Modern and Linguocultural Conditions: The Impact on the Company's Investments

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ABSTRACT
Outlining the measures aimed at supporting companies' investment in different industries is necessary in modern age. The search for investment opportunities by private investors (individuals or companies) is important for the economy of any state. These funds can be used to support the country's economic activities as part of economic turnover, which is especially important now that the unfavorable factors' influence increases. This is especially true for the uncertainty and risks of the modern economic environment due to the spread of the coronavirus infection. Falling investment in such conditions is a pressing matter for almost all states. Many companies are in dire straits because of the epidemic, which influenced their activities because uncertainty traditionally triggers a higher non-payment risk. The general negative macroeconomic situation, lower households' real income exacerbated by limited availability of funds due to a higher companies' tax burden – these are only few reasons of falling investment. However, businessmen are interested in looking for or creating good marketable investment offers. Our research studies the sources of investment and outlines the key factors impacting the ability of modern companies to maintain their investment activities. Our analysis of risks and the choice of development directions typical of activities of any organization outlines investment activity of Russian companies and helps define the possibilities of its increase.

Keywords: cultural approach, investment activity, investment, sources of funding, credit, pandemic

1. Introduction
Investment of an individual company is an important factor, which predetermines economic growth on the whole at the current stage of development. Investment activities, or in other words, the ability to raise funds defines activities of the company in this area and are characterized by the volume of attracted investment, the way of its use, including in various assets of the firm. Investment problems of Russian companies worth much attention mainly because of the situation in the country and in the world on the whole. Investment decisions, or acceptance or rejection of projects are traditionally considered the most important of all corporate decisions. These financial decisions can influence existence and development of an organization (Bykaczio, 2010). The uncertain macroeconomic situation increases the risk of protracted implementation of approved investment decisions or their cancellation (Gualtieri, 2021; Javaria et al., 2020). Investment activity of enterprises is an independent direction of economic activity that has to be analyzed to understand the main market trends. This area of economic activity should be studied closer during the current restrictions because the pandemic adds its specific risks to the traditional risks of entrepreneurship and investment.
The search for empirical evidence of whether the spread of the coronavirus infection influences individual company’s investment is a very specialized research direction because now there is little generalized data to confirm or reject this relationship (Holcomb, 2020). Of course, potential investors have different risk appetites, while the companies have no necessary experience due to the novelty of COVID -19. These are assumptions for investment risks, which presuppose a set of requirements for possible investment; it probably determines investment activity of organizations (Saygili, 2021; Yao, 2021; Pogosyan, 2018; Volkova et al., 2020).

The market changes caused by the spread of COVID-19 triggered changes in the investment mood of some companies as well as the ability to use attracted sources of financing to implement projects. About a fifth of all launched projects was supposed to be suspended for at least a year because of the unfavorable epidemiologic situation (until 2021), while financing of about half of the projects is to be diminished (Omura, 2020; Dudukalov et al., 2016).

State support is aimed at preserving business as a whole, its survival in conditions of the harmful influence of the coronavirus infection. Some industry state support measures during the first onset of the pandemic included a freeze of tax settlements. However, it is obvious that government support to maintain company investment in modern reality will dwindle. The situation is especially dire in the small and medium-sized business (Pilz, 2021). On the other hand, the current conditions offer some investment opportunities for the companies with available cash – you can buy assets of bankrupt firms at a low price or invest in new projects, which will be successful in the future.

Research Question

Classic investment researches Markowitz (1952) say that investors (companies or individuals) want to get maximum profits from investment in different assets at acceptable risk. The search for the most efficient investment takes the impact of different factors galore into account. Any investment step is a compromise of criteria, of deciding on the dominating indicator depending on acceptable restrictions, which are subjective for each investor. State policy’s goal is to stimulate companies’ investment with different tools (Lehoux, 2018; Belousova et al., 2021). The investment stimulation measures in a state play a serious role in making investment decisions.

There are researching the relation between fulfillment of investment decisions and fiscal legislation. These instruments are primarily of impact on private organizations and companies, which are sensitive to taxation or changes in the tax on income from investment (Holcomb, 2020). Tax reliefs can be an attractive instrument for a potential investor to help maintain investment attractiveness despite possible losses from the impact of unfavorable events (Bogomolova, 2020).

Special analysis of uncertainty and unpredictable market factors outlines the relation between a so called investment style and an unfavorable macroeconomic situation.

This is especially true for the yield of portfolio investment, which is very sensitive to market conditions (González-Sánchez, 2020; Rahman, 2017; Khoruzhy et al., 2020). However, behavior of individual companies during fulfillment of investment decisions are of most importance. There are different angles of the problem. First, there is asymmetry in companies’ investment actions when there is or when there is no optimal cash flow, which triggers financial restrictions and consequently, means insufficient investment (Bykanova, 2020; Magsumov and Nizamova, 2015). First, there are contradictions between the company’s investment activities and behavior of its managerial team. Many managers want to reduce the investment risk, especially when it is linked with the personality and ambitions of the manager (Agha, 2021). Lastly, when considering a company, we should keep in mind the relation between its profit management decisions and investment activities (Morozova, 2020). Return on equity, one of the most important indicators, predetermines company investment activities (Guariglia, A., 2016).

Special Features of Investment During Epidemic

The difficult situation spread on many companies and organizations all over the world. The Russian enterprises are no exception. Most company managers have to solve the problems of investment decision making, manage cash flows in the conditions very unlike the usual and canonic circumstances. The external situation is of a great impact on the status of an enterprise. The fallout of the negative processes in the world economy, including the spread of the COVID-19 infection on a company, is hard to predict and forecast.

The global crisis triggered by COVID-19 resulted in shrinking entrepreneurship in most industries although the bulk of governments implemented various measures to support companies. The absence of clear positive dynamics because of the epidemic and geopolitical risks coupled with additional restrictions during the new onset of the epidemic exacerbated the negative trends and uncertainty about economic recovery. The key negative factors are:

- higher cost of resources because of inflation and restrictions on access to foreign resources, including because of delays in supplies and quarantine (Ponomareva, 2020);
- lower wages as one of the ways to cut costs in the new operating conditions (Vishnu, 2021);
- higher demands of online customers of services and goods (Wang, 2021);
- higher costs or a shortage of funds necessary for introduction of computer technologies or specialized equipment purchases (Sarkisian-Artamonova, 2020);
- stiffer competition for the customer as households’ disposable incomes fall and legislative changes, including company taxation changes, which undoubtedly complicate the situation.

When making a traditional decision on investing the company’s financial resources, managers take into account the following factors, which are of impact when choosing an investment object as well as a number of specific characteristics:
- the investment goal (preserving capital or profit maximization, education, etc.),
- the investment horizon (when the investment is supposed to return the money),
- investor readiness to incur losses or his risk tolerance (acceptable risk, which varies from investor to investor and depends on the type of investment),
- required liquidity (the possibility to sell the assets in case of necessity without a significant loss),
- investor’s ability to influence managerial decisions in the investment object (Osipov, 2019).

Financial restrictions weigh heavily on investment decisions since using the external and internal sources of financing are not the same. The absence of available cash forces companies to use external financing sources, which are costlier and less available. Most companies opt for suspension of investment or choose safe investment strategies becoming more attentive to spending money during the economic decline caused by the COVID-19 pandemic. Modern entrepreneurial investment activities is contradictory, because the unstable Russian investment climate has recently worsened, especially for the small and medium-sized firms.

This situation can be seen in all industries. Financial losses and plunging revenues had an impact on the current assets and the ability of companies to meet their obligations. The inconsistency of the situation lies in the fact that on the one hand, the need to attract investment to ensure economic activity is obvious. These funds could be allocated to, firstly, upgrade of equipment, which gets obsolete very fast as the digital technologies advance. Second, they can be used to maintain production levels or the sale of goods or services and third, to develop operations, which could help appear new goods or services, including in the online environment.

However, like we have already said, many managers of modern companies are negative about the ability of their companies to invest. Below are the key reasons the respondents mentioned as the most important for companies’ investment decisions [1].

1) Economic decline – 18%
2) Worsening business indicators of their companies – 17%
3) The company’s financial problems – 17%
4) The absence of state support – 16%
5) Uncertainty of the situation – 10%
6) The hard epidemiological situation - 9%
7) The unstable ruble rate – 9%
8) Bad investment climate – 5%

Transforming entrepreneurial activities and the use of online instruments to maintain operations depending on the environment is a potentially possible direction of operations (fig. 1).
Figure 1. Capital investment growth in the Russian Federation
Source: compiled by the author using Federal State Statistic Service data: https://rosstat.gov.ru/investment_nonfinancial

Investment financing structure is below. The traditional key investment source is banking credit. Although according to the central bank of Russia credit issuance to companies and organizations virtually did not fall during the coronavirus pandemic [3], organizations mainly used credit to ensure their current operations (fig. 2).

Figure 2. Companies’ own and raised funds in capital investment in the Russian Federation
Source: compiled by the author using Federal State Statistic Service data: https://rosstat.gov.ru/investment_nonfinancial

This is explained by the fact that the lockdown limited demand, production chains were ruined undermining cash flows from operations and triggering cash gaps. Credit demand for working capital and repayment of current liabilities increased strongly. Companies’ overdue credit grew by 11.7% in annual terms in the II–III quarters 2020 despite the government support measures like credit refinancing for small and medium-sized companies (total refinancing amounted to 449 bln rbl). Figure 3 demonstrates the share of banking credits allocated to fixed capital by the Russian Federation’s companies.
This indicator is significant because the companies’ investment depends directly on lending terms. The absence of positive dynamics in the capital investment structure in the last few years despite falling rates for the use of such sources is typical of a so-called credit crunch, a bad situation, which will undoubtedly expand on the back of the generally negative trends. Profit is an important investment source for the Russian companies, especially in the hard period of unaffordable credit. But naturally, profit, as a source of financing, is extremely small, especially during a crisis. There are different factors, which influence it.

They include state policies, social and economic conditions, condition of the industry, the investing company’s competitive edge. Let’s keep in mind the restrictive measures, which led to suspension of operations in many industries among the factors. This, in its turn, predetermined company investment because of the absence of profit. We should note additionally that credit interest is usually higher than the margins of many companies. Moreover, the pandemic rendered activities of many enterprises loss-making. Specialists and statistics say that about half of the Russian companies has no expansion plans any time soon with the use of profit (Gorlanov, 2019; Egorova, 2019). The special features of modern investment strategies are obvious. On the one hand, investment is one of the important growth and development factors and is aimed at changing the basic infrastructure, introduction of new technologies, helping business capitalization.

On the other hand, restricted investment means that the company managers have to pick investment directions if the company has managed to accumulate the necessary funds. Undoubtedly, the IT, computers, equipment for online operations are a priority. At that, we see that the basic parameters of investment evaluation are important, but they should not influence an investment decision. Forecasting return in an unstable economic situation is difficult. But the absence of modern technologies, which will allow the company to operate digitally, whose purchase require investment make the very existence of the company doubtful.

Discussion
The spread of COVID-19 dwarfed company investment, because attaining investment goals became difficult. IT, where a significant part of projects was launched before the pandemic, is the most attractive direction for investment. Economic efficiency of such investment is obvious, but the omnipresent lockdown undermines companies’ investment. Investment with the use of both internal and external sources is predetermined by the need to buy the equipment and technical means ensuring the use of digital technologies. The lockdown means buying such equipment and its use can contain a negative external impact (Tsilikova, 2020; Avvakumova, 2020).

As the pandemic spreads, e-commerce and digital technologies are among the industries, which suffered the least from the negative factors. Moreover, demand surged in these sectors benefitting investment (Belyakova, 2009; Kalacheva, 2019). The companies’ investment resources have to be used mainly for upgrade of fixed assets, which means that the activity, which will ensure useful effect and profit, is the preferable direction of investment (Zaporozhtsev, 2020; Akhmadeev, 2019). However, the difficult part of the COVID stage is that the debt burden typical of most companies increased significantly, while the funds from the external sources are usually used to replenish working capital (Korableva, 2016; Ivanova, 2020).
Transformation of companies’ attitude towards digital technologies during the pandemic is obvious, while availability of B2B, B2C, and B2G services can now only be ensured with the use of digital platforms. Speedy introduction of digital technologies shapes companies’ competitiveness and becomes an important factor when making an investment decision (Bykanova, 2019).

Companies should be flexible and adjust their investment plans timely to maintain investment in the post-COVID world. The need to provide companies with the modern equipment for digital processing and transfer of data as well as creation of information technology and communication infrastructure to support company operations in the face of restrictive measures is a priority area of investment activity of modern organizations (Glubokova, 2019; Omura, 2020).

Such decisions are often linked to many companies’ social functions (for example, meeting demand for food and basic necessities). The development of socially-oriented technical solutions, the use of digital tools maintaining relations with the customer and the client focus of the company, or effective solution of social tasks (Kosov, 2019). This investment will offer not only a way of maintaining operations to the interested market participants, but will even ensure advantages in the current crisis.

Conclusion

Our research dwells on the issues of Russian companies’ investment in the current conditions. The bulk of enterprises have to reduce investment in development mainly because of restricted affordability of financial resources during the pandemic and losses. We believe that maintaining company investment is an important aspect, which can ensure further existence of a company. The modern investment situation is contradictory. On the one hand, the government tries to apply measures to ensure further company investment of existing financial resources using different instruments, including an investment tax relief. On the other hand, the search for free cash for investment became difficult because a potential investor is of course interested in return on his investment and solvency of the company on the whole.

However, we believe that the priorities have recently shifted. Of course, company investment is also impacted by lower margins during the crisis. Profit plays an important role in company’s investment capital. An organization becomes responsible for future risks with investment of its own capital. But company managers have to understand that the company’s survival in the market on the whole depends on continuous investment. We believe that stimulating the current digitalization trends typical of various industries is important. The modern digital technologies are very popular during the restrictions of the global pandemic. They can satisfy consumer demand by offering different online services. Formation of a product offer for a significant number of enterprises and organizations is based on online solutions that are becoming more and more popular. This is why the choice of development directions aimed at digital instruments of development seems an attractive investment direction. Such actions attract attention of many organizations, which mainly see their future in the online business.

References


