Spatial Specifics of Investment Utilization in a Regional Economy

S A Grachev¹, M I Zakirova¹

¹Vladimir State University named after Alexander and Nikolay Stoletov, VISU
Vladimir, Gorkogo str., 89, Russian Federation

E-mail: grachev-sa@yandex.ru, zakirova_maria@mail.ru

Abstract. Innovation that takes place in global and national economy has specific regional manifestations. Therefore, when evaluating the efficiency of utilizing investment resources, it’s necessary to consider the specifics of territorial development, which is what this research is about. The methodology is based on correlation and regression analysis. The effectiveness of the current resourcing for all the processes, including innovation, could seemingly be assessed by comparing spending and outcomes. This study uses the domestic R&D costs as the resourcing indicator. The resulting indicators are gross regional products and the monetary value of innovative goods, products, and services. The research further applies correlation and regression analysis to identify a strong correlation between the values above, which enables modeling the development of the national economy. That allows grouping the CFD regions in terms of their potential response to domestic R&D spending, which manifests itself as a change in GRP and in the value of innovative goods.

1. Introduction
The today’s economic system features an innovative development paradigm distinguished by technological retrofitting; for better performance, it has to optimize the use of all the resources it has at hand [1].

The most frequently mentioned challenges of innovation are “... higher R&D costs compared to competitors...” [2], which emphasizes the importance of efficient funding for technological advancement; this is confirmed by a number of international studies that note that innovation is what drives competitiveness [3, 4].

2. State of the art
Any socioeconomic processes and relations that may emerge as part of local innovation will have considerable local specifics. Assessment of innovation is important for a market actor’s positioning; it’s also an important guidelines for strategizing upon innovation in companies [5-7] and countries alike [8-10].

Thus, A.N. Shvetsov notes that he clarifies that innovation and economic growth in Russia also have a no less important territorial aspect to them [11].

Innovation is a strategic tool for the enhancement, creation, and improvement the economic systems to give rise to competitive advantage [4]. The need to bolster innovation exists in nearly any region of the Federation. Notably, while nearly every region is in need of innovation, only some of them
have access to the federal innovation toolkit. This is a rather negative aspect, because any allocation of funds from the federal budgets for innovation projects requires co-funding from the region. However, this requirement is difficult to meet since regions often lack sufficient funding. It is therefore only logical that regional and intra-regional discrepancy is increasing [11].

O.S. Sukharev recognizes the truth behind this statement and identifies another challenge of innovation, which is that the country’s financial and banking systems lack focus on the needs of the real economy, on providing it with a greater opportunity for innovation and commercialization [12].

This leads to a conclusion that the market demand for new technologies and products will boost the transition to innovative reproduction. V. Zemlichkene believes local innovative development largely depends on the extent, to which companies use innovation and associated resources to gain competitive advantage and to amplify the region’s potential [13]. These statements have been fundamental to furthering the innovation paradigm in the context of ‘open innovation’ [14-17].

Bresnahan and Trajtenberg believed ‘broad-use technologies’ opened up great opportunities in this respect [18]. If such technologies see regular updates, they can be used in combination with other technologies to improve the latter.

H. Godoe believes that technological innovation largely depends on the resources available to R&D as well as on the market demand [19], an argument supported by a number of other studies [20, 21].

Therefore, one of the signs that an economy is innovating is that socioeconomic systems have their performance increased thanks to efficient use of the available resources, including finance and investment, in the context of regional specifics.

In his analysis of the latter, A.G. Isayev concludes that when studying territorial factors of influence, it is necessary to consider their dynamic properties that can be used in the feedback assessments to model the regional economy [22].

Thus, when assessing the efficiency of using this or that resource (including finance and investment), regional specifics of innovation should be borne in mind.

3. Research methodology

It seems appropriate to begin the analysis into regional innovation specifics with identifying and assessing the efficiency of utilizing the available finance and investment. It is logical to define these aspects as a correlation between spending a specific resource and the effect it generates.

This research seeks to analyze such regional specifics for the Central Federal District. The analysis is to be based on the domestic R&D costs and on the performance of the socioeconomic system. The performance is to be measured by two indicators:

– gross regional product, as it is extremely important for assessing the economic efficiency and growth [23];
– the value of innovative goods, works, and services as a product of regional innovation.

Notably, the resource and indicators specified are in direct correlation. The commonly accepted scale for interpreting the obtained correlation coefficients leads to a conclusion the resources are strongly linked to the performance [24]. Thus, the selected indicators can be used to construct two equations to describe domestic R&D costs and the resulting output in terms of regression analysis [25].

Model data are shown in Table 1. Note that regression methods are rather popular tool for assessment of economic processes in a variety of fields [26-28].
### Table 1. Regression dependence equations, Russia.

<table>
<thead>
<tr>
<th>Region</th>
<th>Value of innovative goods, works, and services (Y1)</th>
<th>GRP (Y2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgorod Oblast</td>
<td>-10217.3+24.7x</td>
<td>223455.74+248.7x</td>
</tr>
<tr>
<td>Bryansk Oblast</td>
<td>-8986.00+55.55x</td>
<td>113068.67+271.5x</td>
</tr>
<tr>
<td>Vladimir Oblast</td>
<td>-7243.27+7.94x</td>
<td>46142.47+12.94x</td>
</tr>
<tr>
<td>Voronezh Oblast</td>
<td>-40833.99+10.6x</td>
<td>-847125.6+244.5x</td>
</tr>
<tr>
<td>Ivanovo Oblast</td>
<td>5015.94-6.50x</td>
<td>4102.14+246.82x</td>
</tr>
<tr>
<td>Kaluga Oblast</td>
<td>-11115.4+2.7x</td>
<td>-106194.47+42.6x</td>
</tr>
<tr>
<td>Kostroma Oblast</td>
<td>970.30/27.15x</td>
<td>80622.73+578.13x</td>
</tr>
<tr>
<td>Kursk Oblast</td>
<td>-8171.48+6.48x</td>
<td>147486.05+45x</td>
</tr>
<tr>
<td>Lipetsk Oblast</td>
<td>27227.05+106.5x</td>
<td>203591.6+646.9x</td>
</tr>
<tr>
<td>Moscow Oblast</td>
<td>-293183.928+5.6x</td>
<td>-407856.798+32.9x</td>
</tr>
<tr>
<td>Oryol Oblast</td>
<td>7909.43348-13.16x</td>
<td>40991.1033+286.47325x</td>
</tr>
<tr>
<td>Ryazan Oblast</td>
<td>-3152.94669+7.25x</td>
<td>98646.3603+112.55x</td>
</tr>
<tr>
<td>Smolensk Oblast</td>
<td>1023.05969+3.58x</td>
<td>62195.3117+148.72x</td>
</tr>
<tr>
<td>Tambov Oblast</td>
<td>412.466416+3.00x</td>
<td>90731.7687+100.94x</td>
</tr>
<tr>
<td>Tver Oblast</td>
<td>22663.1978+2.07x</td>
<td>45693.5723+62.74x</td>
</tr>
<tr>
<td>Tula Oblast</td>
<td>12891.8629+10.39x</td>
<td>168142.832+68.1x</td>
</tr>
<tr>
<td>Yaroslavl Oblast</td>
<td>11345.8445+3.09x</td>
<td>133760.854+41.9x</td>
</tr>
<tr>
<td>Moscow</td>
<td>-1044430.53+5.88x</td>
<td>856181.213+40.2x</td>
</tr>
</tbody>
</table>

4. Results
The results produces a number of important findings:

- most regions are above the national average in terms how efficiently they use their resources as indicated by the value of innovative goods, works, and services. It’s vice-a-versa, however, in Ivanovo and Oryol Oblasts. A region that stands out is Ryazan Oblast, which showcases a negative correlation. However, this is rather an anomaly.

- speaking of how efficiently regions use their resources in terms of GRP, most of them are above national average, which indirect proves their R&D spending is optimal. However, some regions perform worse. Vladimir Oblast, Kaluga Oblast, Moscow Oblast, Yaroslavl Oblast, and the City of Moscow all gain less from funding innovation.

Summing up, it’s worth noting Lipetsk Oblast, which, following this paper’s logic, is the most optimal region in terms of both parameters. Thus, it is possible to diagnose efficient domestic R&D costs, where every ruble has to maximize its output in terms of both GRP and value of innovative goods, works, and services.

Bryansk Oblast, Kostroma Oblast, and Belgorod Oblast take lead in terms of both coefficients.

On the other hand, Tula Oblast, Vladimir Oblast, and Moscow lag behind.

Notably, efficiency in terms of value of innovative goods, works, and services is lower than that in terms of GRP. This is primarily due to the fact that aside from producing innovative goods, domestic costs have other formalized manifestations: know-hows, patent and license applications, other real economic effects that apply to GPR calculations while not necessarily constituting innovation.

5. Conclusions
Summing up the study, it is worth noting that despite the observable global economic processes of innovation in all processes, resourcing remains crucial. The effectiveness of the current resourcing for all the processes, including innovation, could seemingly be assessed by comparing spending and outcomes. This study uses the domestic R&D costs as the resourcing indicator. The resulting indicators are gross regional products and the monetary value of innovative goods, products, and services. The research further applies correlation and regression analysis to identify a strong correlation between the values above, which enables modeling the development of the national economy. Given that the na-
tional values can be considered baseline, regional indicators of CFD regions have compared against the adopted benchmark. The finding is that Lipetsk Oblast takes the lead in both criteria. Other leaders are Bryansk Oblast, Kostroma Oblast, and Belgorod Oblast. On the other hand, Tula Oblast, Vladimir Oblast, and Moscow lag behind. It is therefore safe to say that regions differ not only in quantity, but also in quality.

6. Discussion of results
Note that the proposed approach does not guarantee unambiguous interpretation. However, this toolkit describes the existing trends and uses data from official sources, meaning any interested party could use it for research purposes or in the interests of actors in real economy to project the efficiency of potential R&D costs, with promotion of innovation in mind.

7. References
[11] Shvetsov A N 2016 "Growth points" or "black holes”? (On the issue of the effectiveness of the use of "zonal" tools to post-stimulate the revitalization of the economic dynamics of territories) Russian Economic Journal 3 pp 40–61
[14] Chiaroni et al D 2011 The Open Innovation Journey: How firms dynamically implement the emerging innovation management paradigm Technovation 31(1) 34-43 https://doi.org/10.1016/j.technovation.2009.08.08.007


