

Investment by Russian real sector corporations in terms of ensuring national security

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Abstract. In modern economic literature, several strategies for the development of corporations are considered at the theoretical level. However, the strategy of domestic economic activity is not considered as an independent form of strategy or insufficient attention is paid to it. The purpose of the article is to identify strategies for the activities of Russian enterprises based on their annual reports and ratings of Russian analytical agencies. Research objectives are, firstly, the development of a methodology for evaluating the results of activity strategies and, secondly, the analysis of activity strategies as a result of their commodity market, resource market, technological, integration and financial investment strategies. The study conducted revealed the features of strategies of corporations in the national market. According to the results of the analysis, the use of traditional theories in the context of the current financial globalization in a country with a developing economy is ineffective for the formation of an investment strategy. Macroeconomic factors have a strong impact, which is most evident during and after the crisis. The financial crisis has a strong impact on the capital structure. The factor that determines the development of the market has a significant impact on the debt burden and plays an important role in making financial decisions after the financial crisis.

Keywords: Financial crisis · Investment strategy · Corporations · Globalization · National economy.

1. Introduction

In terms of the national and macroeconomic development of the investment policy of corporations, interaction with the state and exporters is an important component of the national economy integrated into the global system. The issues related to investment strategies of companies as part of the development of foreign economic relations after the events of February 2022 become relevant for each country. Exports lost due to the imposition of many sanctions have put export-oriented corporations of the national economy in a difficult situation. Companies operating only in the foreign market have to reorient towards the domestic market, since foreign competitors have left the system.

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In the economic literature, there are many approaches to the development and evaluation of corporate development strategies. Belovodskaya, Kholostenko, Mandrichenko and Volokitenko formed recommendations for improving the investment strategy of enterprises, on the basis of which a methodology was developed that seems to be the most objective strategic alternative. It was suggested to:

- expand the market share of corporations in many types of products as part of import substitution;
- determine the legal regulation in the production of innovative products;
- support trends towards lower production costs through the introduction of tax incentives and government subsidies;
- search for the ways to increase profits by controlling costs and increasing sales (Borowski, 2021).

Borovski (Borowski, 2021) proposes to develop an innovative investment strategy for corporations using cheaper and better domestic materials in some sectors of production.

Hoa, Anh and Phong (Hoa, Anh & Phong, 2021) explore the parallel between the manufacturing, investment strategy and competitiveness in 25 Vietnamese enterprises. In this study, recommendations are given for the effective implementation of strategies and technologies in corporations of domestic sectors of the economy.

Chrysoshou, Karipidou and Karapidis studied 83 Greek firms and assessed the impact of reorienting the production chain from export to the development of the national economy. Important components include the quality of raw materials, procurement and production costs (Kupczyk et al., 2020).

Thus, it is worth noting that the problem lies in the fact that in modern studies, the assessment of investment strategies when introducing the domestic economic activity of corporations is not considered at all, or it is given insufficient attention by national economists.

2. Materials and Methods

The basis for sampling statistical data is the information from the Federal State Statistics Service and the Analytical Center “Expert” for the period of 2019 – the first quarter of 2022 (Edeh, Obodoechi & Ramos-Hidalgo, 2020).

The research methodology is formed on the identification of investment strategies for the activities of domestic corporations in the real sector of the economy through the assessment of their commodity-market, technological, integration and financial-investment strategies. Annual reports were used, which are currently posted on corporations’ websites (Wang & Ma, 2018).

Also, such general theoretical methods as analysis, synthesis and a number of others were used.

In the study of corporations, straight lines were identified in the coordinate system of commodity items. The X-axis shows the number of commodity items that will be redirected to the domestic market. The Y-axis is the number of large buyers to whom the goods will be redirected.

Point Y1 means the result of the implementation of corporations’ investment strategy for the year (Figure 1).

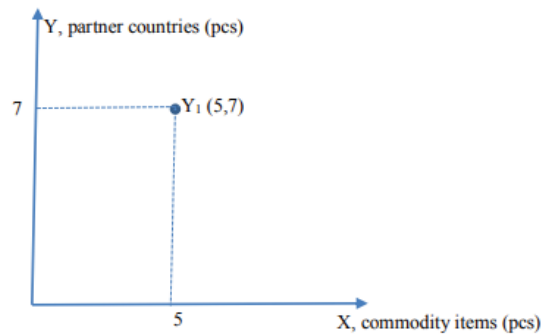


Fig. 1. Coordinate system of commodity items when reorienting to the domestic market.

At present, for example, the corporation “Gazprom”, “Rosneft”, “Surgutneftegaz” and “Lukoil”, which are among the top 10 corporations in the domestic market, are developing a strategy for expanding and changing the sales markets for gas, electricity and oil products. As for the market and investment strategies, today’s main goal is to compensate for the extraction of raw materials and the development of the resource base in the promising territories of Russia, the CIS countries, Southeast Asia and the Middle East (Spillan et al., 2021).

When analyzing the financial and investment strategies, information was obtained on the formation of a conservative budget that can cope with risks in financial markets (Lewis et al., 2021).

In particular, this budget takes into account the risks of unauthorized gas siphoning and non-receipt of payment for deliveries in rubles.

3. Results

As a result, it should be noted that the long-term investment strategies of domestic corporations are among planned activities. In the short term, strategies can be intuitive. An investment strategy in the domestic market is a derivative of its commodity-market, resource-market, technological and integration strategies (Chemirbayeva, Malgarayeva & Azamatova, 2020).

The investment aspect of the strategy of oil and gas enterprises in the domestic market is to expand new sales markets (countries of the world economy) and change the food basket in accordance with market trends (Silva et al., 2016).

The main component of resource market strategies and financial investments is expressed in investments in exploration and development of new oil and gas fields. The main component of the integration and financial-investment strategies of oil and gas enterprises is a “forward” integration expressed in the creation, construction and nationalization of foreign oil and gas processing plants located on the territory of the Russian Federation, thermal and power plants. In terms of the technological strategy, the activity is aimed at importing modern digital technologies, robotics, unmanned aerial vehicles to improve the efficiency of a number of business processes in the oil and gas sector (Behmiri et al., 2019).

The investment aspect of the commodity-market strategy of corporations in the metallurgical sector is to expand new domestic sales markets and change the food basket in accordance with trends, i.e. taking into account the needs of domestic buyers. The food basket includes iron ore, coking coal, metal products and finished products. Despite the reduction in commodity items, the strategy was aimed at expanding the range of permanent commodity groups and improving their operational characteristics (Viktorov & Abramov, 2015).

The purpose of the foreign economic component of metallurgical corporations’ resource-market strategy is to increase sales of processed iron ore in the country. The economic component of integration and financial-investment strategies is both horizontal and vertical integration. Horizontal integration is expressed in investments in the nationalization, acquisition and construction of metallurgical plants in Russia. The purpose of vertical integration is to move “forward” through

investment in higher value-added domestic metallurgical enterprises. Enterprises seek to expand the geography of their sales in the international market of “friendly countries” and create vertically integrated structures (Expósito & Sanchis-Llopis, 2019).

4. Discussion

The main conclusions of this study, which are of applied importance for Russian corporations in the leading sectors of the economy, are as follows: based on the statistical data for the period of 2015-2019, it can be concluded that major companies have more opportunities to obtain a loan in conditions of relative certainty. But since 2020, the inverse correlation between debt burden and company size proves that major companies, which securities have been admitted to exchange trading, are having difficulty increasing their debt burden in the face of severe economic restrictions (sanctions) and high volatility in the domestic market. This conclusion can serve as a recommendation to reduce the scale of business for companies and their reorientation to the domestic market, which plan to implement investment decisions mainly through debt financing. In other words, major companies are likely to pursue a less aggressive market policy under restrictions and crisis and, therefore, need less borrowed funds (Arora & De, 2020).

The current crisis does have a significant impact on corporate investment policies aimed at expanding their business, growing prospects and improving competitiveness. The policy of companies is based mainly on the financing of fixed assets from their own sources, which is explained by potentially high agency costs and corporate governance standards of the analyzed joint-stock companies (major corporations) (Henning & McKelvey, 2020).

Based on the well-established concept of the positive impact of leverage on the return on assets and their significant positive correlation, the following conclusion can be drawn. Public joint-stock companies (corporations) prefer to increase the return on investment by increasing the financial leverage effect. Moreover, the financial crisis had a significant impact on the growth of return on investment, mainly used by corporations (Gazprom, Lukoil, Rosneft, Surgutneftegaz).

5. Conclusion

It has been established that financial risk has a significant negative impact on the debt burden both before and after the crisis. Thus, due to the continuity of most industrial technologies and the aggressive nature of the environment, in which the fixed assets of joint-stock companies from key industries circulate, it would be logical to recommend such companies to use high depreciation rates for facilities that operate in an aggressive environment or in high shift conditions. This would significantly reduce the risks of financial difficulties (Wang & Wei, 2020).

Currently, there is a significant influence of macroeconomic factors on capital structure formation before, during and after the crisis, which proves that managers make financial decisions depending on the source of financing, based on macroeconomic conditions and the specifics of their industry. The statistics point to a certain importance in the development of the national market, as it is a developing and open market for investors. The inflation rate has a significant impact on the developing market. The impact of GDP growth on credit debt is strong and negative in the current period, but significant and positive in the post-crisis period.

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