

NEW VISION OF INVESTMENT GENESIS SUMMARY

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Abstract- In the Article we consider theoretical-methodology grounds of investment domain, going through substantiation of investment field, as integral part to the economic system; investments are discussed in the prism of systemic analysis; their etymology values are explained from the author's point of view; various aspects of investment concept are represented as well as author's explanations about investments given on the basis of their generalization. For the first time in Georgian economic thinking, investment is open as economic category; investment, together with the credit, is represented as formation of finances, their modification.

In the Article investments are discussed to be the totality of following aspects: resources (capital valuables) and placement of sources (expenses); as well as the categories of reserve and flow; investments determined with the taxes are represented, together with the characteristics of the concept of investments from the point of wealth; combined and disposition understanding of investments is substantiated.

Special attention is paid to the economic relations related with the investment movement in the investment activities, investment process in general. Principal economic characteristics of investments are represented.

Keywords: Investment, economic relations, economical categories, finance, industrial activity

INTRODUCTION

The fulfilling of the investment work and the development of the investment potential is one of the most serious scientific problems. It is conditioned by the special role that is acted by the investments during their progress. The regulations of the investments relations, making special environment for them, involving correct system of estimating investing process, importing foreign investments and their effective investing, correct functioning of the investment market, creating investing banks and the investigation of other actual subjects would be a serious step in the work of development of the investment in Georgia.

The investment is refusing proceeding. The usage, in exchange of the possible increased income, which will provide more (together progressive and future) usage. Investment is a very difficult concept, which is difficultly realized in the practical flatness (of course, we mean rational, maintained investment and not a primitive placement of sources, hoping its definite success).

It is known that the viability and development of every business and social-economical system depends on the rational investing policy. This politics is very expensive and risky. In other words, there is no investment without expenses (it needs investing of the sources, and the expenses will be compensated by a good calculation), and second, it is completely impossible to divine all those circumstances that expect the investor in the future (there always is the possibility of loosing the investments completely or partly).

The investment is always an alternation; it is an intelligent turn from the routine flow, an afford of foreseeing future. Investing activity is a kind of compulsion measure, because every educated businessman, an employer or a manager know that the investment is an unavoidable rational movement, that

is always better than immobility and the conversion of Status-Kvo. For example, current industrial capacities might satisfy their owners enough, and only ignorant persons do and know nothing about the fact that these capacities grew old physically and morally. Those specialists, who plan their business prospectively, know perfectly that immobility and immutability are always the beginnings of regress and fall.

As L. Karol said: "You must run fast, to stay at your place. The promotion needs two times faster run". In the process of investing the leader (firm) tries to "run". There will definitely be some mistakes in this "run", but it is also well known, that a sitting person will never falter, "Doing nothing" (we mean – investing inactivity) is not at all the best version of behavior, especially in business. As a rule, the scientists discuss the problem of identification of the investing activity, its environment and attractiveness is the contests of whole country, its regions and separate firms.

Study of investment field and associated issues is one of the most actual subjects for the scientists. Problematic issues related with investments and investing are considered differently in the works of I. Fisher, J. Keynes (1993), F. Fabozzi (1995), V. Sharp (1995), Z. Bodie (2008), R. Higen (1997), and other famous scientists. We consider it to be purposeful to stipulate following fact: though I dedicated more than three decades to the study of theoretical study of investments, I have published monographs and manuals in this field; study of complex phenomena of investments and their separate aspects emphasized multiple theoretical and methodological aspects, and those of pragmatic nature.

To our mind, study of investment, as economical category is paid less attention. There is no strictly formed place of investments in the prism of systemic analysis. At the background of gnosiology fundamental study of investments

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necessity of economical content, study of economical characteristics and other issues became important. Generally, diversified problem of theoretical genesis of investments, investment security, and formation and development of investments in Georgian economy requires more attention. These circumstances, together with the deepness and actuality of the study field, considered interest of the Author towards above issues.

Therewith, I will form purpose and basic tasks of my scientific work:

- I will try to determine investments in the prism of systemic analysis;
- to look through existed etymology values of investments critically, and give explanations to the investments, as economical category on the basis of its generalization;
- to represent main economical characteristics of investments;
- Consider different aspects of the concept of investment and represent own principle conclusions about its essence.

ETYMOLOGICAL IMPORTANCE OF INVESTMENTS DEFINITION OF INVESTMENTS.

The concept “investments” was brought into the native economical science from the West. In the Soviet economical science they for a long time used in the place “investments” the termini “capital placement”, which expressed the usage of the industrial factors in the sphere of real industrial activities during realization of capital projects. From one glance, this termini in its concept is identical to the “investments”, consequently it is possible to use them as synonyms. Though the termini “investments” and “investing” have the advantage towards the termini “capital placement” from linguistic and philological points of view, because they are expressed with one word. This is not only economical and comfortable in the process of working with the termini “investment” itself, but also it gives an opportunity of termini formation. More concretely: “investment process”, “investment domain”, “finance-investment sphere” – all these termini are much more acceptable.

Changing native economical termini with foreign ones is purposeful, if it really matters (by keeping parallel usage of the native termini for the inheritance). Though we must not change native economical termini into foreign ones all together, when by ordinal traditional language easy to explain private and narrow concrete processes and elements get their own termini. The “movement” of these termini is approved in the narrow professional bounds, but their “spitting out” into the economical science may turn economical language into the tangled slang.

The most important element of industrial activity and a subject of economic theory is investment.

Capital placement – is the basic concept of investment activity. In the native economical literature until 80s of the 20th century, I practically do not meet with a termini “investment” for analyzing social processes. It was basically used in researches of capital economy and translation of foreign authors’ works. A concept of capital placement was accepted as basic concept of investment activity. According to the state system, capital placement is investment only in the basic capital, while investments in other kinds of

economical recourses like informational resources, securities, intellectual potential, material reserves, economical resources are not called capital investments or they do it by conditional arrangement.

Nowadays, investments are one of the most often used category in the economical system as on micro, so on the macro-level. Though, notwithstanding special attention of researchers towards leading economical category, scientific thought has not yet worked out such universal definition of investments, which would be appropriate to theoretical and practical requests. It is not adequate from the point of concrete subject of investment realization – of state, enterprise or family industry.

Definition of investments in the modern literature often define this category not quite clearly or too tightly. They pay attention only to some essential sides.

The most typical inaccuracy in the definitions is that they call investments any kind of placement of financial sources, which very often is not related with the achievement of investment goals of subjects. They are often ascribed to the so called “consumer investments” (purchasing of TV sets and vehicles and so on), which do not belong to the investments, according to their economical context. Sources for purchasing the mentioned commodity in such case are spent for their long-termed usage (if their purchasing doesn’t set as a reason selling of this commodity for further profit). Also they do not often distinguish investment expenses of financial sources and their current expenses, which serves for the operation process of the enterprise.

Many definitions connect investments only with the growth of a capital or for the purpose of making current income (profit). In the conditions of market economy, though it is a defining reason, but the investments may have other economical and non-economical reasons for capital investment.

A mistake, which often takes place in the literature, is identification of a concept “investment” with “capital placement”. In such case they consider investments to be capital placement in the further production of capitals as of industrial, so – nonindustrial characters. Herewith, investments may be realized in the process of increasing turnover assets, in the various financial instruments and in the nonmaterial assets of separate kinds. Consequently, capital placement is a narrower concept and it may be discussed as only one form of the investments, but not as their analogue.

In many definitions of investments they are said to be the placement of cash sources. This is not correct. Capital investments may be realized as in the form of money, so – other forms too, like movable and immovable properties (capital commodity), this or that financial instruments (in the first place - securities), nonmaterial assets and other forms.

And finally, in the numbers of definition they define, that investments are long-termed placements of sources. Truly, investments of separate firms (in the first place – capital placement, investments realized in the shares and so on) have long-termed character. Though investments may be short-termed too (for example, short-termed financial investments realized in the organizations, depositary certificates having one year term for circulation).

During last years a termini “investment” gained wider spread in the scientific literature. They started to use it in the governmental and normative documentation, though in the

most cases they identify investments with capital placement. Investment (capital placement) was discussed in the two aspects, as a process reflecting further production of basic capital activity and as an economical category, a system of economical relations, which are related with mobilization of cash sources into the basic funds with the movement of advanced value of their compensation.

Wider definition of the investments in the discussed period was represented from the position, according to which investments appear to be placement of sources not only in the basic funds, but also in the growth of turnover means.

A problem of raising of effectiveness of the country economy is related with effective placement of a capital for the purpose of its growth that is investments. There are too much abilities of investments under the market conditions. Every enterprise is related with the investment activity. Though, various factors make investment decisions makes difficult, for example, a type of investments, a value of investment project, and reduction of financial resources and so on.

Until discussion of these problems of investment process, we must discuss an economical context of investments and their bit in the conditions of market economy.

A termini "investments" comes from the Latin word "*invest*", which means "placement of sources". This termini has not still lost its initial meaning. There is a following definition of the "investment" concept in the low:

Investments are cash sources, purposeful banking deposits, highs, shares and other securities, technologies, machines, furniture, licenses (on commodity signs among them), credits, other properties and property rights, intellectual valuables (invested into the objects of industrial) or other activities for the purpose of making a profit and receiving a positive social effect.

In the case of investments realized **in the form of capital placements**, they apply for the following definition of investments, which resemble to the previous one:

Investments are cash sources, securities, other property, property rights, other rights of cash estimating, which are invested into the industrial and other activities for the purpose of making profit or other positive effect.

As seen from the given definitions, mostly a profit (income) appears to be a source for capital growth and a motive for investment realization. Investments are provided for the purpose of bringing income (result) and become useless, if they don't make a profit (result). But here is another, not less important side of investments, privately – placements of resources for making the requested income.

Here are more definitions about investments: "Investment is placement of cash sources for the purpose of making income or a profit; a property, which are purchased for the purpose of making income or profit"(Fridman J., Orduei H., 1995).

In Macmillan's dictionary there is the following definition of investments: "investments are the flows of those expenses, the function of which are production of profit and not the direct usage"(Macmillan., 1997, Dictionary).

In the Oxford explanatory dictionary investments are defined in the following way: "investments" are:

1) Purchasing of the industrial means – machines and furniture means – for the enterprise for the purpose of production a commodity for the future usage.

Such purchase, as a rule, are called capital investments, placements of sources into the industrial means (capital investment); the high is a level of capital investment in the industry, faster it will be developed.

2) Purchasing of assets, for example, deposits existed in securities, arts, banks and building societies, in the first place, for the purpose of making financial profit or to increase a capital. Such financial investments are the saving means. A level of financial investments in the industry depends on such factors, as a percentage rate, a degree of possible profitability, a total stability of business environment".

In this definition, two consisting parts of the concept of "investments" are apportioned. They are "capital investments" and "financial investments".

I. Bernard and Zh. Collie show such definition briefly in the explanatory dictionary. They call investments "**purchasing of industrial means. In the wider meaning: purchasing of a capital for the purpose of making income. Form the socially used meaning – placement of sources in the securities**"(Berharr I., Koll J., 1989).

These latest definitions significantly mark off capital-making (real) investments and financial ones. If the first one, finally, gives rise to the putting into action of the new means of the industry, the second one provokes only changing of already existed property rights.

Consequently, economical context of investments in the conditions of market economy consists in the connection of two sides of the investment activities. They are wasting and making a result.

It must be mentioned that these two processes may be continuing by the distinguished time successiveness. They separate from each other successive, parallel and interval directions of placement of resources and making results.

During the successive progress of these processes a profit is made in the full volume exactly by the end of the investments. While their parallel progress a profit may be received until the complete finishing of the investment process. While interval progress of the process a definite time is passed between finishing investments and making a profit (length of this terms depends on investment forms and peculiarities of the concrete investment projects).

DEFINITION OF INVESTMENTS AS AN ECONOMICAL CATEGORY.

But the categories are much wider; it is "a key, the most fundamental concept of every science". Economical categories theoretically represent real, objectively existed productive relations. A category is the defining of occasions of existed characters, connections, relations of the objective world. Generally, any educational process is fulfilled by the categories, which give opportunities for dividing the processes and occasions semantically, for expressing the definitions of a subject and realize their specific peculiarities and economical relations of a material world.

Our goal is exactly to substantiate investments – as an economical category and also, as a financial category in the narrow understanding.

Here we apply for another manual thesis made by the academician **Vasil Chantladze**: "every financial relation is an economical one and every financial category is and economical one, but not every economical relation and

economical category is financial relation and financial category”.

In the process of defining the investments, it is important to take in mind the sides of resources, expenses and incomes, because investment, from one side, is the result of the manufacture’s activity, and, from another one, - a part of income, which, in this case, is not used for usage.

Another occasion: it is advisable to discuss investments in two aspects: as a category of reserve and flow, which will reflect exactly the connection between “placement of funds” and “investments” (**Chantladze V., 1987**).

As we’ve mentioned above, not long ago, in the well-known Soviet literature the concepts of “the placement of funds” and “investments” were accepted to be the synonyms and concerned to be investment of sources for further production of the main funds and formation of the turnover funds. We meet with such understanding of the concept of “investment” (here, they separate three types of the investment expenses: investments in the basic capital of investments, investments in the house building and investments in the reserves) in the modern economical publications and it is mostly used on the macro level during a statistical analyze of economical processes. **In this concrete occasion investment is the category of reserve.**

According to the aspect of flow the investments may be discussed in the process of analyzing industrial activity, when it is necessary to learn the variety of the economical relations related with the investments’ further production and formation, sources, objects and subjects, that is on the micro level (**Chantladze V., 1997**).

Main distinguishing criteria of different methods of approach towards the concept of “investment” the aspect of prolonging of measuring this showing. Is it possible or not to measure the investment showing separate from the term factor (the norm of gathering, the volume of capital property, the reserves of production and so on). If it is possible, then it is the category of reserve, and if it is not, then it is measured in the section of time and belongs to the category of flow.

Thus, investment, as an economical category, is quite consuming concept. It concerns the elements defining the regularities of function and regulation of the investment domain, privately:

First, resources and values put into the industrial activity. Here, investments may be realized in the following ways:

1. Mobile and real estates (buildings, constructions, furniture and other material values);
2. Cash sources, purposeful bank accounts, credits, shares and other long-termed securities;
3. Owners’ rights according to the author’s rights, licenses, Now-How, experience and other intellectual values;
4. The rights for using land and other natural resources, also other owner’s rights.

Notwithstanding any forms, investments are results of capital gathering. Leading investments – regularity of gathering defines its volume and dynamics and, generally, whole investment activity.

Second, the incomes ruling volume and dynamics of the resource investment. Herewith, we must underline the

circumstance, that the process of getting profit, the regularity of its creation, isn’t a constant of the concept “investment”. The factors of production (also the conditions of exploitation of capital values) and selling (market conjuncture), also the process of capital gathering is the leading and important condition only for the investment formation. Though, we underline again, that the process of getting and distributing the income is a significant component of the investment activity.

The transformation of investments makes the basis for the investment activity, which concern the following circles: resources – investment (expense) – capital property – income. The practice of realization such circles of the investments transformation is exactly the investment activity (investing). The investment activity, except the investments itself, concern motivation and stimulation of the capital gathering, relations of capital gathering and ruling, also, totality of the defined level of profitability on the capital and the goals of capital growth.

According to the mentioned above, in the definitions of the investment as economical category sometimes the needed exactness and clearness is not felt, some categories of the wealth are represented tightly enough. For example, real prosperity is bounded only by material estimation. This leads us to the unvalued investment resources in the era of transformation industrial society into the investment one; also to the recognition of yet uninvolved valuable scientific researches in the production, securities turned into speculation objects, and unreal property in the consistence of one and the same parts; to their equalization. On the basis of the made analyses, we can cite a wide definition of the investments together with the leading categories.

Investment resources – are values, invested into this or that project in this or that kind for the purpose of getting profit beginning with material ones, finished with cash.

Kinds of the prosperity are equal to the kinds of the investment resources and is divided into real and cash, consequently into **financial resources**.

Real investment resources concern all kinds:

- Natural resources;
- Labor resources;
- Material resources, the usage of which is possible in the economical development (buildings, constructions, vehicles and furniture, transport and communication means and so on;

- investment resources (in the widest understanding, that is from scientific-research and experimental-construction works, till the education potential of the society and till all kinds of gathering useful information, written about every possible, that is typing and electronic bearer).

Cash, consequently financial resources concern every cash means for usage in this way in definite conditions or directed in the sort of investments.

Cash means (resources) turn into the financial resources in the case of structuring of funds of purposeful destination foreseen for investments of this or that kind.

After defining investment resources we can make wide definition of the investments as economical category.

Investments – are the placements of real, financial and intellectual resources into the projects, the fulfillment of which leads us to getting the increases from real wealth, in the material and informational forms. It is

followed by a cash (financial) prosperity or its increases (at the expenses of the distribution of the cash means).

As an economical category, investments express economical relations, which are created in the ways of using and formation of the investment resources between the participants of the investment process for the purpose of improving and widening of the enterprise.

DEFINITION OF INVESTMENTS ACCORDING TO THE EXPENSES AND RESOURCES.

Herewith, investment, as a rule, was discussed in the relation with widened further production of funds, as finishing investment cycle was related with putting basic funds and industrial capacities into the action. This gave rise to the formation of two approaches of definition of economical essence of the investments – expenses and resources.

According to the approaches according to the expenses, investment is considered to be expenses at further production of basic funds, their growth and fulfillment. This method of approach is dominating in the theoretical thought and practical activity, as it expresses a specification of functioning of industrial mechanisms under the conditions of administrative-governing economy.

Strengthening of problems of commodity-cash balancing of social activities, total reduction of effectiveness of functioning of administration-governing system lead us to insufficiency of investment usage from the point of expenses and to the definition of investments from the point of resources. Apportioning of other consisting element of investments – resources was a foundation to these. Herewith, investment was discussed, as purposeful financial means for further production of basic funds.

Notwithstanding this, both methods of approach had essential defects, which consisted in statistical characteristic of analyze object, they were based on apportion of one element, expenses or resources. This was reducing investments, as the ability of researching whole process.

In the definition of the termini “investment” in the foreign economical literature they remark, that in the different schools and directions of economical thought a concept “investment” consists total essential feature – a relation of investments with the made income, as a main goal of investments.

They understand investment quite in the common way, as capital placement for the purpose of its growth in the future. This method of approach about a concept of “investment” rules as in Europe, so in the American methodology.

Herewith, we meet with a position, according to which they offer to distinguish a category of “investment” and “capital placement” on the basis of distinguishing features of investments, which, to their representatives’ mind, represent a productive character of the given category. Herewith, under the concept of investments they, as a rule, understand purchasing financial assets, which we do not share. Privately, every work about definition of “investments” in the educational course “economics”, the most part of authors underlines material context of investments or as “building of new enterprises, expenses of machine-tools and furniture for long-termed business”, or as “profit of every material values – every expense, which help the growth of total quantity of a

capital in the economical system” (**Investment activity, 2005**).

There is another method of approach towards definition of investments, which is conditioned by the growing meaning of security market, as a mechanism. Within its bounds investments are defined as placements in the securities.

In the special researches, which is dedicated to the investment objects, investment is defined, as a way of capital placement. It must guarantee keeping or growth of capital value and (or) bring a positive quantity of income. Such method of approach defines a quality of essential feature of the investments on the character of placement of sources and relation of investments growth (making profit).

Thus, in the western countries’ economical literature about investments they discuss totality of two aspects: resources (capital valuables) and placement of source (expenses). Such method of approach more clearly is represented in J. M. Kains’s works. To his mind investment is the part of income, which hasn’t been used during the current period. It represents a value of current profit of capital property valuables by the industrial activity of the given period. In this definition, which is not complete one, two sides of investments are sharply pointed out, they are resources (for the purpose of saving accumulated income) and investments (used resources), which guarantee the growth of capital property.

Understanding of investment essence by the features characteristically to the marketing economy.

Development of marketing relation in the economy gave rise to the necessity for retrying definition of a concept of “investments” according to the necessary conditions. Features of characterizing marketing economy of understanding investment essence are:

- Relation of investments with the received income, as the motivation of investment activity;
- Discussion of investments totally with two sides: resources (capital valuables) and placement of sources (expenses).
- Analyzes of investments not in the statistics, but in dynamics, which gives opportunity for uniting resources and profit from the invested resources, as a motivation to this unity within the bounds of category of “investments”;
- Involving of placement of sources giving any economical effect within the bounds of investment object.

Consequently totally investment is defined as a process, during which turning resources into expenses take place, by taking into account investor’s main goal – making profit.

By generalization of all that was discussed above, we’ll try to represent investment definition from this position.

Investment is a dynamical process of changing capital form, a successive transformation of initial resources and valuables into investment expenses and transformation of invested means into the profit of capital value in the form of income and social effect. Investment is the placement of as cash, so real capital. They are realized in the face of cash means, credits, securities, also investments in the movable and immovable property, intellectual property, in the prosperity rights and other valuables.

DIFFERENT ASPECT OF INVESTMENT CONCEPT.

Concepts of “savings” and “investment” in the economical literature, usually, stand side by side: one definitely means

another. For example, to J. Kains's mind, savings and investments "must be equal, as each equals to the exceeding of incomes of usage" (Kains J., 1993).

To our mind, savings represent only a necessary ring of investment process. Investments request savings. For example, if an owner of cash resources do not use them for consuming, then these resources are savings. Unmovable resources in the owner's hands will not turn into investments. **Only those savings, which are used directly or indirectly in the future (very often after some years) for the purpose of making profit for widening enterprise may turn into investments.**

As mentioned above together with the beginning of realization of marketing reforms, changing of point of view about the concept of "investments" took place that was reflected in the current active logistics. In the modern economical literatures, which touch upon financial aspects of economic functioning, investments are one of the mostly used categories as in the micro-, so macro-level. Herewith, this concept, as a rule, is discussed quite tightly and oppositely.

For example, E. J. Dollan and D. E. Linday, authors of one of the first monographs about marketing economy discuss investments on the macro-level to be "the growth of capital volume in the functional system of the economy; that is the growth of distribution of the productive resources, which are realized by humanist" (Dollan E.J., Lindsen D., 1994).

In the "Economics" (a manual) investments are characterized as "expenses on production, accumulation of industrial means and the growth of material reserves" (Makkonel K.R., Brue S.L. 1992).

In these definitions investments are discussed as a mechanism (method) of increasing productive resources of society. In fact, they tighten the concept of investments till the industrial (real) investments. During such definition, a capital investment into the securities and bank deposits will not be ascribed to the category of "investments", as there is not a growth industrial resources of the society.

In the workbook of U. Sharp and J. Bail "The Investments" investments are defined as saying good-bye to "money today, for receiving more in the future" (Sharp U., Alexander B., Bail J., 1997). Herewith, two basic factors characterizing this process – time and risk, are pointed out. Investments are discussed as a process of placement of cash sources for the purpose of making more money in the future. This too is a tight definition of this category, because a capital placement is provided not only in the ash way, but also in other forms of movable and immovable property and nonmaterial assets.

Investments – this is spending of cash or other sources – for the hope of making profit in the future. For example, individuals can purchase shares, which will compensate to their owners the time, during which the money has been "frozen" in the shares and investment risks (Bodie Z., Kane A., Marcus A.J., 2001).

The time, which you are spending now while reading our book (we say nothing about its price), – is also an investment. Now you refuse your free time and a possible income from the providing this or that kind of activity, hoping, that your future activity will be profitable enough and will compensate your spent time and affords.

Notwithstanding, that these two kinds of investments are significantly different – they have one feature common to all kinds of investments: in the present time

granting of definite value, its concession for definite time takes place, for making profit later.

Also, definition of investments as "profit making" placement is not quite correct, as there are investment projects, which make no profit for the investor. Connection of the expected profit with a long period time is not correct to, as many operation, privately, those which are related with the investments in the securities, are purposed towards receiving non-permanent result in a short period of time.

The authors, who discuss investments on the micro-level, do not share such method of approach towards a concept of "investments", as a rule. We can distinguish four groups of defining a concept of "investments" on the micro-level: a) discussed by taxes; b) discussed by property; c) combined understanding of investments and d) disposed understanding of investments.

They discuss **investments defined by taxes** as a flow of price and expenses, which are started by expenses (Lipsits I.V., Kossov V.V., 1996). To say, that investments always are taxation is possible only by a big conditioning. Privately, it is not always possible to transform Now-How into taxation, which appear to be investments during providing researches and working out.

At the same time, a concept of investments defined by taxation draws a boundary between "investments" and "financing". Financing, opposite to the investments, is a flow of payments started by those wastes, which turn into expenses and guarantee further incomes.

While characterizing **a concept of "investments" by the property** an initial point is a balance of enterprise. According to this definition, they discuss investments as a process of turning a capital (mostly of cash capital) into the objects being within the bounds of enterprise assets, among them – securities (Kovalov V.V., 1999; Kovalov V.V., 2002). Such method of approach towards definition of investments of sources of physical persons (servicemen), also into securities too, are "dropped out".

A combined understanding of investments leans upon the representing of investments as the placement of sources added to the already existed ones, i.e. investments, which are used for widening business or for creating conditions for widening effectiveness of its functioning. Such definition of the investment concept is supported by Zh. Perar (Perar Zh., 1999). He separates following kinds of investments:

- For changing or keeping a level of investment furniture;
- For widening activities in the ways of increasing industrial capacities of the investments;
- For widening activities in the way of creating a new investment production;
- Investments for scientific research activities;
- Investments for "promotion" and advertisement of commodity;
- Investments for taking part in the capital of other enterprise;
- Investment of compulsory types (for suppressing spoiling of environment, for social sphere and others).

This definition of investments makes the placements of sources strictly tide to the active enterprises (industrial

system) and practically excludes a numerous placements of a capital, also into the initial organization of business.

A foundation of disposal understanding of investments is a statement, according to which an investment process means the limitation of financial sources and thus the reduction of their using by the enterprise. This process, from one side, depends on outer factors, and from another – influences upon them. We can call such placements of sources open systems, in which investment realization influence upon functioning of other elements of investment realization system. Upon the investment results influence those decision, which touch upon other elements of a system.

Interconnection between the spheres of investments and finances may be a good example for this. Truly, investment effectiveness is conditioned by the existence of financial resources under the enterprise’s disposal. In fluxing financial resources into the enterprise disposal, in its turn, depend on potential effectiveness of investment project. Another example of interconnected investments is placements of sources into the industrial sphere, which give stimuli and make more effective realization of investments into other spheres.

Distinctions in the definitions of investment concept are conditioned as by goals and objects of separate authors’ researches, so by the many-specter character of essential sides of this economical categories, but we can make conclusions from the said above.

First conclusion. There are different contexts in the concept of “investments” on the macro- and micro-levels. An investment on the micro-level (for example, purchasing of a building of securities on the secondary market) will not prove useful for the concept of investments on the macro-level, as in this process there is no growth of enterprise means and material reserves, i.e. there is no growth of a capital.

Second conclusion. A concept of “investments” is related with the activities of a concrete person called investor. Exactly investor places sources (own or borrowed) in this or that project.

Third conclusion. Investments are many-aspect placements of sources, the realization of which is possible in the various forms and they have various peculiarities.

By idealization of methods of approached to the definition of investments given above, we can separate following, the most essential features of the investments:

1. A potential ability of making profit;
2. Investment process, as a rule, is connected with the turning of one part of the accumulated capital into the assets of alternative kinds of an economical subject (enterprise);
3. Various investment resources are used in the process of investment realization, which are characterized by requests, distribution and price;
4. Purposeful character of capital placement into some material or nonmaterial objects (instruments);
5. Existence of the investment term (this term is always individual and it is not correct to define it beforehand);
6. Placements of sources are realized by the persons called investor, individual goals of whom are not always related with the making of straight economical profit;

7. Existence of a risk of capital investment, which means, those achieving investment objects has an alternative character.

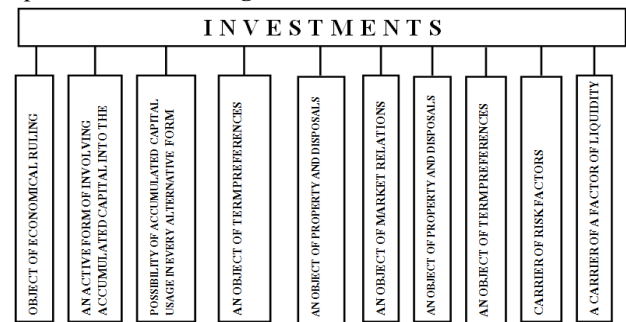
Thus, we can formulate the definition of investment concept the following way: we call investments the purposeful placement of all forms of capital into different objects (instruments) and for definite term, for achieving individual objects of investors.

Main economic characteristics of investment essence.

In the modern, local and foreign literature various understanding of the termini of “investments” are conditioned by the wideness of essential sides of this difficult economical category. That’s why, for specification of the context of this category we must discuss basic characters of its essence definers.

Such reduction consciously excludes from the sphere of investment category researches an abstract concept, which express characteristic of this category as a form of social-economical relation, also excludes the nuances of its context on the level of state or separately family industry.

Coming out of the discussed goal of the research, essential characteristics of an enterprise – as a ruling object – are represented in the **drought 1.**



Drought 1. Essential characteristics of investments, as economical category

1. Investments as an object of economical administration. Objective essence of investments is directly related with the economical sphere of its exposure. Notwithstanding important differences in the terminology shown above, every researcher discuss investments as an economical category, which is related with technological, social nature protecting and other aspects of its realization. In other words, a category of “investments” enters an apparatus of economical concept, which is related with the sphere of economical activities of economical relations. Accordingly investments carry mostly the economical interests and economical characteristics and appear to be the subject of economical administration on the micro, or macro-levels of every economical system.

2. Investment, as an active form for involving accumulated capital into the economical process. A central place in the investment theory occupies their connection with the accumulated capital (savings). This is conditioned by the essential nature of a capital – as an economical resource intended to the investments. A termini “capitalist” in the first place in the first place characterizes an individual, who invests own capital and not only accumulates its definite

reserves. A capital, as an accumulated valuable enters the economical process in the investment way.

Though, they don't use whole reserve of the capital, accumulated by the enterprise only for the investment purposes. A part of cash or other capital appears to be insurance reserving form, which guarantees rhythmic character of industrial activity, pay ability and so on and keeps the passive form. On the contrary, investments must be discussed as the most active form for using the accumulated capital.

A process of using the accumulated capital, as an investment resource of enterprise is "a net capital formation". They mention by this terminus a volume of total investments of an enterprise in the definite period, deducting an amount of assignment. Net capital formation guarantees improvement of productive abilities of the separate industrial subjects at the expense of real capital, which is achieved in the investment process. It is also important, that in this time an enterprise guarantees a process of net capital formation of a capital, as an investment resource, only in the real sector of the economy (industrial, agrarian-economy, trade and other such activities). What about the usage of a capital, as investment resource in the financial sector, by the enterprise (i.e. in the shares, obligations and so on in the process of financial investments), this doesn't make a new real capital. Such financial investments are characterized within the bounds of the country economy, as "transferred" ones. This time, a volume of a capital, invested into the financial assets, equals to its disinvestment by other industrial subject, without the growth of real capital.

An enterprise, as a level of accumulated capital – an investment resource, which is to be invested into the real industrial process – has minimal economical bounds. They are defined, in the first place, by the limited product of a capital and, in the second place, by the norms of depreciation of a capital in the industrial process, which must be renewed for guaranteeing a simple further production. **Sollow's model** expresses quantitative parameters of founding these bounds, the basic context of which consists in the following: During unchangeable correlation (i.e. unchangeable capital equipment) of capital and labour expenses at the production, a capital increase (ΔK) is defined as differences between a capital invested into the production (I_K) and, during the definite period of time, a capital, as depreciation of the production factor (B_K):

$$\Delta K = I_K - B_K \quad (1)$$

In the Sollow's model, an invested capital represents the income (operative profit) (D) amount, which is received from the industrial activity in the previous period at the accumulation norm (H_H):

$$I_K = D \times H_H \quad (2)$$

A capital depreciation represents a product of a capital used in the industrial process (K) on the middle norm (H_B) of its depreciation during a definite period of time:

$$B_K = K \times H_B \quad (3)$$

By transforming the model given above, we take:

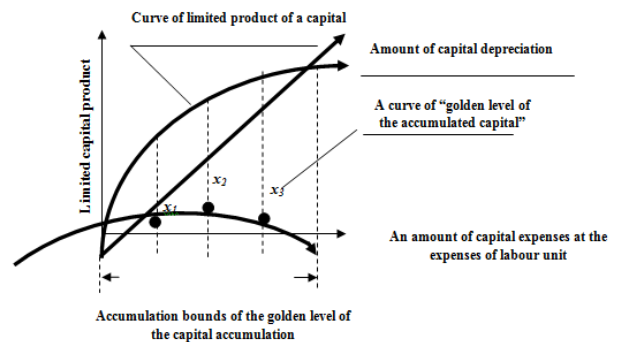
$$\Delta K = D \times H_H - K \times H_B \quad (4)$$

The situation, during which amount of invested (accumulated) capital equals to the capital, as an amount of depreciation factor of an enterprise, is characterized by the so-called "golden level of capital accumulation". According to Sollow's model, the situation, which provides minimization of a capital, as a level of accumulation of investment resource, at the same time, maximizes economically expedient level of the income usage, which is received by the industrial activity (P_{MAX}) in the process of operative distribution of an enterprise:

$$[I_K = B_K] = [\Delta K = 0] = [P_{MAX}] \quad (5)$$

The formation of "golden level of capital accumulation" in the face of investment resources involved into the industrial process may be graphically represented in the following way (**drought 2.**):

x_1 ; x_2 ; x_3 points characterize the parameters of "golden level of the capital accumulation" to be involved into the industrial process in the face of investment resource, while limited product of a capital and appropriate meaning of its depreciation. By regulating depreciation norm of a capital in the industrial process we can influence appropriately upon the processes of accumulation and usage of the industrial income (operative profit).



drought 2.A graphic of formation of the "golden level of capital accumulation" curve of the investment resource involved into the real industrial process

1. Every form of accumulated capital has own diapason of abilities and the specifics of concrete usage in the investment process. From the positions of usage in the investment process the most universal one is a capital of cash form, though direct usage in this process in the most cases requests transformation into another form. A capital accumulated in the form of concrete material and nonmaterial property is ready for direct participation in the investment process, but its usage in this form has a tight functional meaning.

A capital used in the investment process may be put into motion in its every face, in the first place, in the industrial activity of an enterprise. From this position, they characterize a capital – a real investment resource – as "a production factor". Herewith invested capital in the process of product formation appears not as completed factor, but as used in the

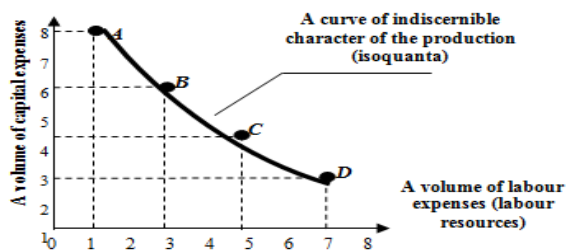
complex together with other economic resources (industrial factors). To those basic factors of the enterprise, with which an invested capital has a complex interaction in the industrial process, belong a labour (labour resources), land (natural resources) and others. Even during primitive production of commodity and service connection of invested capital with another factor of minimum production – labor is also necessary.

A capital invested into the commodity and service processes together with other industrial factors, is used not as its simple conglomerate, but as interactive complex, the definite inner processes of which are formed purposefully. Herewith, in the system of this interactive complex they may use different proportions of joining invested capital with other basic factors of production for producing commodities of one and the same volume. In the theory of capital investment inter-consuming character of the industrial factors is one of the fundamental conception.

At the example of this model, let's discuss abilities of the capital inter-consuming in the complex with production factors within the bounds of concrete technologies.

In the first place, we must clear out diapason of combination abilities of capital and labour resources, which guarantee emission of a commodity in the requested quantity and under the conditions of unchangeable technologies. "a curve of indiscernible character of the production" or an "isoquant". It characterizes all possible meanings of the vectors of industrial functions (according to the volumes of expenses of the discussed industrial factors) for making production of a concrete volume (drought 3.).

A, B, C and D points, shown in the graphics, which are placed on the isoquant (indiscernible character of the production), show possible different combination of the volumes of capital and labor expenses for the production of requested quantity of commodity. Herewith, deviation of isoquant characterizes a limited norm of technological changing of the discussed factors of the production.

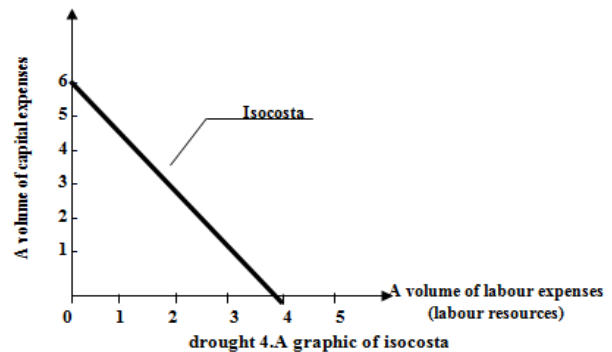


drought 3.A graphic of isoquanta (a curve of indiscernible character of the production)

Together with the analyzing of interchanging abilities it is very interesting to display those [possible combination of the discussed factors, during which total expenses of their influxing will be equal. If we connect join the axis of abscissa and ordinate with those points, in which the expenses of influxing these resources will be equal, we'll receive a line, which is called "isocosta" in the economical theory. A foundation of the building isocosta is a budget of production of the requested quantity of a product and a value of the discussed industrial factor units. Let us assume, that a unit of capital commodity costs 2 CUs, a unit of labour resources – 3 CUs, and total budget of production of the production requested quantity – 12 CUs. Under such conditions an

enterprise can purchase 6 units of a capital, or 4 units of the labour resources (labour) within the bounds of total budget. Exactly connection of these points will characterize a graphic of isocosta for the given concrete case (drought 4.).

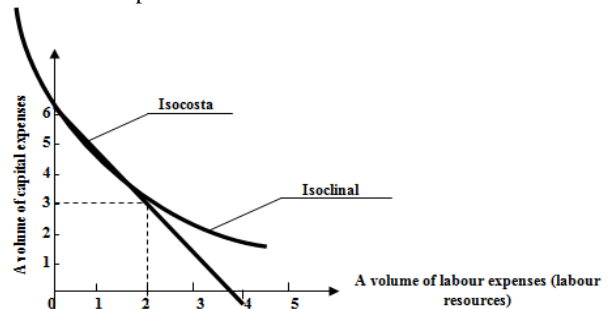
We can make appropriate graphic of isocosta for another total budget of requested quantitative production.



Derivation of the isocosta will characterize equality of the influx value (price) of the discussed factors of production.

Interchanging mechanism of production factors is effective in the case if it creates the abilities of minimization of the capital and labour total expenses. If we combine the graphics of isoquanta and isocosta given above, we may receive a point of their connection, in which total expenses of the production factors (capital and labour) will be minimal (drought 5.).

The "A" point shows a minimal volume of total expenses of the production factors represented in the graphic in the diapason of their possible interconnection, which conform to 3 units of a capital and 2 units of the labour expenses. Any other combination of the discussed factors in the process of their interchanging may give rise to the higher level of those total expenses, which guarantees emission of the foreseen volume of the product.



drought 5.A graphic of points of minimal formation of the total production factors in the process of their interconnection

If a budget of the producer grows in the process of industrial activity, then it can guarantee higher volumes of the production, i.e. create new kinds of isoquanta and isocosta. By joining the points of new connection of isoquanta and isocosta we can receive a line of economical growth of the enterprise, which is called "isoclinical". Its graphic is shown in the drought 6.

Thus, a produced industrial function, which finds the conditions of invested interchanging, gives us the opportunity not only to display a diapason of this interchanging, but also to solve concrete industrial objects:

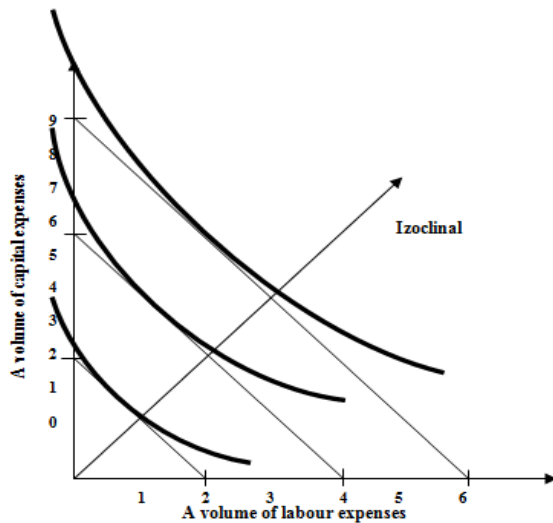
a) make the technological effectiveness of the enterprise maximal, which characterizes a maximal possible

volume of production in the process of using existed volume of the production factors;

b) make maximal economical effectiveness of the enterprise, which characterizes the minimal level of those total expenses of the production factors, which guarantee production of the requested volume of commodity;

c) provide prediction of the rates of enterprise economical development, which are guaranteed by optimal proportions of separate factors of the production.

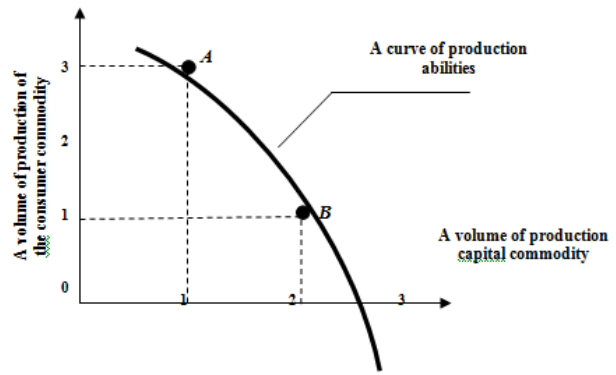
4. An capital invested by an enterprise is purposefully placed into the formation of the enterprise property, with the help of which its different industrial activities and production of various commodity must be realized. Herewith, form the wide diapason of possible objects of investments an enterprise selects the prior forms of those valuables (of investment objects and instruments), that are called “assets” by the financial terminology. In other words, we can discuss investments from the economical position, as a form of transformation of a part of accumulated capital into assets of alternative kind.



drought 6. A graphic of isoclinal characterizing economical growth of the enterprise

From the position of possibilities of capital investment into the production investments are characterized as a combined process. In the combination with other factors of production, we can use invested capital for producing as commodity of consuming destination, so labour means and also a capital commodity having the shape of the subjects (in this case, a postponed usage in the face of real capital reserves takes place). A combination of definite volume of the production factors, which is balanced by the participants of the invested capital, founds the so-called “a curve of production abilities”, which is graphically represented in the **drought 7**.

5. Main goal of investment is achieving concrete effect calculated beforehand, which may be owned by economical and uneconomical (social, ecological and other) natures. A prior purposefulness of investing on the enterprises level is achievement of economical effectiveness, which may be reached in the face of the profit of invested capital amount, positive size of investment profit, positive size of net cash flows, for guaranteeing capital accumulation invested earlier and so on.



drought 7. A complex of production factors formed by the capital participation

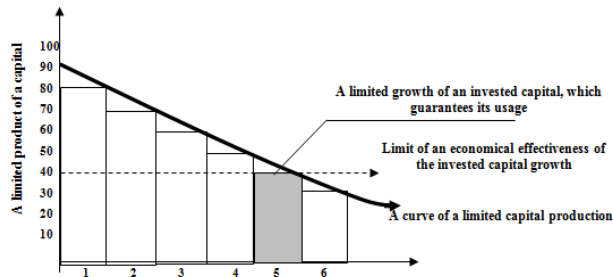
Achievement of an economical effectiveness of the investments is defined by a potential ability of generalizing its income. Investments as a source of income are one of the most important means for formation of future welfare for the investor. Herewith, a potential ability of making income by the investments is not realized automatically, but it takes place only in the case of effective selection of the investment objects (instruments). Realization of such selection gives rise to one of the most important function of the investment management.

Foundation of generating real investment income is a profitableness of the invested capital. It appears ti be the carrier of this characteristically feature as well as the other factors of production. Capital profitableness is defined as a conformity of a result of industrial activity with the amount of the used (invested) capital. They separate middle and limited profitableness (“a limited product”).

A capital profitableness used within the bounds of unchangeable technologies of production of a concrete industrial subject has not a stable character. It changes together with the growth of its investment volume. A conclusion about permanent reduction of a limited product of a capital (during unchangeable volume of using other factors of productions) is known in the economical theory as “a low of reducing profitableness of a capital”. This low has an universal character and belongs to any factor of using of a capital – as a production factor. Expression of a low of reducing profitableness of a capital is graphically shown in the **drought 8**.

As seen from the given graphic, a limited product of a capital is reducing together with its every newly activated unit while the growth of an invested capital volume (while unchanging of the volumes of other factors of technologies and production). This tendency is reflected by a curve of the limited product of a capital. If we equal the size of net profit made by the growth of a product with a value of a capital influx for the purpose of investments, then its following growth becomes economically inexpedient. The “A” point expresses this situation on the curve of limited product in the graphic. This gives us an opportunity to form the following conclusion: **a growth of investment capital in the system of those factors of a production, which guarantee the growth of production, is expedient until its limited product equals to the value of its influx. A showing of limited profitableness of a capital, in such case, will be good a**

minimal effective activity of capital investment into the production.



drought 8.A graphic for illustration of the reducing profitableness of an invested capital

According to the data of the given graphic, we can make another conclusion: if we note the growth of every unit of the invested capital volume by minimal quantities, then total volume of the production will be equal to the space of ration (given under the curve of the capital limited product).

6. Various investment resources, commodity and instruments, as an object of sell and purchase, used by an enterprise in the investment process, found a market of special kind – “investment market”. It characterized by a request, delivery and a value, also, totality of definite subject of market relations – form an investment market. It is formed by rge whole system of market economical conditions. It is tided with other markets (labour, consumer commodities, service markets and others) and functions under a definite influence of various forms of state regulation.

Enterprises represent requests at investment resources, commodities and instruments, for realization of their investment strategy in the real and financial investment domain. Other subjects of requests at investment commodities and instruments are also those participants of economical process, which provide industrial activities.

Delivery of investment resources, commodities and instruments are provided by the enterprises producing capital commodities, owners of the unmovable property, owners of nonmaterial assets, eminent issuer and various financial institutes.

Prices at investment commodities and instruments are formed in the system of market relations under the influence of request and delivery and foreseeing their investment attractiveness. This price expresses economical interests of sellers and purchasers of the investment commodity and instruments under the concrete conditions of market functioning. A percentage rate, which is formed at he capital market, appears to be the value of investment resources.

7. Investment, as an object of industrial activity appears to be the carrier of ownership and dispose rights. If at the initial stage if capital investments, the title of its property and the rights of disposal are related with one and the same subject, and later their progressively are separated together with the economical development. First this separation took place in the sphere of functioning of the cash capital inflexed into the investment process (together with the creation and development of credit relations), and later – into the functioning of real capital too (together with the formation and development of leasing relations).

Under the modern conditions, an enterprise which uses various forms of a capital have the rights of disposal without having a right of its owning in the investment process. In such case, rights of ownership and disposal of investment resources of a capital are distributed in the share of separate subject of economy. An example of such distribution is the functioning of a capital in the institutional systems of investment-financial institutions, joint-stock companies and so on, when the owners of a capital, as accumulated invested resource, transmits them to the other person’s disposal.

An invested capital, as a property object, may carry all forms of this property – private individual, private collective, municipal, total governmental and so on. A capital is the carrier of the property title, in the first place, as investment resource in the economical process in the section of this or that subject. A role of a capital, as the object of investment resource property and usage, has a passive character.

Every form and kind of this disposal may represent investment capital as an object of disposal, which are assumed by the low. As financial, so real capital may appear to be the carrier of disposing rights. A role of investment capital, as the object of disposal has an active character in the economical process towards the capital, as the property object.

Thus, usage of a capital, as investment resource is not related with the existence of the property title in the economical process. This usage may be realized by those persons, which are not subjects of direct property rights on it.

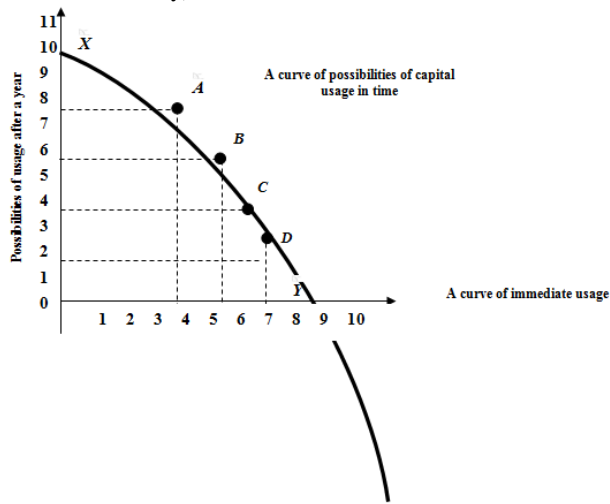
As an object of property and disposal, a capital – as investment resource – forms separate proportions of its usage by the separate enterprises, that is expressed by the correlation of the own and borrowed capital. This correlation is reflected by a termini “capital structure” in the economic theory.¹ It influences upon the various aspects of investment effectiveness, and accordingly – a character of making investment decisions by an enterprise.

8. A process of capital investments is directly related with the time factor. From the position of time, we can discuss a capital purposed for the investment as, a reserve of economical valuables accumulated earlier for the purpose of its possible growth in the process of investment activity, from one side and, an activated economical resource, which can grow a volume of investment increases at any interval of the future period, from another. Herewith, an economical value of current and future profits related with investments has not same meaning for the owner of the capital. **An economical theory proves that an individual always estimates current profit more then the future one. They express these peculiarities of economical behavior of the individual by termini of “temporary preferences” in the economical theory. Its essence is that abilities of future usage are less valuable, then those of the current ones.** For getting over this stereotype of time preferences and incite the capital owner to the investments, who refuse the purpose of its using, it is important to provide a significant salary for him/her in the face of investment income.

Temporary system, which exists between capital investments and making investment profit, may have more or less interval. According to this, in front of the investor there always is the alternative of temporary preferences of capital usage – to choose long-termed objects (subjects) of

investments, or the short-termed ones, which have differentiation levels of investment income.

An alternative of choosing a variant of capital volume involved into the investment process is related in time with the estimation of those abilities of the usage, which are formed in the definite period of future time. In the process of this evaluation they take into account those comparative valuable, which is given the possibilities of usage by a concrete investor. This estimation is realized "by the curve of capital usage in the time", the graphic of which is given in the **drought 9**. (They call it "Hirshlaifer's graphic" in the economical theory).



drought 9. A graphic characterizing a curve of invested capital usage in time

XY curve on the given graphic shows all combinations of possible usage of a capital in time for the purpose of current and future usage (a future period is reduced to one year). OY section on the horizontal line characterizes alternative possibilities of the current usage available for the given capital (from refusing current usage, that is expressed by O point, till its whole using, expressed by Y point). Consequently, OX section on the vertical line characterizes potential possibilities of future usage, which are alternative for the given capital. A, B, C and D points on the XY curve show concrete possibilities of alternative correlation of current and future usage.

A quantitative measure of effectiveness of capital usage in time is "a norm of temporary preferences". It defines correlation of estimating consumer's increases in the future and current period of time by the investor.

They usually receive a norm of temporary preferences in the middle face on the level of middle norm of a capital profitableness, which is expressed by an annual percentage rate. From this position, we can discuss annual percentage rate as "value of time" in the process of using a capital.

A norm of temporary preferences has an individual character. While its formation they foresee the size of the investor's income, a founded level of his/her usage, filling consumer market with commodities and services and other factors.

There is a direct connection between the length of capital usage period and a norm of temporary preferences in the

economical process. Longer is the interval of the time of postponed possibilities of capital using for the purpose of current usage, the more the size of a norm of temporary preference must be (a quantity of appropriate award of the capital owner). Growth of the temporary preference norm together with the growth of capital using interval characterizes "a limited norm of temporary preferences".

Together with the growth of capital using interval in the investment process, a limited norm of temporary preferences has an increasing tendency. It is related with, that an individual gives less and less importance to the additional possibilities of future usage in other equal conditions, as to the current one. In other words, an individual prefers every further variant of future usage only in the case of increasing a limited norm of temporary preferences. We can research this tendency by the given graphic of a curve of capital usage possibilities in time. Higher goes the individual on the curve, the more current usage must be refused by him/her.

9. Risk is the most important character of investments and it is related with its every form and kind. Investments, as a source for received income in the investor's industrial activity appear to be the carrier of risk factor. During the investment realization, an investor must be risky consciously. It must be connected with the possible reduction and not receiving of investment income amount, also, with whole or partial loss of the invested capital. Accordingly, the concepts of investment risks and profitableness in the investor's industrial activities are in organic connection with each other.

A level of investment risk is in direct dependence with the level of expected profitableness. Higher level of profit is expected by an investor, the higher will be the level of a risk accompanying it and on the contrary. In other words, an objective relation between the levels of investment profitableness and risk has straight proportional character.

A definite liquidity characterizes investments of all kinds and forms, which are called the abilities of their realization, if needed, with their real market price. This ability of investments guarantees setting free of the invested capital into this or that object and instrument in the definite sphere of industrial activity, separate market segment or activated region, while coming unprofitable economical and other conditions.

Termini "disinvestments" characterize a process of setting the invested capital free, which is guaranteed by its liquidating. A capital, set free in the process of disinvestments may be reinvested into other objects and instruments. Thus, liquidity of the investments gives us opportunity for formation not only straight, but also reverse-flow of the capital activated as investment resource.

10. Investments of different forms and kinds have different degree of liquidity. This specification is defined by: an expected level of a capital. as an investment resource, functional peculiarities of concrete kinds of investment commodities (investment objects) and investment manners of financial instruments of investments, a level of investment market development and existed conjuncture of its separate segments and other conditions.

A level of liquidity of investments appears to be the basic estimating parameters of liquidity of all kinds of investments.

It is defined by foreseeing the period of time, during which an invested capital invested into this or that object

or instrument can converse onto money without losing market price. Shorter is the period of conversing the invested capital into cash form, by the higher level of liquidity characterizes this or that investment.

Investment liquidity is an objective factor, which gives rise to the selection of their concrete forms and kinds while prediction of expected level of the expected profitability.

Analyze of the most essential characteristics of the enterprise investment shows, how much aspect and difficult is this category from the theoretical and consuming position. Herewith, these discussed characteristics of enterprise investment peculiarities are in close touch with each other and request a complex reflection during their economic essence. According to the discussed basic characteristic features, economical essence of the enterprise investments may be stated in the following, the most generalized way:

Enterprise investments are placements of all kinds of capitals into different objects of the industrial activities (instruments), main goal of which is making a profit, also, achieving other economical and uneconomical effect and realization of which leans upon market principles, is related with factors of time, risk and liquidity.

CONCLUSIONS

Investment is the economic and philosophy category of primary fundamental nature. Maintenance of vitality of all systems depends on the nature and scales of investment for long period of time; its place and role is of special importance for the economy of the country. Due to this, scales and intensity of investments goes behind physical depreciation of principle capital, public industry will necessarily get into the complete economic collapse.

In the studies dedicated to the problems of investing, investment is determined to be the method of placing capital. It shall provide maintenance or growth of the cost of capital and (or) bring positive value of income. This method of approach determine degree of essential features of investment on the nature of investment and the relation of investment with the capital growth (making income).

Herewith, in the economic literature of western states they consider totality of two aspects: resources (capital valuables) and investment (expenditures). The most evidently such method of approach is represented J.M. Kain's works, according to which the investment is the part of income, which will not be used for consuming during current period. It is current gross price of the capital property by means of industrial values of the given period. In this description, which is not considered to be comprehensive, two sides of investments are clearly allocated. They are: resources (for the purpose of accumulation of income) and investments (used resources), providing outflow of capital property.

Development of market relations in the economy conditioned the necessity of reviewing the meaning of the category of Investments according to the new conditions. Signs of understanding the essence of investment characteristic to the market economy are:

- Relation of investment with made income, as the motive of investment activities;
- Considering investment in the totality of two sides: resources (capital valuables) and investments (expenditures); Investment analysis not in statics, but in dynamics, allowing

uniting resources and income from invested means in the framework of the category of investment, as the motive of this union. Inclusion of investments giving any economic effect in the composition of investment objects.

- Therewith, the investment in total is determined to be the process in terms of which the resources are transformed into the expenditures, based on the purpose of the investor – making income (effect).
- By generalizing information above, we'll try to show description of investment from this position.

Investment is the dynamic process of changing form of a capital, consecutive transformation of primary (initial) resources and valuables into the investment expenditures and transferring invested means into the growth of capital value in the form of income or social effect. Investment is monetary and real and intellectual capital investment. They are implemented in the form of cash, credit, securities, as well as investments in the movable properties and real estates, intellectual property, knowledge, taking education, property right and other valuables.

To our mind, it is necessary to distinguish four groups of describing investments at micro level: a) described with taxes; b) described with property; c) combined understanding of investments; d) disposition understanding of investments. Investments determined with taxes are considered to be the stream of receivables and deliverables, starting with the deliverables. Stating that investments are always due payments, may be provided with great probability. Particularly, it is not always possible to transform the know-how into payments, which appear to be investments in course of conducting studies and processing.

At the same time, the concept of investments described with payments distinguishes the categories of Investments and Funding from each other. Different from investments, funding is the flow of payments (fee) started from the deliverables, which are transformed into the expenditures and later condition incomes.

Rising point in course of characteristics of the concept of property investment is enterprise balance. Subject to this description, they consider investments to be the process of transformation of the equity (mostly – monetary capital), property items in the composition of the enterprise assets, including securities. In course of such method of approach towards description of investment, investing of individuals (household) is “dropped out”, including in the securities.

Combined understanding of investment is based on the understanding of investment as additional investment on the existed resources, i.e. these are the investments, which are used for extension of business or creation of the terms of increasing effectiveness of its functioning. Such description of the concept of investments, investments of following kind may be distinguished:

- Investments for changing or maintenance of the level of equipment;
- Investments for extension of activities in terms of increasing industrial capacities;
- For extension of activities by means of creating products of new kind of investments;
- Investments for scientific research activities, education and knowledge;

- Investments for promotion and advertisement of goods;
- Investments for participation in the equities of other enterprises;
- Investments of bidding type (for preventing environmental contamination, to be performed in social domain and etc.).

This determination of investments makes investments strictly bound to the active enterprise (industrial system) and practically excludes multiple investments of capital, including – in initial organization of business.

Grounds to the disposition understanding of investments is made of the provision, according to which, investment process considers binding of financial resources and restriction of independence of their management by the enterprise. This process, on the one hand, depends on external factors, and on the other hand – it influences upon them. Such investments may be called open systems, in which realization of investments influences upon functioning of other elements of the system, as for the investment outcomes, they are affected by the decisions touching upon other elements of the system.

Therewith, at the micro-level, distinctions in the concept of investments is conditioned as purposes and objectives of various authors, so – multifaceted nature of the essential parties of economic category. We could bring some other determinations as well, though we can make multiple conclusions on the said above.

First conclusion. There are different contents in the concept of Investment at micro and macro levels. Investment at the micro level, does not fit the need of separate investor (for example, purchasing of building or acquiring securities at the secondary market) at the macro-level, as in this process no growth in the means of production and material reserves takes place, i.e. growth in equity does not take place at all.

Second conclusion: the concept of investment is related with the activity of particular person called investor. It is the investor investing resources (own or borrowed) in this or that project.

Third conclusion: investments are multifaceted placement of resources, which may be realized in various form and they have diversified peculiarities.

By generalization of the methods of approaches towards description of the concept of investments we may distinguish following the most essential characteristics of investment:

- Potential ability of making income;
- Investment process, as a rule, is related with the transformation of one part of accumulated capital with the assets of alternate kind of the economic subject (enterprise);
- In the process of implementing investing, diversified investment resources are used, which are characterized with the demand, supply and price; Purposeful nature of investment of equity in some material or intangible object (instrument); Existence of investment term (this term is always individual and its predetermination is not correct);
- Investments are implemented by the persons called investors, whose individual purposes are not always related with making direct economical profit; Existence of the risk of capital investment, which means that achievement of investment purposes is of probability nature.

Therewith, we may formulate the concept of investment in the following form: we call investments to be placement of equity of all kinds purposefully and for particularly term to the various objects (instruments), to achieve individual goals of investors.

We tried to justify in the Manuscript investments as economic category. Economic categories theoretically express actually, objectively existed production relations. The Category is essential features of objective world, determination of relations and generally, any cognitive process is completed by means of categories, allowing separation of processes and phenomenon by meanings, express determination of subject and understand their specific peculiarities and economic relations of material world.

Investments – these are real, financial and intellectual investments into the projects, implementation of which brings us to the making material and information growth of real wealth, which is accompanied with the growth in monetary (financial) wealth or in this latest (at the expense of distribution of cash resources in the company).

As economic category, investments express economic relations, which are formed between participants of investment process, by means of using and forming investment resources, for the purpose of improvement and extension of production.

And finally, investments, as economic category, is characterized with only principle characteristics determining them; particularly: investments as object of economic management; investments, as active form of including accumulated capital into the economic process; investments, as the opportunity of using capital accumulated in all alternate form; investments, as alternative opportunity to invest capital into any object of industrial activities; investments, as the source of generating effect of industrial activities; investments as the object of market relations; investments, as the object of ownership and management; investments, as the object of preference; investments, as risk factor; equity, as the carrier of liquidity factor.

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