its clients, and its main competitive advantage will be only the price for the standard mass-market goods and services [1].

In order to always have competitive advantage, companies should innovate constantly their products, services, processes and implement new forms of commerce, etc. after all, any innovation leads either to reduction of expenses, or to increase in incomes, or both.

In other words, investment aimed at diversification and sales of new products stipulates the canvassing of customers, and hence increases the sales volume.

Innovative investment in real estate, connected with construction of new stores, distribution centers upon the new projects, and alteration of premises by the present standards is also aimed at the canvassing of customers and favorable image making of a company.

The technical innovative investment can be aimed both at reduction of expenses of commercial company and increase in incomes, if this investment is favorable for customers in the process of buying. In this case a commercial company should first of all invest in security system and development of commercial infrastructure [4].

The technical innovation investment is aimed in general at improvement of commercial company processes, reductions of project costs, operational efficiency increase, drawing of customer attention, additional purchases promotion, and also at the control of errors, connected with human factor in service [5]. For example, by means of innovative technologies it is possible to make some employees redundant, which can be caused by: frequent cases of poor service to customers (because of psychological incompatibility, negligence to customers); staff thievery; neglectful attitude to duties and company's assets.

Another direction of innovative investment in trade is investment in information [6]. This type of investment is closely connected with technical and technological investment, very often they are implemented together, and sometimes they simply can't be implemented separately. But, in our opinion, this

type of investment should be singled out into a separate group. Investment in information technologies stipulates the reduction of expenses of a commercial company and its competitive growth, and hence the increase in incomes. Furthermore, without investment in information technologies commercial companies would not be able to operate in accordance with modern demands. In the sphere of innovative investment in information technologies it is very important to invest in the purchase, development, installation, debugging of the commercial software, in operating systems and databases, integrated information systems.

The objective of managerial innovative investment is to improve the management business processes of a commercial company, re-engineering, improvement of the effectiveness of a company's management. This investment can be aimed at creation or improvement of the budgeting system, development of the financial accounting system, the balanced score card system building (BSC), which will allow to control the main performance indices of a company and to correct them, to develop new modern systems of quality control, for example, delegating some functions of a company to outsourcing.

There is also innovative investment in a commercial company's personnel. To create the adequate staffing structure is one of the most difficult and important task of management in trade, on which depends the effectiveness and coherence of functioning both of a company in general and its departments in particular.

The marketing innovative investment can be aimed at the use of new types of sales, new partners acquiring, and new methods of work with clients, building of loyalty system, development of discount systems. Innovations in marketing are closely connected with the sense of the market: firstly, it is the adaptation to a client, identification of so called "hidden needs", and secondly, awareness of competitors activity.

Conclusions. Therefore, on the base of the conducted analysis it may be concluded that the activation of investment activity is the premise of the effective development both of commerce in general and the other components in particular. The positive tendencies in 2004-2008 were reduced to zero because of the financial crisis in 2009-2010. The investment in this type of economic activity restarted only in 2011. In our opinion, the investment processes of commercial companies must be aimed first of all at the innovative projects implementation [7].

Therefore, the further prospect in this field consists in development and rationale of operational recommendations concerning the implementation of innovative patterns of trade development with an emphasis on its innovative component.

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