



International Journal of Applied Business and Economic Research

ISSN : 0972-7302

available at <http://www.serialsjournals.com>

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Volume 15 • Number 23 • 2017

Main Features of the Russian Economy and its Development

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Abstract: This article describes the main results of social and economic development of our state for 2015-2016. Analytical analysis and assessment of the dynamics of the change of macroeconomic indicators of the state economic system are carried out. Special emphasis is given to the issues of creating the economy's real sector, increasing industrial production, stimulating demand for goods and services produced by the domestic economy, investment policy and the existing potential of attracting investments, developing and forming the federal budget, as well as the state of the public sector. Also presented is the statistics of changes of basic indicators of the economy of the Russian Federation in comparison with world powers. The main ways of overcoming the gap in the technological level of industrial production are discussed, including attracting additional investments, both private and foreign. In addition, ways to increase the efficiency of capital investments and exports of high quality goods as key factors that ensure economic stability are presented. The article also shows the results of the confrontation between sanctions imposed on the Russian Federation and its counter-sanctions, the dynamics of prices for energy resources, the dynamics of the currency exchange rate, inflation and other indicators. Based on all this, the main contours and ways of establishing the state economy in the modern world have been outlined.

Keywords: economy, market, State, investment, social needs, innovative development, modernization, competitiveness, national economy

JEL Classification: O52, O10, O18

INTRODUCTION

The development of the Russian economy and the problems that arose in the post-perestroika period have always drawn and will continue to draw the attention of numerous analysts, experts, researchers, and they will remain the focus of economic policies of the state and the world economic community.

The program of long-term social and economic development of Russia for the period until 2020 has among the main goals the achievement of higher standard of living of the citizens of the Russian Federation, which are characteristic of world leading economic powers, and the achievement of social well-being.

To realize this, it is necessary to find ways of sustainable growth and development of the domestic economy, both in the short term and the long-term perspective.

The entrance of Russia into the world politics and the world market resulted in instability and evoked a number of economic problems in domestic markets, since market relations stimulate increased competition.

Constant changes, imbalances in the structure of the Russian economy became the main factors in the manifestation of crisis, the decline in the gross domestic product (GDP), budget deficit, inflation, falling standard of living of Russian population, low investment and consumer activity.

The policy of the state regarding its economic sector has proved to be not sufficiently effective in responding to emerging threats and negative trends, including falling prices for energy resources, the world demand shifting from raw materials towards high-tech goods (Dossymbekova *et al.*, 2016; Kunelbayev *et al.*, 2016).

Therefore, over the past few years, the effectiveness of the economic policy pursued by the state has significantly decreased. The development of the Russian economy in 2015 and all the realized programs of special importance did not bring the desired result; the economic indicators remained at the level of 2014. The stagnation was due to the fact that the emphasis was made on the raw material sector which was key to the formation of the revenue part of the state budget.

The negative dynamics of changes in many sectors of the Russian economy was reflected in the Rosstat data:

- the GDP decreased by 3.7%;
- the number of investments fell by 8.4%;
- the retail trade decreased by 10%;
- real wages of the population fell by 9.5% (Andrades & Dimanche, 2017).

Another negative phenomenon in the Russian economy is the constantly growing inflation due to the falling prices in the currency and raw materials market, the expansion of the list of sanctions against our state in the world capital markets and goods, as well as the Russia's response to these sanctions.

The economic recession has been observed since 2014 and now there is progressing negative dynamics. Many industries of the real sector, such as capital construction, Federal Targeted Programs, expansion and modernization of production capacities, the social sphere others are in the 'red zone' (Bikchantaeva & Safina, 2016; Arzhakov & Silnov, 2016).

Every year, the rate of inflation is growing, while the rate of the ruble, the investment activity of enterprises, the total imports, especially of high-tech goods, as well as the demand for products and services of the domestic and world market are falling.

Many of the negative factors described above may persist until 2020, as the government has not yet developed a national program of overcoming the crisis, nor is there a strategic forecast of the country's actions, made for at least until 2020.

The existing program, presented in 2016, the so-called “anti-crisis” plan will not be able to solve all the problems that have arisen, since there are not enough budgetary funds to stimulate small business, which is the basis of stability (Silnov, 2016; Crotty, 2016; Mamychyev, Ivanova, Ranchinskaya & Kobersy, 2017).

Therefore, as a result of the decline in the economic activities of the state and, first of all, in investments, industrial and consumer activity, in the coming years the crisis is expected to deepen in the Russian Federation, enveloping many spheres of life.

DISCUSSION

The Russian economy and political system, which are currently on the way of transition to a new model of modern economic growth, retain a low activity of the array of important areas of activity: investments, production and innovation (Doronina *et al.*, 2016).

The goals set by the state, which are interlinked with supporting the development of key sectors, are not being fully achieved, as is observed in the world’s highly developed economies.

Observing statistics from 2013, the economy of Russian Federation has supplemented the list of countries where GDP rates were falling, which is the determining factor in the deterioration of economic activity.

The Russian economy and its processes have continued to suffer from negative tendencies. It is connected with two factors - geopolitical and economic.

The geopolitical factor is expressed in the situations in the Ukraine and in Syria. The misunderstanding and confrontation of the world powers, in accordance with Russia’s position on the processes happening in these countries, entail a set of measures against our state. These measures compel the Russian economy to adjust almost daily, and to take a set of production measures, which carries additional costs and has a negative impact on its state, as well as the imposed sanctions (Andrades & Dimanche, 2017).

The economic factor is associated with a sharp drop in prices for raw commodities (oil and gas). This is the category of goods, which account for a fairly large percentage of income of the Federal budget of Russia. The regression estimate shows that under the current conditions, a 1% decline in export earnings leads to a 0.8% reduction of GDP (Didenko, Kunze & Skripnuk, 2015).

In connection with the fall in prices for raw materials and energy, the rising prices for bank loans, the fall of the national currency - the ruble and other factors of economic instability, in 2016, there was a decline in industrial activity of the real sector of the Russian economy.

In order to eliminate this trend, the government sets the task to achieve the growth of the real sector by creating the newest forms of financing, developing the competitive environment, creating comfortable business conditions, supporting import substitution, small and medium-sized businesses. However, the program aimed at realization of this has not been fully implemented.

The created favorable conditions for financial support and regulation of these processes only partially allowed to increase the output of agricultural products, electricity, and manufacturing.

However, there have been no significant changes in retail trade, and small business activity, as the consumers seek to economize on consumption and retain the available funds in the form of savings. Along with these sectors, the construction sector suffered a 5.2% decline.

The Bank of Russia was not able to exert any significant influence on production activity, raising the key rate from 10.5 to 17%. The sharp fluctuations of this indicator and the shock caused by this decision did not give the expected result on the return of the activity of the real sector of the economy; rather, they slowed it down.

Against this background, many businesses lost interest in banking services, especially in taking credits in foreign currencies, whose rates grew significantly after the growth of the key rate. Therefore, due to this factor and in the conditions of the economic crisis, investment activity continued to fall.

The solution of the problem of the decline of investment activity deserves special attention, since it is only through this that it is possible to overcome technological lag in many branches of the real sector.

The experience that is accumulated in the defense industry, nuclear energy production, processing and extractive industries, which are oriented towards export of competitive goods meeting the requirements of the world market, will allow to modernize the economy of the Russian Federation and especially the real sector to the economy.

The growth rate of industrial production - the basis of the real sector of the economy - in 2016 amounted to 100.3%, raw materials extraction - 102.5%, processing production - 99.1%. Agriculture in 2016 showed a positive trend; the increase in production was 3.2% (Huang & Rios, 2016).

Thus, according to the statistics presented, the manufacturing industry suffered a decline, while the extractive industry, on the contrary, increased its growth rates. These dynamics were caused by the fact that the extractive enterprises promptly decided to compensate for the losses incurred earlier, by increasing the volumes of extraction and export.

Processing enterprises did not have such an opportunity, since the demand for their output in the domestic market was reduced due to a rise in prices in the ruble equivalent.

The economy of the Russian Federation needs a reduction of the key rate and interest rates on bank loans since many industries need state support or otherwise may fall into decline in the future. This, first of all, concerns the construction sector, where the decline in recent years there has been very pronounced.

In order to assess the dynamics of the development of the economy correctly, it is necessary to take into account its positive and negative trends. The main economic risks are related to the problems that arose after the crisis of 2008-2009. These risks and negative trends were associated with the exhaustion of the previous model of economic growth, which was mainly based on energy exports and stable growth in oil and gas prices.

The positive trend that was observed in the energy market in 2013, did not bring accelerated economic growth, and the negative dynamics of oil prices further conditioned the problems with the budget balance, which translated into the weakening of the ruble.

Thus, to facilitate the development and growth of the economy, reforms and modernization are needed. The geopolitical tensions of 2014 were added to the economic crisis of 2008 and remain today.

The risks of economic instability that emerged at that time persist, as the tightening of sanctions by the United States and the European Union is growing.

RESULTS

In order to enhance the development of the economic system of Russia, it is necessary to ensure the stability of the production process at all levels: federal, regional, and world. To do this, it is necessary to group the supply, demand and efficiency factors in the functional-territorial sector, indicating the conditions for an effective process of restoring the state's economy.

It is also required to understand how the main supply factors are interrelated with the possibility of the economy recovery, namely: the growth dynamics of the quantity and quality of natural resources, the qualification of the labor force, the volume of fixed capital, the development of innovation and technology.

The economy of the Russian Federation considers one of the main factors of its development to be the level of innovation in the conditions of increased competition. The innovation activity is primarily related to the attraction and implementation of new, previously unused production technologies and methods of managing the structure, as well as forms of organizing commercial activities.

The innovative potential is connected with the process of accumulation of capital, which allows to direct investments into scientific developments. Of course, this direction of stabilization in the development of the economy largely depends on the size of monetary grants and subsidies aimed at research and development (R & D).

Together with the increasing innovation, the process of correct and even distribution of resources should be optimized. The most efficient process of allocating resources will enable to change the territorial economy of the state to develop the most productive sectors with a considerable share of the marginal product. Thanks to this process, conditions will appear for the formation of competitive regional and gross domestic product.

The competitiveness of the regional and gross domestic products reflects the value of the goods that are produced in the country within a certain time and are able to influence the process of substituting imports.

The next factor that influences the stabilization in the development of the country's economy is the scale effect that is realized through the federal programs for the development of free economic zones, zones of increased growth and common areas. This effect appears when production potential of a territory is used to the limit of its economic resources (Umbetbayeva *et al.*, 2016).

Another factor affecting the economy, which to some extent impedes its effective development, is the legislative barrier to free exercise of business activities, created through state control of economic activity: introduction of sanitary and environmental standards to assess the degree of pollution of natural environment by certain categories of farms, introduction of social obligations for business communities on labor protection and health.

These impacts from the law entail additional costs on the installation of treatment facilities, a reduction in the quality of working conditions and the provision of work for the disabled people through investment in fixed assets, which is an indispensable factor in economic growth.

Now, the investment policy for GDP has significantly decreased even in comparison with the Soviet Union.

The main reasons for this decrease in investment activity are:

- First, there has been a decrease in the savings rate of the population. In this country, the trend has been observed for many decades and it is combined with the increased demand for borrowings both in private organizations and in public sector, which in their increase the key interest rate on the loan, negatively affecting investment spending;
- Secondly, there is increased competition from imported goods. The growth dynamics of the impact of foreign corporations after Russia's entrance to the WTO has only increased competition on both the world and the domestic markets. It is believed that one of the possible factors of the decline in the economic activity of domestic producers was precisely this trend, which made to abandon new capital investments in fixed assets of enterprises. Most enterprises preferred foreign markets and redirected more of their investment to countries with higher capitalization (Khmelnitskaya, 2014);
- Third, it is the state regulation of the country's main economic processes. The increased influence of the state in the social and ecological spheres, which are an integral part of the economic process, namely in the field of labor protection, support for disabled people and other categories of the population, and environmental protection. These impacts from the law take up a significant part of investments from the total amount of investments in fixed assets of enterprises and reduce the volume of marginal revenue;
- Fourth, there is a decline in the rate of growth of labor productivity. The main impact on this indicator is the speculative rise in oil prices, increasing the operating costs of capital equipment. This forces producers to switch to less productive and less labor-intensive technologies.

In order to fully resolve these problems, it is necessary to formulate the policy of the state, which would focus on the economic growth and development of all processes.

In the classical theory, two types of this state policy are distinguished:

- Demand-oriented policies, the main focus of which is to prevent or reduce economic recessions through fiscal and monetary measures. In particular, there is a policy of "cheap" cash, which contributes to a favorable growth in investment spending, and results in an accumulation of capital and an increase in the production structure of the enterprise;
- Supply-oriented policy. The main objective of this policy is to achieve the optimal unity of factors that directly affect the growth rate of production. This policy combines the costs of personnel qualification, tax policy, aimed at increasing savings, investment and spending on scientific developments and innovations (Sayfudinova *et al.*, 2016; Shumakov, Troitskiy & Silnov, 2017).

Therefore, in order to understand the main points of the development of our country's economy, it is necessary to pay attention to all the factors and stages of its development. The Russian economy is as multifaceted as the scale of its activities and territory.

CONCLUSION

Thus, based on the analysis of the economic situation, and its development in the Russian Federation, the following conclusion can be drawn.

The establishment and development of an effective economy of the state should be viewed as a unity of requirements that are realized through the development and implementation of a set of guiding decisions within the interconnected programs for the development of all sectors of the economy of the state, in accordance with the interests of all levels, which require the use of the necessary amount of resources in the specified period.

The process of development of the Russian economy is a program that includes a combination of economic, social, political, legislative, institutional and many other factors affecting the rules of territorial development of the structural elements of the national economy and the links between them in order to ensure the optimal performance of economic actors.

In order to increase the efficiency of the economic system of the Russian Federation, it is necessary to rebuild and secure an attractive image of the country not only in the world, among foreign investors, but also to try to restore the trust and understanding among foreign governments that through their actions and decisions impede the import of investments and goods.

The protection of the interests of the state and economic stability will be ineffective with the 'attractive image' now lost due to the continual introduction of foreign sanctions affecting almost all sectors of the economy.

The Russian Federation is obliged to finance the real sector of the economy, while fully using federal, regional, and municipal resources. The synergetic effect from the introduction of this set of measures will stimulate the economy of the Russian Federation and create conditions for a constant positive dynamics of investment growth in the real sector of the economy, thereby contributing to the growth of efficiency in the development of economic sectors, industries and businesses.

In the conditions of constant change of the geographical and economic landscape of the Russian Federation, an acceptable method of the state's influence on the process of effective development of the country is a set of measures systematized in the form of state economic policy.

The main goal of the Russian economy is to achieve an efficient and even distribution of economic activity in Russia, to focus on creating conditions for the broad reproduction of enterprise capital and optimization of the structure in accordance with the current requirements for the development of the national economy.

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