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**ANALYSIS OF PROBLEMS OF INDUSTRIAL DEVELOPMENT OF
CHECHEN REPUBLIC OVER 2006–2018**

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Abstract

The paper is devoted to the analysis of industrial development of the southern territorial subject of the Russian Federation, as well as to the solution of problems related to the assessment of structural changes in the industry of the Chechen Republic. From 2006 to 2018 the structural changes of industrial production in the Chechen Republic were characterized by considerable interregional differences in speed and intensity of transformations. The analysis also showed that the dynamics of structural changes of industrial production in this region during the considered period was triggered by the activity of industrial enterprises in the Chechen Republic. It is shown that the economic growth of innovations and change of their development rates are one of the priority factors that caused structural shifts in the regional industry in 2006-2018. The paper describes the analysis of the industry from its historical perspective and considers present stages of industrial policy improvement. It is noted that the Soviet mentality and qualification of people entrusted to rebuild the industry of the republic were major obstacles to the development of the market economy. The rehabilitation of the industry in the republic was quite difficult. The authors emphasize a special role of the regional economy in efficient scientific support of economic transformations. It is impossible to create efficient industry without compliance with basic requirements of the market economy and every possible improvement of the investment climate. Further improvement of the industry requires organizational and economic measures aimed at resource management of its development.

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1. Introduction

The relevance of the topic is bound to the fact that every territorial subject of the Russian Federation needs strong and efficient industry. It alone allows forming the income basis of the budget, providing employment of the population and qualitative living standards, fulfilling social obligations of the state (Borovkov, 2016).

The industry as a set of enterprises extracting raw materials, processing materials and products, making tools of trade and consumer goods is subdivided into two industrial groups: mining industry and manufacturing industry (Manturov, 2018). Let us illustrate major industries within the All-Russia Classifier of Economy Branches indicating their presence / absence in the industry of the Chechen Republic in December, 2018 (Table 01).

Table 01. Major industries of the Chechen Republic

No.	Major industry	As of 31 December 2018
1	Power Engineering	Available
2	Fuel Industry (oil and gas production)	Available
3	Chemical and Petrochemical Industry	Available
4	Mechanical Engineering and Metal Working	Available
5	Forestry, Wood Processing and Paper-and-Pulp Industry	Available
6	Construction Materials Industry	Available
7	Food Industry	Available
8	Medical Industry	Missing

2. Problem Statement

Modern industry of the Russian Federation constitutes more than half of the entire national economy, provides engineering and technical support to other industries and thus defines the level and growth rates of the national economy. The trend and results of industrial development also determine the level and dynamics of the Russian economy and each particular region. Over 2002-2018, the industrial enterprises of the Chechen Republic were mainly state-owned and, as in the Soviet period, were controlled directly by the central government. The Ministry of Industry and Energy of the Chechen Republic gives data (Ministry of Industry and Energy of the Chechen Republic, 2018) on the outcomes of economic activity of some state unitary enterprises controlled by the ministry (Table 02).

Table 02. Production Indicators (Works, Services) Of Companies Within The Ministry Of Industry And Energy Of The Chechen Republic In 2016-2018

No.	Company	Location	Gross Output, RUB, Thou.			Profit (-Loss), RUB, Thou.		Population As Of 1 August 2018, Ppl.
			2016	2017	January-July 2018	2016	2017	
Mechanical Engineering And Metal Working								
1	SUE Krasny Molot	Grozny, Turbinnaya Str.	507.4	805.3	337.0	0.0	0.0	8
2	LLC Neftemashservis	Grozny, Ugolnaya Str.	30716.4	50020.9	12850.0	9.0	34.0	50
3	OJSC Chechenavto	Argun, Dzerzhinskogo Str.	2124831.0	2464028.1	1346404.4	N/A	N/A	269
4	SUE Pilot Plant Of The Ministry Of Industry And Energy	Grozny, Tramvainy Pereulok Str.	1546.7	36.0	0.0	0.0	0.0	1
5	SUE Electromechanical Plant	Grozny, 23 Boevaya Str.	1312.0	210.0	252.0	53.0	0.0	5
6	LLC Spetsavtomatika	Grozny, 87a Bataeva Str.	3946.5	1189.6	102.8	18.0	2.0	N/A
7	SUE Medinstrument	Grozny, 7 Proezhaya Str.	0.0	205.0	287.0	-48.0	-48.0	4
Manufacturing Of Electrical Equipment								
8	LLC Elektropult-Grozny	Grozny, Ugolnaya Str.	0.0	0.0	0.0	-1780.0	-6641.0	0
9	LLC Promavtomatika	Grozny, 20 Sunzhenskaya Str.	3019.7	1433.5	228.0	3.0	N/A	6
10	LLC Energiya Plus	Grosny, Starosunzhen Str.	159349.1	135312.9	0.0	N/A	N/A	11
Light Industry								
11	SUE Serlo Garment Factory	Grozny, 4 Gikalo Str.	5175.3	Liquidation	Liquidation	N/A	0.0	0
12	SUE Folding Carton Plant	Grozny, 7 Pitomnika Str.	0.0	Liquidation	Liquidation	N/A	0.0	0
Polymer Production								
13	SUE Avtomat-Strom	Grozny, 6 Butenko Str.	2909.0	2112.2	1259.4	1.0	3.0	8
Woodworking Industry								
14	SUE Fagus		4816.0	0.0	0.0	0.0	0.0	0
15	SUE Alkhan-Kalinsky	Alkhan-Kala Village, 30 Elevat Str.	1815.4	987.2	669.0	-3.0	2.0	3
Power Engineering								

1 6	SUE Chechen Generating Company	Grozny, 6 Kutuzova Str.	6991.3	23128. 5	13892.2	370.0	27.0	18
1 7	SUE Geothermal Waters	Gikalo Village, 1 Teplichnaya Str.	N/A	N/A	N/A	0.0	0.0	1
1 8	SUE Pishchemash Argun Plant	Argun, Dzerzhinskogo Str.	N/A	N/A	N/A	0.0	0.0	2
1 9	SUE Transmash Plant	Grozny, Mingazova Str.	N/A	Liquid ation	Liquidatio n	N/A	0.0	0.0

In absolute measurements, the output of companies within the Ministry of Industry and Energy of the Chechen Republic made 510.0 million rubles in 2014, 1286.0 million rubles – in 2015, 2347.8 million rubles – in 2016, 2681.2 million rubles – in 2017, 1376.3 million rubles – in January-July, 2018.

3. Research Questions

The subject of the given research is to study the production relations and economic laws managing the production.

4. Purpose of the Study

The purpose of the study is associated with the purpose of industrial development of the Chechen Republic, which includes favorable conditions for the efficiency of the industrial complex of the republic on the basis of innovative modernization of industries ensuring the growth of their cost efficiency, environmental safety, resource-saving and competitiveness enhancement.

5. Research Methods

To achieve the above purpose and justify the hypothesis the following methods were used: general scientific (analysis of literature related to the research problem, comparison, systematization of theoretical and actual data) and empirical (testing via certain techniques) methods.

6. Findings

The key branches of the modern industry in the Chechen Republic include extracting (mainly oil production) industry, manufacturing industry, production and distribution of energy, gas, water.

Today, fuel and petrochemical industry of the Chechen Republic is presented by the following types of economic activity: extraction of fuel and energy minerals, production and distribution of gaseous fuel, oil and gas processing. In 2008, the output of petroleum industry in the republic made 97% of the gross regional product. The economic activity is ensured by three enterprises. First, OJSC Grozneftegaz (operator services on the production of crude oil and associated petroleum gas to Rosneft). In 2010, 77.4% of the entire oil and gas economy accounted for OJSC Grozneftegaz. Second, OJSC Yugoilprodukt Chechen Oil Company (oil production). In 2010, 14.4% of the economy accounted for this company. Third, OJSC Chechengaz (distribution of gaseous fuel) – in 2010, it accounted to 7.3% of the economy (Idigova,

Betilgiriev, Taymaskhanov, Mintsaeve, & Bataev, 2016). In 2008, the output of enterprises of fossil fuels production within oil and gas complex of the Chechen Republic made 5255.0 million rubles. The production of gaseous fuel made 368.0 million rubles, oil and gas processing – 72.0 million rubles. In 2008, the added value of oil and gas complex of the Chechen Republic amounted to 3192.0 million rubles. In 2011-2017, the economic indicators of OJSC Yugoilprodukt Chechen Oil Company showed the decrease in revenue and profit (Table 03). This demonstrates loss at the present stage of an important role of oil processing in the economy of the republic.

Table 03. Dynamics of gross regional product in the Chechen Republic over 2007-2015

Indicators	2011	2012	2013	2014	2015	2016	2017
Revenue, RUB, thou.	721825	235715	222170	270958	220066	176415	196183
Net profit (loss), RUB, thou.	7777	15725	25880	33039	35489	11920	30613

Source: <https://www.k-agent.ru/catalog/2005002580-1052022006827>

Over 2011-2017, the economic indicators of OJSC Groznetgaz demonstrated not only the decrease in revenue, but also substantial losses – since 2013 (Table 04).

Table 04. Financial performance of OJSC Groznetgaz

Indicators	2011	2012	2013	2014	2015	2016	2017
Revenue, RUB, thou.	4144086	4050240	3990484	4082337	3732115	3965662	4051315
Net profit (loss), RUB, thou.	180102	823	-463223	3664	-171828	-197189	-288000

Source: <https://www.k-agent.ru/catalog/2020003571-1022002543144>

From 2001 to April, 2018 PJSC Chechenneftekhimprom (earlier – federal state unitary enterprise) operated as a “warehouse enterprise” being a formal shareholder of 18 extracting, processing and transport companies of oil and gas industry in the republic (Grozneft, Groznetteorgsintez, Chechennefteprodukt, Groznetfizik, Groznetemash Grozny Plants, Grozny Oil Refinery named after V. Lenin, Neftekhimzapchast, Grozny Oil Refinery named after A. Sheripov, Novogroznensky Oil Refinery named after N. Anisimov, North Caucasian Oil Pipelines, 3 research institutes, etc.).

In 2008, the capital investments into the oil and gas complex of the Chechen Republic made 1146.0 million rubles, including 856.0 million rubles, or 75% of the total investments into the fossil fuels production, 290.0 million rubles (25%) – production of gaseous fuel. In terms of the balanced financial result (profit minus loss) the revenue of mining enterprises decreased by 82 times from 2006 to 2013 (Table 05).

Table 05. Financial Performance Of The Chechen Republic In January-May, 2015

Activity	Balanced Financial Result		Including Losses:	
	Mln Rub.	In % By January-May 2014	Amount Of Losses, Mln Rub.	Share Of Loss-Makers
Total In The Republic	-4244.9	-	4709.1	42.4
Including Organizations With Core Activities In:				
Mining Operations	+9.7	64.0	-	-
Manufacturing Activity	-51.3	-	58.7	36.0
Production And Distribution Of Energy, Gas And Water	-3988.2	-	4293.3	50.0

Source: (Chechenstat, 2017; Ministry Of Agriculture Of The Chechen Republic, 2017)

In 2007-2013, the added value of the mining industry within the gross regional product (GRP) of the Chechen Republic decreased from 9.5% in 2007 to 4.7% in 2008 and 1.9% in 2013. According to Chechenstat, in 2013 the main added value generators in the republic were organizations referred to as “public administration and military safety; compulsory social security” (21.3% of the total annual added value) and “wholesale and retail” (18.4% of the total annual added value). For the considered period the republic saw the increase of only one indicator within the oil and gas complex – degree of depreciation of fixed assets of mining enterprises in the Chechen Republic. This indicator increased from 57.4% in 2007 to 81.2% in 2013, which demonstrates lack of considerable capital investments into enterprises of the industry. The mineral resources of the republic are being used, but the material and technical resources of the complex develop slowly (Ministry of Industry and Energy of the Chechen Republic, 2018).

In 2018, the electricity in the Chechen Republic was generated by SUE Chechen Generation Company and SUE Kokadoyskaya Small Hydro Power Plant. More information is in Table 06.

Table 06. Financial performance of SUE Chechen Generation Company

Indicators	2011	2012	2013	2014	2015	2016	2017
Revenue, RUB, thou.	0	0	-	-	1814	8129	23097
Net profit (loss), RUB, thou.	-230	-23	-242	-	-	588	308

The companies of the OJSC Gazprom group are implementing the project on the construction of the Grozny thermal power plant with the total power of at least 400 MW. The Strategy of Social and Economic Development of the North Caucasian Federal District until 2025 includes the investment project in the field of power engineering – Construction of a series of hydroelectric stations on the Argun River: Chiriyurtovskaya, Dubayurtovskaya (Rusprofile, 2018). Modern mechanical engineering and metal working are presented in the republic by the following enterprises: OJSC Chechenavto (more information is in Table 07), LLC Neftemashservis (production and repair of spare parts and accessories for oil-field and drilling equipment), SUE Krasny Molot Grozny engineering plant (production of farm towed machinery, heating equipment, stationary and modular buildings, metal structures), SUE Pilot Plant of the Ministry of Industry and Energy (production of automotive components, filter elements), SUE Pishchemash Argun Plant (equipment for food production), SUE Grozny Electromechanical Plant (wiring products, assembly

production of elevators), LLC Teplostroyproekt-S (production and complete set of heating boilers, metal structures).

Table 07. Financial performance of JSC Chechenavto

Indicators	2011	2012	2013	2014	2015	2016	2017
Revenue, RUB, thou.	52565	254933	260894	80034	1039996	2078512	2445450
Net profit (loss), RUB, thou.	-379	-104	-132	-	-102	-	205

LLC Electropult-Grozny (production of low-voltage and medium-voltage electrical distribution equipment), LLC Energiya Plus (production of energy metering devices), SUE Avtomatstrom Pilot Plant (production of polymer automotive components) are generally producing electrical equipment (Reshiev, 2013). According to the Ministry of Industry and Energy of the Chechen Republic, as of 2018 the industrial enterprises of the republic produced over 340 items corresponding to the all-Russian, and in some cases (wiring and electrical products) to the international standards (Idigova, Khadzhiyeva, & Dudaev, 2017). In 2018, the woodworking industry of the republic was presented by such large enterprises as SUE Alkhan-Kala DOK, LLC Art polimer, LLC Modern Furniture Factory, LLC MebelTorg, Grand-Mebel GROUP Furniture Shop, Insight Furniture Shop, SUE Grozny Pilot Furniture Factory. The greatest number of industrial enterprises of the republic are focused on the production of construction materials – bricks, paving slabs, slag stones, concrete and concrete goods, liquid concrete, asphalt concrete mixes, crushed stone, shredded sand, sand-gravel mix, roofing material from sheet iron, etc. (Reshiev, 2013). In 2016, the Ministry of Construction and Housing and Communal Services of the Chechen Republic controlled 6 enterprises producing construction materials. The value of production over January-October, 2016 made 1,724.1 million rubles, including SUE Chechentsement – 1,575.5 million rubles, i.e. 91.4% of the total amount (Table 08) (Ministry of Construction and Housing and Communal Services of the Chechen Republic, 2017).

Table 08. Economic indicators of enterprises within the Ministry of Construction and Housing and Communal Services of the Chechen Republic over January-October, 2016

Company	Number of staff, ppl.	Shipping volume	Accounts receivable as of 01.11.2016	Accounts payable as of 01.11.2016	Profit (-loss), RUB, thou.
SUE Concrete Plant	75	42 124.0	10 766.0	14 577.0	99.0
SUE Argun Concrete Plant	15	0.0	0.0	4 539.0	0.0
SUE Chechentsement	715	1 575 540.0	190 822.1	1 028 501.3	n/a
SUE Chechenkarierupravleniye	43	46 900.0	78 764.0	21 530.0	0.0
SUE Chechengrazhdanproekt	29	466.0	6 048.0	5 496.0	0.0
SUE Brick Factory	286	59 107.9	31 247.1	67 045.5	436.8
Total	1 163	1 724 137.9	317 647.1	1 141 688.6	535.0

SUE Chechengrazhdanstroy is in charge of small-scale production of construction materials: paving slabs, curbs, nails, grid chain-link. As of 01.07.2017 the book value of fixed assets of the SUE

Chechengrazhdanstroy made 46 788 thousand rubles, residual value of assets – 6,712 thousand rubles (Chechenstat, 2017). In 2018, the food industry of the republic was presented by some relatively large production companies: SUE Argun Meat-processing Plant, LLC Chechenskiye Mineralnye Vody, LLC Leader A, SUE Sugar Plant of the Chechen Republic, six bread-baking complexes, and several dozens of food production microenterprises (Idigova, Khadzhiyeva, Chazhayev, & Dudaev, 2018).

7. Conclusion

To ensure massive improvements of the industry, since 2014 the republic is implementing the Program on Industrial Development in the Chechen Republic for 2014-2020. The republic designed an action plan for development of 15 industrial enterprises of the Chechen Republic, including: SUE Grozny Electromechanical Plant, SUE Gudermessky Medinstrument Plant, SUE Transmash Plant, SUE Orgtekhnika, JSC Chechenavto, SUE Berkat, LLC Electropult-Grozny, SUE Druzhba Folding Carton Plant, SUE Fagus Chechen Timber Industry Enterprise, SUE Avtomatstrom Grozny Pilot Plant, LLC Energiya Plus, SUE Spetsavtomatika, SUE Grozny Electrical-Repair Plant, LLC Altair-Grozny Drive Engineering Plant, SUE Alkhan-Kala Woodworking Plant. Over five years of the program only two enterprises managed to achieve considerable positive results of economic development – JSC Chechenavto and LLC Neftemashservis (former SUE Orgtekhnika). Other enterprises failed to ensure stable production of commercially successful goods and reach their financial stability.

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