



Approaches to the Development of Endowment Funds in Russia as an Instrument of Mixed Financing of the Social Sphere

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ABSTRACT

In the context of budgetary constraints, the state educational institutions of vocational education are forced to seek investment resources to support their activities and compete with each other in the market, developing their competitive advantages. The article notes that one of the effective financial and economic institutions that ensure stability in financing producers of educational services is the endowment fund. Status of the Russian financial and economic system at the present stage of the global economic crisis, characterized by vague economic sphere, primitive and contradictory nature of the transformation processes, determines the need for reorganization of the systems and the management of financial resources of the enterprise. Significantly increases the importance of financial stability as a basic factor of their formation in the market and further development of interethnic value.

Keywords: Financial Institutions, Investment Resources, Investment Funds

JEL Classifications: G2, G31, H4

1. INTRODUCTION

Practice has shown that the constant financial Russian companies focused on adapting to the challenging market conditions of managing, identifying, and optimal application of its competitive advantages in different types of market, increasing its market value. We note a significant part of Russian companies is currently in crisis, it is not so much a lack of financial resources, which is the object of our study, but with a low level of financial management and the absence of reasoned financial strategies. The current state of management of financial resources prevents prospective businesses promote reforms in the Russian Federation; it has a negative impact on all branches of the Russian financial system and its economic potential. In this context, the task of the current stage of development of the Russian economy dictates specific requirements for the financial recovery of the crisis enterprises. Priority is the problem of developing strategies and tools for financial recovery of the crisis

enterprises. The solution to this problem urgently requires the deepening of theoretical research on the scientific use of financial resources of the enterprise, their accumulation and multiplication. To provide innovative financial growth opportunities should involve mechanisms of accumulation of financial resources of the enterprise at all local, regional and national level of the Russian economy.

2. RESEARCH METHODOLOGY

Theoretical and methodological basis of the study are the works of local and foreign authors, dealing with matters of the theory of endowment funds and mixed financing instruments.

Work is executed with the use of modern theories of economic and institutional analysis. When doing research methods were used utility theory, game, probability modeling of contractual relations, program-oriented approach.

3. MAIN PART

First of all, the relevance of the study mentioned above shows that, despite the frequent use of the concept of “financial resources,” not its common interpretation, allowing content and specifics of this category. Referring to Table 1, which gives a clear view, the semantic content of the “financial resources” from the perspective of a few academic economists.

Identifying the nature and content of categorical funds, principal assumptions of which in our opinion should be based on the definition of the financial resources are as follows: (1) The financial resources are the original concept of the basic categories of “finance;” (2) the essential nature of basic category involves judgments belonging to the distribution, value processes; (3) resource is analyzed from the perspective of the potentiality of his engagement and target oriented.

The study should identify the author’s interpretation of the definition of “financial resources” as current and potential means that, if necessary, may be available, accepted and used by enterprises as signs distributed cost to maintain the desired proportions operation.

By categorization of the financial resources necessary to carry such as (Figure 1): (1) The ability to be accepted by any economic entity as a form of distributed value; (2) the ability to communicate on any product, resource; (3) the ability to repay the equivalent spent value through any period of time.

We have identified the main sources of financial resources in the process of functioning of the enterprise:

1. The main source of financial resources of the enterprise is determined by the proceeds from the sale of goods (works, services) related to the statutory activities of the enterprise. Maximizing revenues from sales of products/services - one of the main conditions for the growth of financial resources of the enterprise
2. One of the activities the company is determined implementation of the property when the moral (and sometimes physically) obsolete equipment (equipment) and other property sold at residual value, sold stocks of raw materials
3. In the course of the main activities of the enterprise not only receive revenue from the sale, but also non-operating income
4. In the present conditions in the XX. of the financial resources of the enterprise is involved due to its participation in the financial market as a borrower and issuer. Note that the basic values of the financial market - the empowerment of economic agents in preference of the sources of financial resources.

Next, we should mention that the study of the financial and economic nature of the category of “financial resources” (Levchaev, 2007), possible to prove cause-and-effect relationship of their operation, expressed in action the following basic laws.

Figure 1: Characteristics of the financial resources of the enterprise

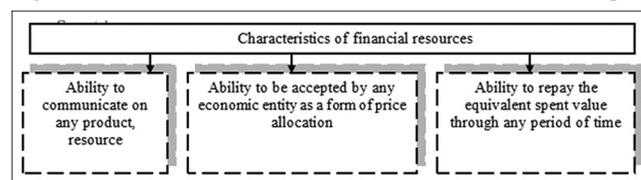


Table 1: The modern interpretation of the concept of “financial resources”

Author of treatment	Contents of treatment	The main criterion
Abalkin, 2001	“Part of the economic resources, which is a means of monetary and fiscal systems, which are used for the smooth functioning and development of the economy”	Financial and credit system
Raizberg, 2010	“The combination of all types of funds, financial assets held by the business entity at its disposal. Financial resources are the result of the interaction of income and expenditure, the distribution of funds”	Asset value
Borisov, 2006	“The combination of all types of funds, financial assets at the disposal of the economic entity. The result of the interaction of income and expenditure, the distribution of funds”	
Zolotorogov, 2004	“Monetary income, accumulation and income at the disposal of a business entity and intended to meet the financial obligations of the costs of expanded reproduction, economic stimulation and satisfaction of social and other needs of working”	Monetary category
Rodionova, 2003	“(1) Net revenues and income at the disposal of a business entity and intended to meet the financial obligations of the costs of expanded reproduction and economic incentives employed; (2) cash income, savings and income generated in the hands of business entities and the state and intended for the purposes of expanded reproduction, material incentives for working, meeting social needs, the needs of defense and public administration. Are the material carriers of financial relations”	
Kolchina, 2001	“The totality of their own cash income and revenues from outside (borrowed and borrowed funds) designed to meet the financial obligations of the enterprise, financing of current costs and the costs associated with the expansion of production”	Property rights
Pavlova, 2003	“Own sources of financing reproduction, remaining at the disposal of the company after the current payment obligations and the estimated”	
Balabanov, 2010	“The funds at the disposal of the economic entity. Can guide the development of production, maintenance and development of non-production sphere, consumption and education allowance”	
Blank, 2004	“The totality of accumulated equity and debt in cash and cash equivalents in the form of trust fund money meant for his business activities in the coming period”	

1. Reduce the marginal utility. In the limit of how satisfied the need for financial resources, the degree of saturation in them is growing, and the size of the utility of each additional unit decreases.
2. Budgetary constraints. Unilateralism sources of resources will lead to the fact that the company is obliged to make the appropriate choice in favor of a particular combination, maximizing thus obtain useful.
3. Alternative probability and the best application. The probability of a combination of diverse sources of funding suggests that diverse combination can be achieved given the quantity of output (services). There is an option, and optimal use.
4. Diminishing marginal productivity. The increase in the number of attached financial resources and the immutability of the other components of the manufacturing process, will be accompanied by a decrease in the return on incremental factor. With pull-additional financial resources necessary to ensure that their price is found to be higher marginal productivity.
5. Opportunity cost. Limited financial resources are a problem of their most profitable use, resulting in the presence of the costs of lost opportunities.
6. Increases costs. An increase in the volume of use of one type of financial resources will inevitably increase costs denominated amount of resources an alternative source, which leads to an increase in the cost of missed opportunities.
7. Economies of scale. When one-time increase in the use of factors of production is a process of growth of output in the same or greater degree. Under this law, the law of Chandler's economy (Yudanov, 2012) in the production scale of the enterprise, according to which the advantages of the largest forms of business entities based on the ability to realize the enormous financial costs, distributing them to the replicated products.

Economic efficiency in the use of financial resources creates the foundations of financial growth, which is a continuous extended reproduction of the financial resources of the enterprise.

Administer the financial resources of the enterprise by means of the financial mechanism, i.e. aggregate forms and methods of organization, planning and promote a coherent process of formation, development and use of financial resources. The elements of the financial mechanism are: Financial ratios; financial leverage; financial practices; legal; normative and information provision; organizational support.

The basic element of the hierarchical system of financial flows is determined by us to ensure organizational subsystem, which is determined by the extent of the tasks and the level of management of financial resources (and streams).

It is important to note the emerging virtuality financial resources of economic agents (Novikov and Tkacheva, 2012; Tkacheva, 2009). At the present stage of development of computer technologies and the internet - technology of fundamental importance in the management of financial resources of the enterprise is the extent

of the basic equipment and computer technologies of production. Priority in achieving success and sustainable competitive position owned enterprises with a high degree of computerization of its production, logistic sales activities, and relationships with suppliers, partners and customers.

Thus, we note that the characteristic of the immanent laws of functioning of the economic nature of the financial resources, contributing to a more complete identification of the categories studied, showing her in a number of basic categories and identifies specific ways to show causal relationships among the general economic concepts of financial management. Features of influence of economic laws stipulate both the functioning and purpose of the financial resources of the enterprise, and the impact of the most important environmental factors. Direct communication of financial resources of the enterprise with all the cycles of reproduction process involves their high potential activity and wide exposure opportunity on all aspects of management of enterprises. Financial resources are an important tool for economic incentives and control over the economy of the Russian Federation and its management.

It should be noted that in Russia, in terms of budget constraints public and private educational institutions of vocational education are forced to seek investment resources to support their activities and compete with each other in the market, developing their competitive advantages.

With the adoption of the Federal Law "On the order of formation and use of target capital-profit organizations" created legislative conditions of active development of the institution and the endowment in Russia. However, there is no provision in the Act on the expenditure of endowment (only allowed to use revenue from its investment) does not provide tax deductions to donors. It does not conform to international practice, which sets minimum standards for spending the endowment fund for the purpose of, for example, to prevent abuse of the fund with unlimited capacity due to non-taxable income from investments and incentives benefactors. Law "On procedure of formation and use of target capital-profit organizations" does not allow to replenish the endowment fund at the expense of NGOs, which its owner, which deprives the educational institutions, successfully engaged in business activity, the possibility of receiving tax-free income from passive investments earned money.

The proposed new legislative and policy documents approach actually means abandonment of the total public funding of education and the transition to a multi-channel system investment. This is recorded in the documents of the socio-economic development of Russia: "Russian society has to go on the mode of content of the budget of its education system to the regime to invest in it."

Formation of the tax base of education and extra-budgetary funds involves the creation of enabling conditions for education in the non-budgetary sources: Tax incentives for organizations to direct their funds to the education sector in the form of co-financing and tuition, and in the form of charitable donations.

Stressing the above, it should be said that the endowment - a donation or specially assembled target fee (attracting new non-state resources to fund social projects, including the education sector), sometimes supplemented by their own savings educational organization. Under the endowment fund - meant the trust fund established on the basis of cash, securities and other assets, the company formed to produce investment income, which will be used to maintain the organization. The assets invested in the Fund shall be inviolable, i.e., not available for spending (Thompson, 2015).

Created by donations capital is invested in the stock market and obtained from the management of the proceeds go to the needs of the recipient's contributions. Charity in this case is not a single stock. Model endowment funds relates to investment forms of public-private partnerships in education.

As a rule, the endowment fund is formed and updated over the years. In Western countries - is indivisible investment asset in the form of money, securities and possibly real estate and other assets transferred to non-profit organizations, legal entities or individuals as a charity, and then placed in financial institutions in the form of equity investments, securities or real estate, so that the educational organization could receive an annual income in the form of interest, rents or profits without affecting the body core capital (Abankina, 2005). The most developed system of endowment funds in the US, where there are more than 800 such funds, the largest of which are reflected in the Table 2.

The share of profits from the use of endowment funds in the financing of educational activities of universities from 20% to 40%, with most of the funds endowments in the US comes from the alumni of the institution (Korobkin, 2003).

Endowment funds are non-profit organizations formed when the founder of a person transfers property NGO funds or property. In turn, these funds should subsequently be used to achieve the goals of the organization either through direct spending or by spending income arising from the management of these funds (for example, placing them in financial assets, income). Russian analogue of the financial mechanism is precisely the target capital.

So, as amended by Law No 275-FZ under the target capital is understood formed by donations in cash (in rubles or foreign

currency), part of the assets of NGOs passed a non-profit organization in the asset management company to generate revenues used to finance share the activities of the NGOs or other NGOs. Income from trust management of property constituting target capital, as well as part of the property constituting target capital owners receive the endowment.

The objectives are the formation of socially significant and determine the direction of the use of the income endowment funds: Education, science, health, culture, physical culture and sports (except professional sports), art, archives, social assistance (support).

One non-profit organization can generate several endowments but different objectives targeted capital formed separately. At the same time the target capital is formed without regard to the particular NGOs and by activity. Despite the fact that the very purpose of the use of target capital and income, strictly limited to the legal framework, but the choice of the specific purpose for a specific target capital can be defined as the donor (donor) and NGOs. Endowment has symptoms of urgency and a monetary form. The minimum amount of capital that must be formed within 1 year - 3 million rubles. During the next 2 months from the date on which the amount of donations will be 3 million rubles, the NGO is obliged to transfer the funds in trust management company. If the capital for the year in the specified minimum amount will not be formed, the available funds should be returned to the donor if the donation agreement provides otherwise or if the funds received by way of inheritance.

According to the law, the recipients of funds (universities, hospitals, museums and other non-profit organizations) are not eligible to accumulate their own fund, and are obliged to organize a separate legal entity with a special account to which you want to transfer money philanthropists. Other assets (real estate, art and so on. N.) be the property endowment cannot.

Trust capital endowment funds can be formed only in the form of cash and for cash, this limitation is primarily dictated by considerations of "transparency" and control at all stages of formation and use of target capital, as well as significant tax incentives provided by the Law number 276-FZ. The minimum period for which the formed target capital - 10 years, ruled out the possibility of forming endowment for an indefinite term or its extension. On expiry of the target capital shall be disbanding. The assets, which formed the endowment fund are not spent according to the law under any circumstances, for the implementation of projects of the organization are only the investment income. Investing can be engaged in the management company, selected in the competition.

We distinguish two possible formation of target capital. The first option involves the ownership of the target capital of the non-profit organization that is the recipient of both income from his investment. New or existing NGO creates endowment "inside," and the resulting income from specific capital expenditures for the purposes in which it is formed, and is the sole recipient of the income, which is further reflected in Figure 2.

Table 2: The largest US endowment funds (Ed.gov, 2015)

The name of the university	The size of the endowment (thousands of dollars)
Harvard University (Cambridge, Mass.)	28,915,706
Yale University (New Haven, Conn.)	18,030,600
Stanford University (Stanford, Calif.)	14,084,676
Univ. of Texas System Administration (Austin, Tex.)	13,234,848
Massachusetts Institute of Technology (Cambridge)	13,044,900
Princeton University (Princeton, N.J.)	8,368,066
Columbia University (New York, N.Y.)	28,915,706
Univ. of Michigan (Ann Arbor, Mich.)	14,084,676

On the administrative expenses associated with the formation of target capital NGOs entitled to spend no more than 15% of the income from the trust management, or no more than 10% of the targeted capital employed for the year.

It should be noted that a direct restriction on associations, unions, non-profit partnerships, consumer cooperatives - these organizations may not form the property of the target capital, but is entitled to be beneficiaries of income from the investment of the endowment received from the target funds management capital. With regard to public corporations and political parties operate still more restrictive - these organizations are not entitled to any form of ownership in the target capital or receive income from the investment of the endowment.

The second option assumes that the owner of the endowment is a specialized non-profit organization in the form of a fund, which is created and operated solely for the purpose of generating, transmitting in the management and distribution of income from the investment of the endowment between other non-profit organizations as the recipients of income from the use of target capital (Figure 3).

Investment management strategy selects the target capital management company. Possible investment instruments:

- RF government securities, government securities of subjects of the Russian Federation, Russian bonds of other issuers;
- Deposits in rubles and foreign currency from credit institutions;
- Investment units FTRA property;

- Investment units FTRA art and antiques;
- Instruments with guaranteed returns.

Specificity of formation of endowments (endowment) is reflected in the Table 3.

The main features of the endowment are as follows:

Firstly, the target capital is the “splitting” of the property (or to be owned by the NGO or NGOs as not only its owner.

Secondly, every endowment is tied to the “specific” objectives. One non-profit organization can generate several endowments but different objectives targeted capital formed separately.

Third, the target capital is formed only by donations of funds or by receiving cash at will.

Fourthly, the target capital transferred in trust management company (commercial organization having a license for activity on management of securities and (or) license for management of investment funds, mutual funds and private pension funds).

Fifth, the revenue from the control can be used only for the purposes defined in the formation of target capital.

Sixth, the part of the target capital is fixed (only for the purposes laid down by law), at the same time part of the target capital can be spent on the needs of NGOs, but only at a rate not exceeding 10% of the book value of the target capital).

It may be noted that the model of endowment funds has its advantages, namely, creating an opportunity for long-term planning and development of the social sphere (the mechanism is adequate to the overall stability of the situation in the country); useful for large companies that tend to strategic business planning and investment in the social sphere; is transparent and provides a guarantee for donors directed funds; It provides an opportunity for NGOs to change the approach to the implementation of social projects, learn to earn money and not just play the role of asylum; It creates an opportunity to accumulate funds for charitable purposes, which makes it attractive for medium and small companies.

However, the mechanisms inherent Endowment have their limitations. On January 1, 2007, simultaneously with the entry into force of the target capital, the Tax Code and the amendments entered into force, according to which the income derived by non-profit organizations from the endowment is not subject to income

Figure 2: NGO and the owner is the only recipient of the income endowment

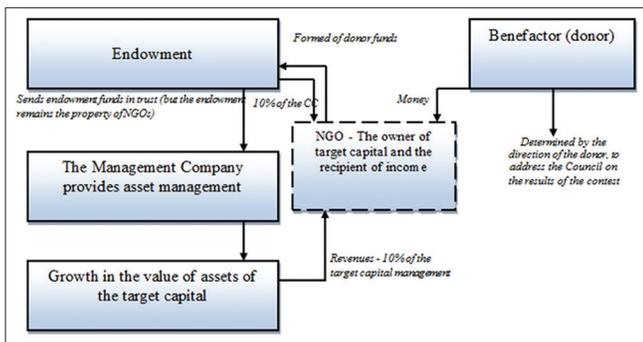


Figure 3: NGO dedicated fund

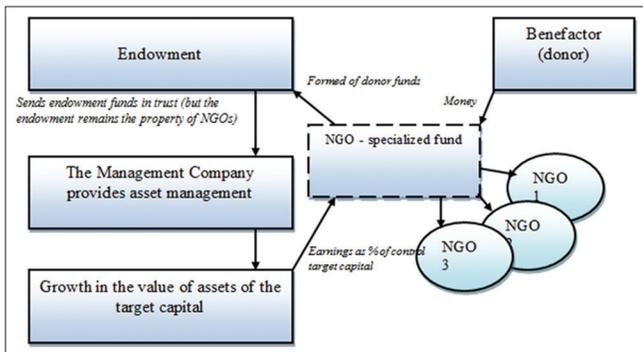


Table 3: Specificity of formation of endowments

Stable characteristics	Unstable characteristics
The objectives of formation	The amount of target capital
Real estate/consumable endowment	Investment strategy
Term formation	Management company
Recipients of income (as directed by the donor, to address the council on the results of the contest)	Terms of the contract of trust management
The composition of donors (one or more/open-ended)	Target selection

tax. However, the income is exempt from tax only on condition that it will be used exclusively for the purposes defined by the Law on the target capital: Education, science, health, culture, physical culture and sports (except professional sports), art, archives, social assistance (support), as well as, in part to finance the administrative expenses associated with the formation of the target capital.

At the same time it should be noted major differences in the mechanism of action of endowment funds in the Russian Federation in connection with the action of the Federal Law "On the order of formation and use of the endowment of NGOs (Table 4)."

Thus, the ability to use the tax benefits even non-profit organizations, in this case significantly limited, as for the donors (that is, commercial organizations and individuals), no additional tax preferences they have. For commercial organizations, donations to the formation of target capital do not reduce the taxable profit.

Despite the fact that the current endowment funds in the Russian sphere of education can be implemented through the Charitable Foundation (a non-profit organization), the establishment of such funds did not become widespread due to the adverse organizational and legal status and tax treatment in relation to charities.

4. CONCLUSIONS

The Russian Federation is not widespread practice of using endowment funds, not only because it is a new form of public-private partnership in education, but due to the fact that the existing foundations must adapt to the new model and taking into account the financial crisis and taking into account patronage tradition of charity.

The formation of the minimal size of the resource capital of 3 millions. P., Russian law set aside two weeks. The University before transferring resource capital management company has no right to dispose of it. Based on the study of foreign experience of formation of endowment funds and their application to improve efficiency, we propose:

1. Place in specific capital budget allocations, in this context, highlight the designated target capital has purpose and is not assigned to the target capital - and future managers of the organization which are not specified, as determined by the established procedure on the basis of the contract.

Table 4: Changes in the incentive mechanism of endowment funds (endowment)

Participant	Until 1 January 2007	After January 1, 2007
The beneficiary (recipient of donations)	Pay income tax on the amount of donations	Do not pay income tax on the amount of investment income from management
Endowment Fund	Pay income tax on the amount of donations	Do not pay income tax on the amount of investment income from management
Donor	No concessions on income tax/tax on personal income	No concessions on income tax/tax on personal income

2. Enter the tax breaks and incentives for organizations - donors from business organizations to encourage investment in education. Enter regressive scale of taxation for individuals who have received income in the form of tuition fees; as well as the payment of taxes on deferred payment of tax for a certain period of time.
3. Expand the list of possible applications of the target capital, to increase the efficiency of the management company.

Considering the problem of attracting businesses to invest in education by establishing an endowment fund endowment, we note that the interest in forming such endowment funds can be caused by two factors. The first - is the realization of its entrepreneurs promotional purposes and PR-campaigns, the second - is interested in the preparation of competent professionals. We believe that the initiative should be primarily universities, namely, actively promotes the idea of the organization of the Endowment Fund, to organize joint meetings of the Chamber of Commerce and business organizations, and others. Thus, it is necessary to create an organizational and economic model of partnership that spent target capital return to quality results in the area in which they were invested.

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