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OPTIMIZATION OF GOVERNMENT CONTROL IMPOSED ON INNOVATION SPHERE IN AGRO-INDUSTRIAL COMPLEX

Marina Tekueva (a)*, Salih Baizulaev (b), Murat Volov (c), Zhanna Mirzoeva (d)
Anna Aloeva (e)

*Corresponding author

- (a) Kabardino-Balkarian state university named after H.M. Berbekov, app. 25, 15, Baisultanov St., Nalchik, Russia
tekueva/@mail.ru, +79280787758
- (b) Kabardino-Balkarian state university named after H.M. Berbekov, 173, Chernyshevsky St., Nalchik, Kabardino-Balkarian Republic, Russia, volov77@bk.ru
- (c) Kabardino-Balkarian state university named after H.M. Berbekov, 173, Chernyshevsky St., Nalchik, Kabardino-Balkarian Republic, Russia
- (d) Kabardino-Balkarian state university named after H.M. Berbekov, 173, Chernyshevsky St., Nalchik, Kabardino-Balkarian Republic, Russia
- (e) Kabardino-Balkarian state university named after H.M. Berbekov, 173, Chernyshevsky St., Nalchik, Kabardino-Balkarian Republic, Russia

Abstract

The article reveals features of government control posed on the innovation sphere of the agro-industrial complex (AIC) at the regional level. The issue of government role in the further development of the economy of the agro-industrial complex is particularly acute against the background of political transformations. Preserving and increasing the pace of the agroindustrial complex development aimed at achieving product independence and self-sufficiency in the country and regions requires significant financial investments and involves active government intervention in regulating production and sales. State regulation of the agricultural sector is one of the major conditions for providing the effective functioning of the country's economy. The key task that the state should address in the process of regulating the agrarian sphere is the creation of a favorable environment for the efficient commercial activity. Improving the mechanism of state regulation of the innovation sphere of the agri-food market in general and the grain subcomplex in particular is a strategically important area of maintaining food security and the national welfare. This mainstreams the need to form a rational system of state regulation with relevant target priorities: improving the competitiveness of grain products based on integration into the all-Russian and world markets, modernizing the production and technological infrastructure; etc. The study analyzes the socio-economic situation in the agrarian sector of Russia at the regional level, identifies features of innovation processes typical of this sector, and suggests measures necessary to optimize state regulation concerning the innovation sector of the agro-industrial complex.

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Keywords: Government control, innovations, agro-industrial complex.



1. Introduction

Government support of the agro-industrial complex in Russia is a part of state programs. These programs are aimed at agriculture development and are approved by the Government of the Russian Federation. Successful implementation of important areas of the country's agri-food policy predetermines the development of agriculture, and a significant role here is played by the effective application of special-purpose programs. The need to support agriculture is particularly urgent in the regions due to both their financial capabilities and the attitudes of regional authorities (Tekueva, Bayzulayev, Volov, & Shurdumova, 2017). The comprehensive assessment of the effectiveness of agricultural market state regulation requires considering the fact that government bodies are called upon to control food security determined by the fullness of the domestic food market; prices, rates, duties, quotas and inter-sectoral economic relations; environmental protection of food and the environment (Mikitaeva, 2016).

The main stages of reforming the system of public administration and regulation of the agro-industrial market should be implemented on the basis of state special-purpose programs for the agriculture development. Evaluation of potential state programs implementation involves the construction of forecast values for the volumes of grain products output as well as the possibilities of budgets allocations from the federal and regional centers. The possibility of making adjustments is due to the presence of feedback from the analytical stage of the economic state of the system (Gurnovich, Bezlepko, & Kuznetsov, 2010). A special attention in this regard is paid to monitoring the implementation of state programs aimed to support the development of the agro-industrial sector. Effective government control is essential for the state apparatus functioning. Today, state bodies are faced with the task to strengthen the effectiveness of their functions performing since this is what determines the condition of the state budget, which directly affects people's well-being through the relevant areas of budget expenditures (Murzina, Larionova, & Yalyalieva, 2015).

2. Problem Statement

The economic crisis had the most significant impact on the agro-industrial complex of our country. Government support and funding from budgets of all levels are required to restore the full functioning of all its industries (Kokova & Belyaev, 2016). A number of well-known economic researchers have paid attention to the subject of state regulation of the economy and the potential of using the theory of state regulation of a market economy in practical economic activities. Nevertheless, the ongoing reforms in the agro-industrial complex and building a new top-down governance dictate new requirements for theoretical and methodological basis of the industry's socio-economic development and the need to study the problems of effective government regulation comprehensively as well as finding ways to increase investment attractiveness and employment in rural areas. In the foreign and Russian economic literature the organizational and economic aspects of state participation in a market agro-economy are not sufficiently represented. State regulation of the economy requires studying new approaches in relation to Russian specific conditions that determine the economic growth of the agro-industrial sector. The relevance, theoretical and practical significance and insufficient sophistication of the state regulation imposed on innovative development of the agro-industrial complex have determined the choice of our research topic.

3. Research Questions

The subject of the study is the socio-economic relations that originate in the process of state regulation of the Russian agro-industrial complex and agro-industrial complex of the regions in particular. The agro-industrial complex is one of the most significant constituents of the economic development of many regions in Russia, including the Kabardino-Balkarian Republic (KBR). Furthermore, agriculture has a large social dimension. It is known that one workplace in agriculture provides up to fifteen workplaces in other spheres. Therefore, the agro-industrial complex can be as well considered from the standpoint of the food supply security of the state. The priority tasks of the agroindustrial complex of the republic are to improve the quality of agricultural products and increase competitiveness, including the one in foreign markets and further introduction of high-tech equipment at agricultural enterprises.

4. Purpose of the Study

The aim of the research is to justify theoretically the areas of improving the state regulation of socio-economic processes in the agrosphere, ensuring stable economic growth and an increase in the population quality of life.

5. Research Methods

Such methods as analysis and synthesis were used during the research. There were also theoretical and empirical research methods, methodological approaches and techniques applied in reviewing the activities of agriculture, their modifications, authorizing the particular characteristics of the economic climate of the region under consideration. Computer hardware was used in the research as well. The research materials are the works of famous scientists, economists and specialists in the field of agriculture and statistical data.

6. Findings

Financing the targeted programs at the federal and regional levels in the form of subsidies is associated with improving soil fertility, growing elite grain varieties, intensifying production, introducing scientific advancement, developing land reclamation infrastructure, which includes restoring and reconstructing land reclamation systems with the objective to provide water supply, irrigation, flood leveling and engineering protection.

The emerging crisis in the world food system generates a need for developing the measures to accelerate the restoration of agro-industrial production and adoption of an innovative development model in the region's grain industry.

Exacerbation of the financial and food crises increases the threat of the domestic market destabilization. The system of scientific knowledge, new technologies, innovative processes, products, services turns to the keynote of economic growth in the grain farming subcomplex. This is due to the fact that the innovative systems development has currently become a central economic process.

An important role in addressing the effects of the crisis will be played by the scientific support of the grain subcomplex. Introduction of innovative products will be possible under the condition of the interaction of science and production. Enterprises extensively utilizing innovations and scientific developments will gain competitive advantages over other business entities.

The agro-industrial complex is the largest national economic complex of the country and a vital sector of the economy. It accounts for 1/6 of the gross national product (30%) and ¼ of the country's fixed assets. Agricultural products form 2/3 (75%) of consumer goods. The agro-industrial complex is a complex socio-economic system, which includes enterprises with different forms of ownership and management. Government regulation should ensure the efficient functioning of the agro-industrial complex as a single mechanism taking into account the equality of subjects of all forms of business based on the coordination of their interests (Khabalov, 2014).

Having analyzed the present stage situation in the agro-industrial complex of the republic we can talk about the following aspects. The gross agricultural output in 2017 amounted to 46.2 billion rubles (103% of the 2016 level), including crop production (56%) and livestock (44%).

The structure of agricultural production is as follows: 28% are agricultural enterprises, 32% are peasant farms, and 40% are households. Calculated per capita, agricultural products were produced in the amount of 53.3 thousand rubles. This is one and a half times higher than the average for the North Caucasus Federal District and 1.4 times in Russia. Indicators of land-use efficiency have been given. In particular, the volume of production per hectare of agricultural land in monetary terms is almost 74 thousand rubles, which is 2.5 times higher than the national average and 2.3 times more than in the North Caucasus Federal District.

The republic is fully self-sufficient with regards to vegetable production. In 2017, 510 thousand tons of vegetables were produced (106.4% of the 2016 level). More than 250 thousand tons were exported outside Kabardino-Balkaria.

Particular attention is given to corn being a traditional KBR cropper. Corn seed production was about 16 thousand tons. More than 13 thousand tons were exported outside Kabardino-Balkaria.

The social environment is an important component of the effective development of the agro-industrial complex of the region. The authors share the opinion concerning the necessity not only to create new production and jobs but also to provide a favorable social environment. In 2017, the housing conditions of 38 families including 27 young families and 15 multi-child ones improved within the federal target program “Sustainable development of rural areas for 2014–2017 and for the period up to 2020” (AIC was a priority direction of the economy of Kabardino-Balkaria in 2018). The amount of funding for the above mentioned program in 2017 amounted to 127.4 million rubles including approximately 79 million rubles as funds from the federal budget.

In 2018, it was planned to allocate about 2 billion rubles to state support for agricultural producers.

The effective development of the regional grain industry is hampered by a lack of investment, which leads to the loss of competitiveness of grain produce in the domestic and interregional markets.

In recent years, there has been a positive trend in reducing investment risk in the republic's grain market. However, the investment risk is still high in comparison with the average Russian values. The main problem affecting the level of investment risk is the high degree of financial dependence of the region on

the funds of the higher budget due to the lack of their own revenues. Likewise, a serious negative factor hampering investment activity in the republic is the high social risk associated with high unemployment and a high proportion of the population with incomes below the subsistence minimum.

Actually, investments aimed at the development of the region are risky and more advanced mechanisms of state support are needed to enhance their utilization.

Innovation is problematic in agricultural enterprises due to the low investment attractiveness of the industry. Despite the fact that agriculture has a high investment potential due to the shortage of food in the world, the state is the main investor in Russian agriculture. Private business is not very enthusiastic to invest in the development of this sector of the economy for some reasons. In addition to industry characteristics, the main limiting factors include: the long-term nature of investment in agriculture, poor competitive environment, a relatively higher return on investment of funds in the industry of the fuel and energy complex and trade.

The socio-economic effect of supporting the development of the grain cluster lies in intensifying the region's innovative development, creating new enterprises in the region and new jobs, increasing the gross regional product, region's rating and investment in the real economy (Yalyalieva, Larionova, Murzina, & Napol'skikh, 2016).

Enterprises have the opportunity to maintain and improve their positions on the Russian grain market and grain processing products market, to gain access to the markets of other countries on condition that they modernize production and management by applying innovation in the production process, working on the product range optimization and increasing the quality of their products. The development of clusters creates the opportunities for increasing the competitiveness of all participants in this form of integration (Kleiner, Kachalov, & Nagrudnaia, 2008).

The initiative to form and develop the grain cluster should come not only from the enterprises of the region but also from the regional authorities by means of creating attractive conditions for the growth of investment and co-operation in the cluster since the state authorities of the region can subsequently receive a dynamically developing region with a stable economy (Bogdanova, 2007).

Agriculture is not only the most important economic sector but also a way of life in the Kabardino-Balkarian Republic as well as throughout Russia. Therefore, the KBR Government intends to actively support the village and the year 2015 was declared as the year of agriculture in the republic.

According to the conducted research, it can be assumed that under modern conditions it is necessary to maximize the competitive advantages of the republic agro-industrial complex equipped with all the necessary resources with the objective to encourage import substitution. At the same time, state support for the agro-industrial complex especially in the regions will have a beneficial impact on the effectiveness of its development. The output of fruit, berries, vegetables and grain seeds exceeds the internal needs of the republic. The surpluses are successfully delivered to other regions including subjects of the Russian Federation within the framework of concluded contracts.

The agrarians of the republic are facing the same issue in an attempt to ensure the increase in the meat and milk production. The state program "Development of agriculture and regulation of markets for agricultural products, raw materials and food in the KBR" is being implemented in Kabardino-Balkaria at present. The goal of the mentioned program is to ensure sustainable development of rural areas; increase

of the competitiveness of agricultural products in the domestic and foreign markets; reproduction and increase of the efficiency of applying land and other resources in agriculture as well production greening.

According to the program, the amount of financing under the state program is as follows: actual expenses in 2016 were 2,742.4 million rubles, in 2017 – 1,280.3 million rubles, planned expenses for the year 2018 – 1,207.0 million rubles, planned expenses for 2019 – 1,194.5 million rubles. Several indicators of program implementation are reflected in the Table 01 (Nalchik administration, 2016).

Table 01. Indicators of the state program "Development of agriculture and regulation of markets for agricultural products, raw materials and food in the KBR" implementation

Indicator	2017	2018	2019
Index of agricultural production in farms of all categories, ratio to the previous year, in percent	102.3	102.1	102.1
Average monthly nominal wages in agriculture, in thousand rubles	13.2	14.1	15.3
Area of laying perennial plantings, in thousand hectares	1.0	1.0	1.0
Canned fruit and vegetable production, in million notional cans	200	250	230
Production of livestock and poultry for slaughter in farms of all categories (in live weight), in thousand tons	110	115	120
The number of peasant farms and novice farmers implementing projects on setting up and development of their farms via state support, in units	155	160	165
Supply (purchase) of housing for citizens living in rural areas, in thousand sq. m.	10.1	10.3	10.5

Additionally, in 2018, the state was engaged in agriculture development, implementation of large-scale investment projects for intensive gardening and increase of the capacity for building fruit and vegetable storage facilities, including high-tech projects. The horticulture and fruit growing is being developed; the consumer market is being saturated with high-quality fruit and berry produce and its imports are being reduced. Kabardino-Balkaria Republic is the 2nd after Krasnodar with regards to the construction of vegetable storage facilities. It is important not only to grow and collect but also to preserve the crops. Fruit harvesting in the republic is about 200 thousand tons per year. Thus, almost half of the harvest can be saved without losing their consumer qualities. Furthermore, the prospects for the development of mountain and piedmont gardening in the Kabardino-Balkaria Republic fulfill not only food, therapeutic and preventive functions but also social and economic ones (Rakhayev, 2017).

Government support in this industry has a meaningful effect. Thus, for example, it was planned to create a regional Center for the Support of Entrepreneurship and a Center for the Coordination of Support for Export-oriented Entities in 2018.

In Kabardino-Balkaria, a robotic farm for 130 animals started functioning in the village of Zhanhoteko, Baksansky District. This is the first farm implementing such advanced technologies in the North Caucasus Federal District. This is an Austrian breed distinguished by high milk yield of very high quality milk. All the milk from the farm is sent to the Nalchik Dairy Plant.

The largest tomato paste production plant is going to be launched in the republic soon. The company will have a full cycle from sowing and growing tomatoes to processing them into pasta. The plants are grown by means of modern technologies on 1.5 thousand hectares of the leased land.

7. Conclusion

In conclusion it should be noted that the main reason why the state provides support, especially for agriculture, is the objective to stabilize and develop the agro-industrial complex, ensuring food security. In addition, agricultural production has high risks, a slow reproduction cycle and a relatively low profitability. In our opinion, the peculiarities of the state regulation management of the agrarian sector of the economy are: firstly, functions distribution among state and economic administration of the federal, regional and municipal authorities; secondly, the prevalence of economic methods in the management; thirdly, the use of foreign experience without taking into account the peculiarities of domestic agricultural production. The main measures to improve the state management of the agrarian sector of the economy are as follows (Mikitaeva, Tekueva, Balkizov, & Sozayeva, 2018):

- 1) systematization of the priority objectives of public administration concerning the agrarian sector of the economy;
- 2) ensuring the implementation of the agricultural production principles;
- 3) systematization of state management methods concerning agricultural production;
- 4) control of the achievement of agricultural sector management objectives.

At present, the state does not directly manage agricultural production but creates favorable conditions for its functioning.

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