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ECONOMIC GROWTH AND ECONOMIC DEVELOPMENT OF REGIONS OF RUSSIA: CONDITIONS AND OPPORTUNITIES

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Abstract

The article introduced and reviewed the concept of “digital capital” as a necessary condition for economic growth in modern economies. The results of a comparative analysis of digitalization in Moscow and the Chechen Republic with the average Russian level are presented. Within the framework of additional conditions for economic growth, the situation regarding the state regulation of the Russian financial market was considered, namely, the consequences of the implementation by the Bank of Russia of the principle of proportional regulation of banks and non-bank credit organizations and the concept of proportional regulation and risk-oriented supervision of non-credit financial organizations. It is proposed to carry out a correction, firstly, the adopted strategy and program of digitalization of the Russian economy in the direction of strengthening the territorial aspect, and secondly, the approach to the proportional regulation of the Russian financial market towards its decentralization. The conducted studies were carried out in order to work out solutions for leveling the problem of constraining economic development and the rate of economic growth in the regions of Russia in the conditions of digitalization of public relations and strengthening the sanctions regime.

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1. Introduction

It seems that for “economic growth” a corresponding “economic development” is necessary, and therefore it is theoretically understandable and practically observable “economic development without growth” in developed economies and “economic growth without development” in developing economies. That is, along with the necessary (basic) conditions for economic growth (the presence of three types of capital) there are enough conditions that ensure the effective use of these three capitals or a more complete implementation of the basic conditions. To these sufficient conditions, we refer the parameters of “economic development”, which Schumpeter (1911) defined as “positive qualitative changes, innovations in production, in products and services, in management, in other spheres of life in the state” (p. 74), including state regulation of economic processes, including regulation of the country's financial market.

Economic growth in modern public legal entities (states and their individual territories) is possible only if there are certain conditions: necessary and enough.

Humanity has entered the era of digitalization of social activity. A timely and full-fledged transition to the figure is a guarantee of preserving one's identity in more than 200 countries of the world.

2. Problem Statement

Today, the scientific and general public of Russia in the search for a way out of the current stalemate: with 30-40% share of world reserves of natural resources and the seventh part of the land, we cannot organize and provide a comfortable life for less than 2% of the world population. In Russia, the annual economic growth rate over the last quarter century has not exceeded 1%, and today in the Russian Federation less than 3% of the world gross domestic product is produced. The eternal question in Russia - “what to do?” Is still very relevant today, since on the agenda the preservation of the Russian state as a subject of international law.

This research is dedicated to searching and arguing for the answer to this topical question through understanding the necessary and enough conditions for economic growth. Namely, the issue of improving management in terms of decentralization of regulation of the activities of professional participants in the Russian financial market, when the Central Bank of the Russian Federation does not cope with the powers of the sole regulator of the entire financial market, and the regulator of the banking and non-bank credit services market.

The problem beyond the centralization of regulation of the activities of financial organizations in modern Russia has a negative impact on the efficiency of the activities of financial market entities and their polarization on over-profitable (mainly state organizations) and unprofitable (mainly private business entities), and on economic growth rates and economic development in Russia and its regions. Therefore, the issue of decentralization of regulation of the Russian financial market in the light of the magnitude of the negative effects of the monetary policy of the Bank of Russia in recent years has become particularly relevant.

3. Research Questions

Among the necessary conditions for economic growth, digital capital is singled out as the third kind of capital in models of economic growth in public law entities. The dynamics of digitalization of the Russian society in the regional context was studied for four groups of factors, namely human capital, innovative capital, infrastructure and accessibility of information and communication technologies, as well as the economic environment, the information industry and information security. The materials on the city of Moscow and the Chechen Republic show the dynamics of the growing gap in the digitalization of the economy and social sphere of the central and remote regions of Russia.

Among the enough conditions for the economic development of public legal entities, socio-economic relations arising in the process of state regulation of the activities of financial market entities are considered. The state of the supervisory activity of the Bank of Russia for the banking and insurance services sectors, as well as the securities market, is considered in detail.

Creating banks and other non-credit financial organizations in the regions of Russia can, on the one hand, increase the level of profitability of enterprises of the regional economy in the medium and long term, and on the other, significantly increase the level of saturation (security) of individuals and legal entities of the regions of Russia with banking and other services, which is very relevant in the face of the growing gap in the development of financial infrastructure between the central and other regions of Russia. If the Bank of Russia gives a part of its authority to regulate financial organizations to regional authorities that can quickly respond to the changing economic climate in their region, then regional financial organizations can function effectively, ensuring the economic stability of their region. This becomes especially important in the conditions of digitalization of the regional economy in Russia.

4. Purpose of the Study

The conducted studies were carried out in order to work out solutions for leveling the problem of constraining economic development and the rate of economic growth in the regions of Russia in the conditions of digitalization of public relations and strengthening the sanctions regime. In terms of digitalization, the problem was considered in the direction of substantiating the need for a harmonious and balanced increase in digital capital in the constituent entities of the Russian Federation. As part of the state regulation of the economy - ensuring decentralization of regulation of the activities of the subjects of the Russian financial market towards changing the existing paradigm in the supervisory activities of the Bank of Russia - transferring some of the functions and powers of the Bank of Russia to the level of the subjects of the Russian Federation in relation to regional banks, insurance and other financial organizations.

5. Research Methods

The generally accepted models of economic growth take into account either only a part of the necessary conditions in the Harrod-Domar single-factor model (Harrod, 1939; Domar, 1946; Nureev, 2008) and the Cobb-Douglas two-factor model (Cobb & Douglas, 1928; Nureev, 2008) or all conditions in the three-factor model by Solow (1956) and the multi-factor model (Denison, 1962; Nureev, 2008; Romer, 2018), but without a corresponding structuring of these conditions.

The Harrod-Domar model shows the dependence of the growth rate of national income on changes in the volume of savings and investments, the Cobb-Douglas model shows the effect of the capital and labor expended on output. The economic growth model of Robert Solow is based on the Cobb-Douglas model with the inclusion of scientific and technological progress as the third factor of economic growth, and the influence of this third factor is the same for both human capital and real capital. Multifactor models of economic growth are in their essence modifications of the R. Solow model - from the perspective of differentiation of various aspects of labor, capital and scientific and technological progress.

In the digital era, it is very convenient to use the three-factor model of economic growth proposed by Solow (Solow, 1957; Romer, 2018) to analyze and forecast the dynamics of the world, national, regional (territorial) economy, which suggests that there are only three basic (essential) conditions development of the regional economy - real, human and digital capital. If the first two types are quite understandable, then in the framework of this study we will focus on digital capital, which is characteristic only for the sixth, technological, way of the modern economy.

Many regulatory legal acts and scientific publications are devoted to the issues of state regulation of the national economy and the sectors of the financial market in Russia and abroad (Koch & Koch, 2017; Mironova, 2017). As regards the Russian financial market, the focus of the Russian legislator and the Bank of Russia (as a megaregulator) is on proportional regulation of the activities of credit institutions (banks and non-bank credit organizations) and non-credit financial organizations (insurance companies, professional participants of the stock market, etc.).

6. Findings

The results of a comparative analysis of digitalization in Moscow and the Chechen Republic with the average Russian level (Tsakaev & Saidov, 2018) allowed us to formulate the following:

1. The problems of digitalization of society in the regions of the Russian Federation directly affect the competitiveness of the regional economy, since there is a lag in the receipt and processing of relevant data.
2. Informational dependence between remote and central regions of the country leads to an increase in the gap in their economic development, which ultimately will lead to Russia lagging the leading countries in digitalization and economic development.
3. Very important for the labor-surplus regions of Russia, including the Chechen Republic, are “big data” and their storage bases, which are a modern success factor for all types of economic activity.
4. The most effective strategy for the development of a region becomes a strategy based on the all-round development of human capital, creating real prerequisites for the growth of agricultural and industrial production, banking, insurance and other financial services within a region of the country.
5. Factors of digitalization of the regional economy are manifested unequally, which increases the risk of lagging in the economic development of remote regions from the central (capital) one.
6. Insufficient attention to the regional aspect in the Program “Digital Economy of the Russian Federation” will negatively affect the expected effect.

7. To create the necessary conditions for economic growth in each region of Russia, a balanced development of all elements of the digital economy in the context of production clusters that are significant to it is required.

On September 1, 2013, the Bank of Russia became the single regulator of the Russian financial market. The positive effect of this is manifested in the ability to supervise financial conglomerates on a consolidated basis, monitor the entire financial system and quickly ensure an adequate response. However, this solution has such disadvantages as a sharp increase in the burden on the supervisory authority and supervised institutions, the low effectiveness of supervision during the transition period, the risk of reduced efficiency due to less attention to the specifics of individual sectors of the financial system.

In Russia, uneven distribution of a credit organization across federal districts with the highest concentration (56–60%) in the Central Federal District, in particular in Moscow and the Moscow region, averages in the period under review up to 53% of credit institutions from the total number in the country can be traced. There is also a significant difference between the level of banking services in the Southern Federal District (hereinafter referred to as the SFD) and in the North Caucasus Federal District (hereinafter referred to as the North Caucasian Federal District), this difference increased most rapidly during the first two years of sanctions.

According to the Bank of Russia, the assets of the Russian banking sector were rapidly increasing in their volume and growth rate from 2013 to 2015. But in 2015 their growth was only 6.9%, which is insignificant compared to previous periods. In 2016, the total assets of Russian banks decreased by 2.6 trillion rubles, i.e. by 3.2%, in 2017 decreased by 0.4%. And only in the first half of 2018, the total assets of Russian banks increased, but only by 0.1%.

The main reason for the decline in assets of the Russian banking sector is that the Bank of Russia considers the consolidation of the business of large banks and the reduction of their mutual interbank transactions. But it does not say that this consolidation process is supported by the actions of the Bank of Russia itself in the direction of strengthening its presence in the capital of large banks.

Today there is a growing conflict of interest in the activities of the Bank of Russia as an issuing bank and as a regulator. The consequence of this conflict is the increasing polarization of the profitability of Russian banks - banks with state participation (the Bank of Russia) are becoming more profitable, and private banks are becoming more and more unprofitable. According to the Bank of Russia, the profit in the banking sector in the first half of 2018 (634 billion rubles) decreased compared to the same period in 2017 (770 billion rubles) by 136 billion rubles, or 18.0%. Losses for the first half of 2018 showed 28% of Russian credit institutions. PJSC BINBANK for the first half of 2018 received a net profit of more than 62.4 billion rubles. and is already among the top three most profitable commercial banks in Russia.

The regional banking market is the main supplier of financial resources to the region, at the same time contributing to their integration into the single socio-economic space of the country, which confirms the importance of the role of regional banks. However, in some regions there are no own regional credit organizations (for example, the Chechen Republic and the Republic of Ingushetia), in some there is a decrease (for example, the Rostov region, the Republic of Dagestan). So, the level of financial saturation with banking services as of January 1, 2018 in the SFD was 0.97, in the North Caucasus Federal District - 0.66, and in the Chechen Republic only 0.39, which is 1.7 times less than the average for the North Caucasus

Federal District and 2.5 times less than the average for the SFD. This gap clearly demonstrates the significant role of credit institutions in the development of the regional economy.

Institutional development of the Russian banking sector shows contradictory trends, which negatively affects the economy and the social sphere. In accordance with the policy of the Central Bank of the Russian Federation regarding unreliable banks and improving the financial climate in the country, there has been a general decline in banks and non-bank credit organizations. Thus, over the past three years, more than 350 licenses have been revoked from credit institutions. At the same time, there is an expansion of the activities of large banks and their expansion into the regions of Russia with the opening of branches and offices. Licenses were revoked, as a rule, from regional banks. Because of this, the volume of small business crediting in the regions of Russia is significantly reduced, for example, in the Republic of Kalmykia - by 5.2 times, in the Republic of Dagestan - by 2.3 times, in the Republic of North Ossetia - by 2.1 times and in Kabardino-Balkaria - 1.8 times (Tsakaev & Saidov, 2018).

Naturally, the Bank of Russia is aware of the importance of regional banks in ensuring the financial stability of constituent entities of the Russian Federation. This is confirmed by the reforms of the country's banking sector announced by the Bank of Russia at the 25th International Financial Congress in St. Petersburg in 2016, in which it was proposed to introduce proportionate requirements in the banking sector. According to such a system, all Russian banks were proposed to be divided into three groups: systemically important banks, banks of federal importance and regional banks. But the matter did not go further than the declaration: The Bank of Russia did not want to share the powers of regulation and supervision with the regional government in respect of regional banks and the NFO. The Federal Law "On Amendments to Certain Legislative Acts of the Russian Federation" No. 92-ФЗ dated May 1, 2017 and adopted in 2018 by the Bank of Russia "Concept of proportional regulation and risk-oriented supervision of NFO" adopted an unequivocal evidence.

It is important to note that the observed over-centralization of financial market regulation in Russia is accompanied by a concentration of capital. Thus, on 01.07.2017, 230 banks with a capital of up to 1 billion rubles functioned in the Russian banking sector, and more than 1 billion rubles - 286 banks.

Many regions lack borrowed funds. The obstacle to this is also high interest rates, which are a heavy burden for customers - enterprises and individuals. With the existing two-digit interest rates on loans, there is a high probability of non-repayment, which leads to a decrease in business activity and social tensions. For comparison, in the USA the interest rate on loans varies from 3 to 5%.

In the area of regulation of financial markets today, various models have been formed, which are used in many (more than 60) countries of the world. The successful global practice of applying the model of a single regulator, unfortunately, is limited to small states, such as Norway, Iceland, Denmark, Sweden. But in the states of large territory, population and economy, such as the Russian Federation, the megaregulator model does not apply. In China, India, Canada and the United States for each sector of the financial market has its own special supervisory authority.

Centralization of financial market regulation was also carried out in Germany and the UK. Now in Germany, the Federal Office of Financial Supervision is fully responsible for financial supervision, leaving the Bundesbank only refinancing. In the UK at the end of 2012, the megaregulator was disbanded into three regulators, which work closely with other departments of the bank. The reason for the transition to a new

model was criticism, which the mega-regulator was subjected to in recent years for neglecting signals about the financial crisis, as well as due to the opacity of the LIBOR calculation.

The United States, which is undoubtedly the owner of one of the most developed financial markets in the world, has never attempted to centralize financial power. The United States has maintained a complex financial market regulatory system, and in addition to the Fed, they have three strong regulators: The Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC), Securities and Exchange Commission (The United States Securities and Exchange Commission, SEC).

The successful US experience in regulating the banking sector of the economy, focused on the real support of regional banks and having a positive effect on the development of the state economy, indicates the relevance of its borrowing for Russia. In the USA, commercial banks are divided into two levels according to their legal status: national and state banks (regional). National banks are members of the Fed. State banks operate in accordance with the laws of their state and are limited to opening branches only in that state. Because of this, they focus on serving local businesses, and the state government applies a softer mode of control to them. This system stimulates the development of regional banks, directing their activities to serving households and small state and district companies.

As a pilot project, like no other region of modern Russia, the Chechen Republic is suitable, which, in terms of the level of provision of the population and organizations with banking services, is in last place in the rating of subjects of the Russian Federation. So, at the beginning of 1992 in the Chechen-Ingush Republic there were 12 regional commercial banks and 18 cash settlement centers (RCCs) of the State Bank of the RSFSR. At the beginning of 2019 there are no regional banks in the Chechen and Ingush republics, and only one RCC in Grozny and Nazran.

The Chechen Republic today does not have regional credit organizations, insurance companies, professional participants of the stock market and other financial organizations. Creating them could solve many problems in this region of Russia. The Chechen Republic is an ideal platform for creating a regional bank, an insurance organization, a brokerage company and a depository.

The cumulative efficiency of investment projects (PI), subject to the decentralization of regulation of the Russian financial market, using the example of a single region (Chechen Republic), amounts to 1.12 rubles per 1 rouble of costs for all four investment projects. The following should be noted: if we consider the multiplier effect in the real sector of the regional economy, then the efficiency of decentralization of regulation of the Russian financial market within a single region is more significant. And within the whole of Russia it is huge.

7. Conclusion

In the activities of all financial market participants there is an increase in the influence of systemic risks, that is, a decrease in the effectiveness of the Bank of Russia as a megaregulator. And the introduction, on the one hand, of two types of licenses into the Russian banking system within the framework of the proportional regulation policy declared by the Bank of Russia, and on the other hand, the implementation of the concept of proportional regulation and risk-oriented supervision of non-lending financial organizations led to the restriction of regional banks and non-lending financial organizations, which exacerbates the main problem - low provision of Russian regions with banking and other financial services.

Today, there is a conflict of interest with the Bank of Russia, as being the only supervisory authority for credit and financial organizations, it simultaneously participates in the capital of these financial organizations and is also the lender of commercial banks. That is, acting as a financial market regulator, at the same time is a participant in trading operations with securities, including shares of banks, insurance companies and other financial organizations. In this regard, in the current situation in the financial market of Russia, in our opinion, it is advisable to:

1) to abandon the model of a single financial market regulator, and the Bank of Russia to concentrate on regulating and supervising the activities of credit institutions;

2) to review the Bank of Russia its policy of proportional regulation of banks and non-credit financial organizations (NFO). In the direction of granting powers to the central executive authorities of the regions to make proposals and recommendations regarding the activities of regional credit organizations and NFOs;

3) to enhance the role of the federal bodies of state executive power in regulating the financial market with the re-establishment of specialized bodies regulating and supervising the activities of insurance organizations (Federal Insurance Supervision Service) and professional participants of the stock market (Federal Service for Financial Markets).

It was believed that Russian power would grow Siberia (Lomonosov, 1786), but today we are seeing a reverse process caused by the insufficient economic development of Siberian and other non-capital regions of Russia due to and because of insufficiently developed markets for banking, insurance, investment and other financial services.

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