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STRATEGIC ISSUES OF THE STATE POLICY IMPLEMENTATION OF IMPORT SUBSTITUTION AT INDUSTRIAL ENTERPRISES

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Abstract

A strategy of import substitution policy is constrained by several factors, the main of which include financial instability, low production capabilities of enterprises, unfavorable foreign policy environment. To enable the implementation of the state policy of import substitution, it is necessary to reorient towards efficiency increase. In current conditions,

the criterion of effectiveness may be represented by financial provision, financial instruments, supply and demand for import substitution, product competitiveness, quality of living, etc. In order to improve the effectiveness of import substitution state policy, it is necessary to introduce a system of institutional reforms, establish macroeconomic stability, increase the productive capacity of the country, ensure food and economic security and reduce market fluctuations.

Keywords: Industrial Enterprise, Government Policy of Import Substitution, Capital, Competitiveness, Investment Attractiveness, Industrial Policy, Risk, Bank, Sanctions, Crediting, Quality of Living

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INTRODUCTION

One of the promising trends of Russian economy development is the state policy of import substitution, which is inextricably linked with formation and implementation of the import substitution model of state industrial policy. Active conducting import-substitution policy is constrained by several factors, the main of which include financial instability, low production capabilities of enterprises, unfavourable foreign policy environment. To enable implementation of the state policy of import substitution, it is necessary to cross over to improving effectiveness. In turn, the effectiveness criterion in modern context may be represented by financial provision, financial instruments, supply and demand for import substitution, product competitiveness, quality of living, etc. In order to improve the effectiveness of the state policy of import substitution, it is necessary to introduce a system of institutional reforms, ensure macroeconomic stability, increase production capabilities of the country, ensure food and, as a whole, economic security and reduce market fluctuations.

Development of bank lending in Russia is one of the promising trends of country's economic stability. In modern economic context of foreign sanctions from the West, many economic entities are under conditions of economic uncertainty and are subjected to adverse fluctuations in currency. A rapid increase in commodity prices, including food, services, depreciation of the national currency, restrictions on foreign trade must also be noted.

Of course, a priority in addressing these issues shall be the governmental policy of import substitution based on the competent and effective system of bank lending. Credit must become the main engine and an indicator of the total credit market, since temporarily free funds of the government, regions, industries, business, organizations and population accumulate in credit flows and are further redirected to economic entities on principles of payment, repayment and risk.

Economic relations, which emerge in lending process, are regulated by various legal standards which take into account territorial, sectorial and financial features. As it was stated above, credit relations are based on a number of basic principles, and they include economic security and targeted use [1].

As a rule, commercial banks issue credits strictly for certain purposes. If this principle is not met, the entire credit system is broken, and, therefore, it is possible to use various restrictive and prohibitive measures.

Let's analyse basic indicators of bank lending in Russia in 2015. During the year, the volume of bank assets increased from 77.7 to 79.0 trillion Russian roubles, i.e. by 1.67%. The volume of total crediting to economy increased from 40.9 to 43.0 trillion Russian roubles (5.13%). Population deposits increased from 18.6 to 21.5 trillion Russian roubles (by 15.59%).

Analysing the structure of credits, it can be noted that the volume of bank lending to businesses increased by 9.4%, while consumer loan decreased by 5.9%. The volume of overdue loans increased by 11.2% in 2016, with the highest number of non-payments is accounted, as before, for by legal entities.

Minimum reserve requirements of commercial banks increased in the course of all the year. The interbank crediting system also increased by 13.4%. The total of securities increased by 16%, including debt securities increase by 13%. Deposits and assets of organization accounts increased by 7.2%. The total of refinancing of the Russian Federation Central Bank decreased by 17.4%, and the total of state deposits, placed in commercial banks, increased by 8.2%.

Further, let's analyse the general status of credit organizations in 2013-2015. In 2015, the total profit of commercial banks was 265 trillion Russian roubles, what is 729 trillion Russian roubles less than in 2013.

Unfavourable foreign economic sanctions from the US and Europe had limited access of Russia to network information technology, global financial markets and, consequently, to currency financing. It's been over a year since introduction of sanctions, and Russia is actively involved in the process of import substitution by domestic analogues. In order to realize this direction, the Government Commission on import substitution was established. Main objectives of the Commission include arrangement of conditions for development of domestic production, especially in food, light industry, chemical industry, mechanical engineering, pharmaceuticals, etc. Most sectors of economy actively involved in the import substitution implementation process (food and processing industry), but no significant results were achieved yet. The world economic community also disapproves the active policy. This is due to the fact that import substitution policy in fact distorts principles of market economics, free competition and investment. Nevertheless, even with all its drawbacks, import substitution policy has proved its efficiency in many countries. Industrial policies

implemented in countries of Latin America serve as an example. In these countries, the structure of economics was reformatted, new industries appeared. For political reasons, in selection of sectors a priority was given to import substitution. Efficiency criteria such as profit maximization, reduction of production costs, risk minimization, and product competitiveness were considered to be secondary factors.

At the present stage of development a similar situation is formed in Russia. The main objective of Russian industrialists is to reorient production to active import substitution in order to reduce impact of macroeconomic indicators, geopolitical factors, foreign economic sanctions, etc.

Since the end of 2014, some foreign companies left Russian market due to losses from foreign currency fluctuations against rouble, as well as high political risks. At the moment, there is a decrease in foreign investment, integrity violations of value-added chains. In addition to general deterioration of the macroeconomic situation in the country, a decrease in credit and investment rating is also observed. The outflow of foreign investments from the country leads to decrease in the competitiveness of domestic Russian companies due to the lack of related products and technologies, reducing incentives for quality improvement and competitiveness of Russian industry as a whole.

Formation and realization of import substitution policies began with the approved plan of anti-crisis measures (hereinafter "The plan of priority measures for sustainable economic development and social stability in 2015" approved by the RF government's order No. 98-9 dated January 27, 2015). According to the plan, priority sectors, which will replace production of imported goods by domestic analogues, were determined. The criterion for selection of these industries was the fraction of imported products in the total volume of domestic market. Machine-building, agricultural, processing, food, light, medical, pharmaceutical and metallurgical industries shift to import substitution policy direction. The plan of anti-crisis measures include road maps, which describe in detail capabilities of import substitution, their forms, deadlines, volumes, etc. Roadmaps specify that implementation of the most projects will start in 2016-2018, some projects will be completed by 2020, at the same time there will be observed the fraction of Russian analogues of 40-60% vs. 75-100% in some sectors (with a prevailing fraction of imported goods) [2,3].

Implementation of the state policy of import substitution is constrained by several factors, i.e. by conditions and features of the implementation of import substitution projects. The main are:

1. Availability of financial resources;
2. Formation of the financial policy of an enterprise;
3. Presence of strong demand for import-substituting products;
4. Decrease of commodity markets competition;
5. Complexity of the process.

Let's consider above problems in detail. Availability of financial resources.

Availability of financial resources is sufficiently broad category and includes various aspects of Russian enterprise's functioning. Availability of financial resources is determined not only by the amount of funding needed for project complete launch, but is also determined by effectiveness of its use. Russian import projects require high investments which have limited access to world financial markets of loan capital, are limited by the amount of foreign investments, and by high interest rates. To minimize these factors, Industrial Development Fund was established in the Russian Federation. The second one is formation of the financial strategy of import substitution. The purpose of formation of the financial strategy of import substitution is determination of an effective financial management system for ensuring and achieving strategic and tactic goals and objectives.

Goals are individual and characteristic for every single business entity. Industrial economic entities in conditions of uncertainty and current economic policy of the state may have different interests in formation and use of financial resources, satisfaction of founders, optimization of production costs, increasing market capitalization and activity amounts (revenues from sales).

Consequently, all of these areas of import substitution strategy, reflected in financial, managerial and accountant's types of accounting, are manageable through the mechanism of financial management, determined by the global theory and practice, combination of which determines financial planning and import substitution. For the majority of economic entities a passive form of financial management is a characteristic feature of current Russian reality, i.e. development and adoption of decisions in the field of finances as a response to emerging problems. This form of financial management creates certain problems in economic relations arising between an economic entity and financial resources of the state; between enterprises, interest rate and efficiency of operations; profitability of own production and loan capital market efficiency; interests of departments, etc. [2].

One of objectives of the strategy of import substitution is transition to the financial management based on the assessment of level of business entity financial status taking into account the formation of strategic and tactic goals and objectives of import substitution policies, adequate to modern context, and finding ways for their implementation and achievement. Results of the business entity are interesting both for external stakeholders (especially investors, creditors, shareholders, consumers and producers) and internal (enterprise directors, administrative and managerial staff, workers).

When forming import substitution strategy in a production company, main objectives of financial policy of an economic entity are:

- Increasing profit of the business entity;

- Increasing market capitalization of the business;
- Change in structure and cost of an economic entity capital and ensuring financial stability;
- Ensuring information, management and economic transparency of industrial enterprises for business founders, investors, creditors and all stakeholders;
- Ensuring liquidity and solvency of the balance of enterprise, and increase of its investment attractiveness;
- Optimization of organizational and administrative control mechanism;
- Creation of an effective enterprise management mechanism;
- Use of market models for funds rising.

Accordingly, in order to maintain industrial enterprises, it is necessary to implement a number of measures to improve financial management:

- Assessment of the value and structure of assets;
- Management and change of tax debt structure;
- Preventing emergence of arrears in payroll;
- Preventing barter;
- Conduction of a comprehensive financial analysis of the enterprise, definition of class position in the market and development of the import substitution strategy;
- Changes in the property situation of the company.

When forming the effective import substitution strategy, there is a problem of balance of business development interests, ensuring required level of funds for import substitution policies and ensuring high liquidity and solvency of industrial enterprise [1].

Main activities of import substitution strategy of the company are a comprehensive technical and economic and financial analysis of a company; development of efficient pricing, accounting, investment, dividend and tax policy; definition of credit tactics of the enterprise; improving working capital and non-current assets, accounts of payable and accounts of receivable management, profit management and cost justification of the amortization policy.

Feasibility and financial analysis of the enterprise is the most important, since it serves as a basis whereon the enterprise formation strategy of import substitution shall be built up. Estimation of the economic and financial analysis is based on financial and accounting reports. Preliminary analysis is carried out prior to the plan period, i.e. before reporting when there is still an opportunity to change a number of balance sheet items during preparing explanatory notes to the annual report. On the basis of results of financial status analysis the main part of import substitution strategy of the industrial enterprise is developed. Effectiveness of decision-making in the field of financial management depends on how comprehensive it was carried out. Quality and volume of financial analysis depends on many factors, but principal among them are applied procedures, reliability of accounting and financial statements, competence of person

who makes decisions in the field of financial management.

To substantiate the reliability of accounting and financial statements, it is necessary to make audit by an independent expert. Results of audit shall be taken into account for carrying out comprehensive financial and feasibility analysis of the enterprise.

At the same time it is necessary to permanently monitor qualifications of staff responsible for formation of the import substitution strategy, for decision making in the field of financial management and when budgeting enterprise as a whole and of its structural divisions in particular, as well as in other areas of enterprise activity. However, the main attention shall be paid not so much to analysis procedures as methods of substantiation of its results and mechanisms of making managerial decisions.

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