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THE INFLUENCE OF THE FINANCIAL AND ECONOMIC CRISIS ON RUSSIAN INDUSTRIAL ENTERPRISES

As a rule financial and economic crises exert a negative influence upon the potential of industrial enterprises: investments into process and product innovations are reduced or cut off, fixed capital is used up, scientific and technical reserves are exhausted, the most qualified and young workers resign, etc.

The current financial and economic crisis is global in character. It has affected the overwhelming majority of countries and regions. Since mid September, 2008 Russia has been experiencing the active phase of the economic crisis, the onset of which during this very historical period experts predicted in 2007 – the beginning of 2008.

While the crisis development, the greatest danger for an enterprise lies in the demolition of its potential (personnel, industrial, technological, scientific and technical), which is the primary factor of an enterprise activity and its business opportunities. Thus the managing conditions do not provide reproductive performance. Pro hac vice the resources can be obtained out of the enterprise activity (depreciation charges and profit) or loan proceeds. Though in a crisis situation both these sources of investment turn to be cut off.

At present the majority of Russian industrial enterprises functions in the unstable economic environment, get no profit, experience setback in production and are in critical situation or *on the edge of bankruptcy*.

According to ROSSTAT November, 2008 unlike November, 2007 registered a 8,7 % recession in industrial production. The manufacture of the following products has decreased to the utmost: tractors (fourfold), lorries, buses, machines for community facilities, finished metals, automobile tires (twofold), caoutchouc, chemical fibre, cement, steel pipes, wood processing and pulp and paper industry products (30 %).

Iron and steel and automobile branches found themselves in a most challenging situation. 19 December, 2008 Russian auto *concern AvtoVAZ* decided to reduce the production volume to 50 %. The very same day the main assembly line of “KAMAZ” was also stopped for not less than a month. 1 300 workers were dismissed from OJSC “Magnitogorsk Iron and Steel Works” (MMK), MMK sales decreased fourfold as of November, 2008 (if compared to the plan). Evraz Group declared more than 25 % reduction of the production volume and threefold decrease of the capital inputs since November, 2008 (if compared to the annual plan). “Severstal” announced the suspension of martin manufacture at Cherepovets steel plant ahead of schedule (four years in advance); the company has cut down the product output at the factories in Russia by 25 %, in North America and Europe – by 30 %.

The main range of problems and primary causes of the current trouble with many industrial enterprises depend upon:

- absence of demand on any product in the domestic and foreign markets, and its low competitiveness;
- the exhaustion of investment resources combined with the financial crisis, inflation, disruption of monetary circulation, costs of the tax operating system for commodity producers;
- the state does not fulfill its obligations on payment of orders for the needs;
- inefficient ways of institutional transformations which have caused the fragmentation of many indivisible manufacturing complexes, a not less than 20 % growth of transaction costs while redistribution and rise in product price;
- customs and currency barriers at the CIS countries borders which have destroyed their erstwhile common economic space, etc.

All this prevented the majority of enterprises from entering unregulated markets independently and efficiently and from starting a market mechanism of managing.