

ECONOMIC SECURITY OF THE INDUSTRIAL REGION IN THE CONDITIONS OF THE PANDEMIC (BY THE MATERIALS OF OMSK REGION)

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Abstract

The questions of the relevance of an approach to ensuring the economic security of a territory in the context of global threats to the region's economy is explored in the article. Understanding of the importance of these processes is due to the 2020 pandemic situation faced by states and regions. The study conducted on the example of the Omsk region reveals the impact of coronavirus infection, the associated institutional restrictions on the territory's investment and entrepreneurial activity, its competitiveness. It should be noted that the regional authorities have attempted to retain interdepartmental interactions and communication with business using digital technologies during 2020. The research strategy used surveys of entrepreneurs conducted on the basis of monitoring the competitive environment of the region, an expert survey of representatives of the authorities responsible for the economic sector, as well as data from regional statistics. The results demonstrate the need to build a model of economic sustainability on the region. It will allow a systematic approach to identifying vulnerable points in the region's economy, efficiency and literacy in the development of the necessary management decisions of the authorities, and effective implementation of anti-crisis measures.

Key words: economic security, economic policy, investment policy, pandemic, regional competitiveness, industrial region

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Introduction

The study raises questions about the impact of institutional (quarantine) restrictions and pandemic on the economic processes of an industrial region in order to develop measures to preserve territorial immunity, competitive advantages and sustainable development of the region. The decline in investment and entrepreneurial activity, the instability of the competitive

environment in the context of a pandemic and lockdown has created a threat to the economic security of the territory. Although even in the absence of crisis situations, the dynamics of socio-economic development of regions is not always balanced, the assessment of their socio-economic climate also shows significant differences in the stability of regions (Kislitsyna, et al., 2017). Therefore, there is a need to pay constant attention to the issues of economic security of the regions in the framework of regional policy and programs for the development of the territory.

The economic security of the territory is considered as a set of factors and conditions that characterize the current state of the economy, its stability and dynamics of development. At the same time, factors and conditions should create and ensure the prerequisites for the survival and preservation of the market structures of the region's economy in a crisis, as well as for the development prospects. The economic security system of the region determines the need to protect the vital resources of the territory, create of territorial immunity and protection from external destabilizing influences, ensure the sustainability of the financial situation and the region's competitiveness in the domestic and world markets, maintain the quality of life of communities of the territory, sustainable reproduction of social processes.

It is difficult to talk about the ultrastability of any territorial system that constantly functions in the face of socio-economic and political challenges. An important condition for the stability of the territorial system is its ability to self-regulate and adapt to the changed environment (external and internal). This means that the territorial system is always in dynamic equilibrium, which is fully explained by the need to ensure the reproduction process as the most important prerequisite for maintaining the economic security of the life of the system. The issues of maintaining the stability of the economy of the territory and its development, the competitiveness of the region and economic entities were raised in the studies of the following scientists: Fomina, et al. (2018), Kislitsyna, et al. (2017), Korauš, et al. (2018), and etc. Problematic aspects of economic security have been repeatedly considered by Jankelová, et al. (2018), Kuril (2018), Nikitina, et al. (2018), Sorokina (2017), Sukhovey & Golova (2016), Tvaronavičienė (2018), and etc. It is worth noting the current research directly related to the 2020 pandemic, which was conducted by Kuznetsova (2020), Zubarevich (2020).

The problems of the importance and complexity of ensuring economic security during 2020 are due to the current state of the regional economy. In the regions, the pandemic had the main impact on the volumes of retail trade, industrial production and paid services, on the rate of decline in real incomes and the growth of unemployment. It should also be noted a sharp decline in the revenues of regional budgets, which took over the support of the business sector

and the population of the territory (Zubarevich, 2020). This updates the research that aims to identify and justify risk factors and reduce the threat of destabilization of the territory's economy for the formation of a sustainable regional policy. To understand the importance and desirability of such a policy in the post-pandemic period, it is necessary to pay attention to the analysis of economic conditions and the current level of competitiveness of the region.

1 Data and Methods

An empirical territorial object is the Omsk region as an old industrial region with an established industry specificity and production infrastructure, a level of competitiveness and the ability to form unique investment proposals. It should be emphasized that the Omsk region has a rather peculiar geographical location: the region is remote from the major cities of neighboring areas. From this point of view, certain industry positions, for example, in the agro-industrial sector, have limitations in sales markets, since the transport component is the determining factor of development.

The research is based on statistical data, surveys of entrepreneurs in the framework of the annual monitoring of the regional competition and an expert survey of representatives of the authorities, which provided the opportunity to approach the problem from different angles.

When assessing the impact of the pandemic on the conditions and factors of economic security in the practice of regional management, attention is paid to the analysis of the investment and business environment, the dynamics of the competitiveness of the Omsk region.

2 Results and Discussion

2.1 Investment and entrepreneurial activity in ensuring the economic security of the region

The activity of intraregional investors is a prerequisite for attracting external sources of investment. At the same time, the growth of domestic investment in the region is achieved by increasing the level of entrepreneurial activity, the development of production and transport infrastructure, and reducing the level of administrative barriers in the investment sphere. The growth factors of foreign investment are the development of foreign economic and interregional relations, an increase in the number of export-oriented companies, the construction of a "one window" system for interaction with investors, and the formation of a positive image of the region.

The pandemic has made its own adjustments to investment activity. During 2020, the process of attracting investments in fixed capital was uneven (Tab. 1). In 2020, the level of international and interregional cooperation of the Omsk region decreased: the regional market was identified as the main market for the sale of goods and services (from 49.1% of surveyed entrepreneurs in 2019 to 59.8% of respondents in 2020) (Information on the implementation of the Competition Standard in the Omsk Region, 2021). There was a decrease in the industrial production index: from 109.5% (December 2019) to 99.3% (December 2020) and the region's foreign trade turnover: from 1118.3 to 824.3 million US dollars (respectively). The change in the consumer price index for the same period was 104.9% (Socio-economic situation of the Omsk Region, 2021).

Tab. 1: The volume of investments in fixed capital in the Omsk region

The volume of investments in fixed assets, in % of the previous period				
Year	1st quarter	2nd quarter	3rd quarter	4th quarter
2019				
130,7	40,7	188,6	146,7	69,2
2020				
113,6	91,2	94,9	141,4	121,4

Source: Omskstat, from: https://oms.k.gks.ru/publication_collection/document/30275

At the beginning of 2020, an increase in entrepreneurial activity was still observed in the region, but already in the second quarter of 2020, economic entities failed to maintain a positive trend in revenue. The volume of retail trade fell and in December 2020 amounted to 94.4% versus December 2019. The volume of paid services provided to the population of the region in 2020 decreased by 13.6% compared to 2019 (Socio-economic situation of the Omsk Region, 2021). The main reasons for the decline were restrictions on the work of organizations during almost the entire second quarter due to the spread of coronavirus infection, as well as a decrease in demand for goods and services. Since July, following the gradual lifting of the self-isolation regime, there has been a trend towards a slow recovery of entrepreneurial activity. However, experts note a decrease in business activity of entrepreneurial structures during 2020, due to the lack of financial and organizational support for the supply of raw materials and equipment, inviting external labor for the region, and holding face-to-face congress and exhibition events. This entails the need to make great efforts in the post-pandemic period to restore investment and entrepreneurial activity. The main administrative barrier to business activity is the instability of Russian legislation in this area. Moreover, in 2020 there was a sharp jump in the influence of this negative factor on entrepreneurial activity (Tab. 2).

Tab. 2: The most significant administrative barriers to doing business in the Omsk region

TOP - 3 administrative barriers to doing business	2015	2016	2017	2018	2019	2020
	% of respondents					
1. Instability of Russian legislation regulating entrepreneurial activity	24,2	19,4	20,1	21,3	24,3	35,7
2. Restriction / difficulty of access to the supply of goods, provision of services and performance of works in the framework of public procurement	19,4	18,6	17,9	17,1	16,2	16,6
3. High taxes	22,2	18,1	17,6	16,4	22,3	23,4

Compiled by the authors on: Information on the implementation of the Competition Standard in the Omsk Region, 2021

At the same time, the authorities quickly responded to the need to maintain business activity in the conditions of quarantine. For example, a special advisory service was created for entrepreneurs on issues related to restrictive measures and possible support measures during this period; opportunities were provided for self-employed citizens to receive state support; a special support measure was introduced in the form of payment for the placement of Omsk exporters on international trade aggregators; the volume of support for small and medium-sized businesses was significantly increased. This was largely due to the rapid introduction of digital technologies into the practice of interaction. According to experts, the manifestation of institutional restrictions has affected the acceleration of decision-making in the business sector and on previously postponed medium - and long-term investment projects. Particular attention was paid to investment relations with the municipalities of the region, which in 2020 adopted investment development strategies and (or) plans to attract investment.

The unclearness of the trends in the development of the pandemic situation, the complete lockdown that took place in the second quarter of 2020 caused a high economic burden on the territorial budget in the development and application of new forms of business support. Thus, the regional budget assumed tax preferences for transport tax, the provision of deferral of certain types of payments to organizations and individual entrepreneurs whose activities are carried out in the sectors of the Russian economy affected by coronavirus infection, etc.

2.2 The impact of the region's competitiveness on economic security

The market realities of regional development and the economic viability of the territory determine the level of the existing competitiveness of the regional economy, which is directly related to the investment activity of domestic (local) and external (national, foreign) investors. It also allows setting post-pandemic guidelines for overcoming the crisis. Regional resources

of socio-economic development act as the main object of territorial competition. The competitive advantages of the region achieved over the past years form the factor potential as the basis for ensuring the economic security of an industrial region. In conditions of high uncertainty and economic dynamics, competitive cooperation of territories also becomes the norm (Vazhenina & Vazhenin, 2020).

In 2020, 42 markets for goods, works and services are operating in the Omsk region, providing a competitive basis for the region's economy (Information on the implementation of the Competition Standard in the Omsk Region, 2021). The list of markets, starting from 2016 (16 markets), tends to grow, which makes it possible to improve the competitive platform of the regional economy in its dynamics; to identify markets that are leaders or outsiders in the relevant industry in order to ensure territorial security and sustainability of economic development. The dynamics of changes in the leaders and outsiders of the regional market is presented in Table 3.

Tab. 3: “Leaders” and “outsiders” markets in terms of changes in the number of participants compared to the previous year

	2017	2018	2019	2020
Markets – “leaders”	1. Fish food market; 2. Pipe products market; 3. Software development market.	1. Software development market; 2. Fish food market; 3. Housing and communal services market.	1. Retail market, including medicines, medical products; 2. Passenger taxi services market.	1. Market for retail trade in medicines, medical products and related products; 2. Passenger taxi services market; 3. Preschool education services market (online).
Markets – “outsiders”	1. Vegetable oil market; 2. Petrochemical products market; 3. Retail trade.	1. Retail trade; 2. Communication services market; 3. Cultural services market.	1. Market for the provision of services for the transportation of passengers by road; 2. Market of services for the collection and transportation of municipal waste.	1. Market for the maintenance and maintenance of the common property of the owners of premises in an apartment building; 2. Children's recreation and wellness services market; 3. Market of services for the collection and transportation of municipal waste.

Compiled by the authors on: Information on the implementation of the Competition Standard in the Omsk Region, 2021

According to the respondents, the level of competition in 2020 compared to 2019 decreased and reached the position of 2016. The survey showed that the majority of entrepreneurs (73.4%), as in previous years, defined the level of the competitive environment

in their business as “high” (37.5%) and “very high” (35.8%). However, in comparison with 2019, the share of such respondents decreased (2019 - 75.6%; 39.0% and 36.6%, respectively). We believe that a certain decline in the assessment level was largely due to the perception of a general deterioration in the business environment and as a result of the restrictive measures introduced in the context of the coronavirus pandemic. At the same time, compared to 2015-2019, in 2020 there was an expected growth in the activity of the market for retail trade in medicines, medical devices and related goods, which even reached the level of “excessive and sufficient” according to 77.9% of respondents (Information on the implementation of the Competition Standard in the Omsk Region, 2021). In the pandemic, the high level of market concentration in the market of petroleum products, the market for the supply of liquefied gas in cylinders and the market for the collection and transportation of solid municipal waste is also evident.

At the same time, the markets for services of general education, additional education and preschool education of children, quite understandably, had a low level of market concentration. This was a reflection of the decline in overall consumption of paid services. In the context of a decrease in household income in 2020 due to overdue payments, the market for housing and communal services has also reduced its capacity.

During the same period, the number of business entities in 2020 decreased: as of December 1, 2020 - by 6.3% compared to the same period in 2019, and the number of individual entrepreneurs - by 7.1 %. There was an increase in the number of unemployed (in 2020 it increased by 4.2 times from 12.3 thousand people in 2019) and a decrease in the level of employment of the working-age population (2019-59.7%; 2020-58.7%) (Labor market, employment and wages, 2021). The maximum values occurred in the second quarter, corresponding to the lockdown period and the subsequent impossibility of business entities to retain jobs in the regional labor market. The previously adopted Regional Competition Development Standard ensures the functionality of the Omsk Region's competitive environment. The experts noted that the document became the basis for the development of a regional anti-crisis plan. This plan made it possible to identify and implement measures related to supporting competition, financial support for non-state participants in the markets of goods and services, reducing administrative barriers, and expanding access to the state orders. A number of measures have also been taken to increase the wages of public sector employees, to provide social support measures to certain categories of citizens.

Conclusion

The decline in entrepreneurial and investment activity, the level of competitiveness of the region form the potential for the loss of economic security. However, the results of the study allow us to conclude that the regional economic system is capable of adaptation and survival in global crisis situations and related institutional constraints. The competent and prompt public decisions of the authorities prevented large-scale economic recessions and the growth of social tension. Already in 2021, economic growth is expected to recover in accordance with the forecast of socio-economic development. Taking into account the implementation of the anti-crisis measures in 2020, a gradual recovery and development of industrial production and the consumer market of the Omsk region is predicted.

The rapid growth in the adoption of digital technologies has helped to reduce the negative impact of the pandemic on the organization of relationships between business and the public sector. For example, the work on infrastructure support for entrepreneurship was restructured in an online form. Due to institutional restrictions (quarantine), digital transformation, which has become an obvious necessity for many business entities and has changed the format of government work, received a significant incentive to use in 2020. This format is associated with the transition to a “service” state. It is the development of digital services supported at the state level that will predetermine the opportunity for increasing the competitiveness and viability of many business entities, especially in crisis situations. However, according to experts, it is possible to fully use digital technologies remotely only in a limited period of time, since the remote format of work does not allow state civil servants to effectively solve the tasks assigned to them.

The results of the study become important for the authorities to adjust the regional economic policy in the post-pandemic conditions, taking into account the minimization of investment and business risks, maintaining the economic security of the region and ensuring its sustainability. The measures and tools of support and deterrence that were quickly developed and applied during the pandemic should have a systematic basis. Thus, the public sector can guarantee the prevention of a decrease in private sector income and an acceptable level of risks in order to attract and retain investment. This could be followed by the formation of a model of economic sustainability of the territory in the face of global challenges. It can include the possibility of updating the cluster approach to the management of the region's economy in order to preserve and ensure stability against potential threats; the creation of regional economic mechanisms for managing socio-economic development; the operational reconstruction of the

regional industrial system, taking into account the economic capacity of local ecosystems; the formation of a balanced business environment in the region, etc.

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