



## **Regional Socio-economic System of Krasnodar Territory: The Current State and Development Trends**

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### **ABSTRACT**

Control Strategy of socio-economic development of Krasnodar region - a system of government measures, based on the long-term priorities of the regional socio-economic policies that are in indissoluble unity, and the relationship with the national strategic priorities. However, in the Krasnodar region retained extensive, inefficient management and use of resources. In general, the existing methods and developed the governance structure of socio-economic development of Krasnodar region in many respects do not meet the changed conditions of its functioning, that it becomes an obstacle to its further successful development of more. Currently existing strategy of socio-economic development of Krasnodar region made its developers in the logic of the traditional strategic and scenario planning is not. Strategic management of socio-economic development of Krasnodar region must take into account the assessment of the degree of satisfaction of the population's needs in material goods and a variety of services compared with rational norms of consumption. Given prevailing in the society differentiation of living standards need to prioritize strategic management. Defining features of strategic management of development of the Krasnodar Territory is based on a study of it as a system and organization.

**Keywords:** Region, Socio-economic Systems, Development Trends, Strategic Priorities

**JEL Classifications:** G11, I28, R38

### **1. INTRODUCTION**

Krasnodar region is one of the regions of Russia, self-providing their current budget expenditures, while making a significant contribution to the federal budget. Krasnodar region occupies a leading position among the other regions in many positions, even though geographically-economic development in the Krasnodar region in recent years is unstable and largely corresponds to the deepening competition for resources, markets and investments. The dominant factors of development are: The seaside and transit location, the scope of Russian geostrategic priorities. In the Krasnodar region, along with agribusiness, fuel and energy complex, tourism and recreation industries are economic specialization.

The system of territorial competition Krasnodar region is the most successful in the market because of the presence of the winning sectors (agriculture, fuel and energy), the level of infrastructure (especially transport). Krasnodar region is the third population of the Russian Federation subject. Krasnodar region - the leader among the regions in terms of investment activity: It occupies the first place in the Southern Federal District and the fifth in Russia. The influx of investment required for infrastructure development, which requires highly skilled staff in virtually the entire spectrum of the priority directions of development of science and technology and critical technologies. In Krasnodar Territory, the degree of innovativeness of the economy remains low, new technologies introduce 20-25%, and the rights to patents and licenses acquired about 10% of enterprises (Pokhil'ko, 2009).

The human factor is the Krasnodar Territory one of the most important ways a break-through innovation. Management of innovative processes in the region objectively determines the identification of its priorities and intra-regional growth points, which is made possible through improved management of socio-economic development of the territory. This allows you to focus on management strategies as a specific microeconomic phenomenon, the need for its systematic research in the specific regional context, initiates a search of forms and management tools for synergistic territorial and economic growth. Let us dwell on scenarios of tourist-recreational complex of Krasnodar region. The global trends in the development of tourism and recreation confirm that the industry under certain conditions can become a driving force of the economy of Krasnodar region.

The World Tourism Organization predicts Russia's entry to the 2020 top ten most visited countries in the world. Management of social and economic development of the region's 243 tourist and recreational complex is a set of industries, ensuring production of tourist and recreational product, as a result of integration of the three groups of industries: Health resort, tourist and sightseeing, sports and recreation. In the Krasnodar Territory has 7 major resort areas, including recreational areas with the surrounding resort areas on the shores of the Azov-black Sea recreational pool, which is concentrated 94% of the tourism potential of the region. In the Krasnodar region a special economic zone (SEZ) of tourist-recreational type. Tourist and recreation zone is created in four areas of the black sea coast of Krasnodar region - in the cities of Anapa, Gelendzhik, Sochi and Tuapse region. Businessmen of the Olympic project and SEZ residents will receive tax benefits. For example, in the SEZ territory an investor in the first 5 years is exempt from property tax and vehicle tax, reduced rates of income tax and rent for the land, and so on.

In carrying out the study used the methods of factor analysis, statistical, economic and statistical classification and typing phenomena structuring purposes. Information base of research materials made Russian State Statistics Committee, the data of the Institute of Economics, Ural Branch of the Russian Academy of sciences, as well as laws, regulations and decisions of the executive and legislative authorities of the Russian Federation and control, materials of scientific-practical conferences on research issues.

## 2. DISCUSSIONS

The specificity of the SEZ as a form of business requires a multidimensional approach to assessing the effectiveness of the zones. Strategy of management by development of tourist and recreational complex involves the creation of conditions to meet the needs of the population in tourist and recreational services and the preservation of natural resources, ethnic and cultural, historical and architectural potential of Krasnodar Region. Managing the development of tourist and recreational complex can be defined as problem-oriented. Problem-oriented development of tourist and recreational complex of Krasnodar region is defined by the triad of socio-economic categories: The population's needs, resources and regulatory mechanisms.

The basic approach to the management of tourist and recreational complex of Krasnodar region is strategic. Strategic management process of tourist and recreational complex is limited to the formal strategic planning, i. development plans and development programs. The main disadvantages of the implementation of strategic programs is the lack of elaboration of strategic documents; lack of sufficient financial resources; staffing problems. World experience shows that to achieve success in introducing new management methods require the use of scientific management principles, is that to bring the subjective activity of people in line with the objective requirements of social development.

In recent years, the socio-economic situation in the Krasnodar region is dynamically changing for the better. Investment rating of Krasnodar region - 1A (estimate of the rating agency [Expert RA]). According to the rating agency "Expert RA" investment potential of Krasnodar region has a maximum potential and minimal risk. The fundamental principle of the formation programs of socio-economic development of the Krasnodar Territory is a systematic approach and the primacy of strategic, long-term development perspective. Along with that you need to consider scenarios of development of the region in a variety of models: Inertial, optimistic and pessimistic.

Thus, the Krasnodar region has made its choice in favor of the transition to high-tech development path to a knowledge-based economy. This strategic maneuver requires the active participation and regional authorities and businesses in the process of formation of a modern and efficient innovation system, which is designed to ensure competitiveness, improving living standards and increasing human capital. Therefore, the regional administration is necessary to reveal promising technological areas that could form the basis for long-term innovation policy development of the Krasnodar Territory. Their identification and selection should be based on an assessment of the socio-economic impact of new technologies and the assessment of resource and technological capabilities for the implementation of selected areas to enhance the competitiveness of the Krasnodar Territory in the Russian and global markets.

To significantly improve the competitiveness of large-scale investments in addition to the regional economy in the world markets must be timely identification of technological opportunities and threats and determining priorities, and then supporting potential growth points of new efficient technologies. Globalized economy and changing paradigms of social and technological development pose new challenges to the Krasnodar Territory. In order to stay ahead of economic and geopolitical competition administration of Krasnodar region must actively use the "old" resources, but also pay attention to new technology projects, coming to the forefront in the struggle for human capital by expanding human resources technology.

In conditions of high uncertainty and rapid changes in the environment develop a strategy for managing the socio-economic development of Krasnodar region with reliance on only a probabilistic forecast is too risky. The world is changing permanently, jumps, sudden changes, events that are simply

impossible to predict. There are many possible futures in an uncertain environment. The basic meaning of Scenario Modeling Prospects of Development of Socio-economic System of the Krasnodar Territory is designing, creating various “stories,” different and equally plausible future development options that are well structured and logical. As a result of management strategy it ceases to be a tough up and acquires the necessary flexibility to ensure that the socio-economic system of the edge to be successful in various development options of the future.

Major trends in the socio-economic regional system of Krasnodar region can be for the period 2012-2015. It can be described as follows: In the first 9 months of 2015 the region’s economy continues to show decline, but with the slowdown in the fall in comparison with the dynamics of the first half of this year. In most sectors there is improvement of the macroeconomic situation, including through the implementation of an action plan to promote economic growth and social stability in the region.

First of all, it relates to agriculture, where the growth rate increased to 105.7% in January-June this year to 106.2% in January-September. This is due to the growth of most crop yields and increased production of all types of livestock products.

Improving the economic situation occurred in the sectors of the consumer market and communication. Growth in the sphere of paid services to the population increased from 107.5% to 107.9%, public catering - from 101.9% to 103.0%, in the tourism industry - from 103.7% to 104%, in the sector “link” - from 100.1% to 102.7%. But this positive trend has slowed somewhat in the retail trade (100.3% vs. 101.7% in the I half-year).

In industry, in transport and wholesale trade improved dynamics resulted in the reduction of the depth of the fall of indices.

The industrial production index was 99.7% versus 98.5% in the half year. This was due to the increase in growth in the chemical industry, textile and clothing industry, wood processing, as well as slowing down the negative dynamics in mechanical engineering, pulp and paper industry, production of rubber and plastic products.

The same situation is typical for the transport sector, where the drop in the volume of services in January-September amounted to 0.7% against 1.1%. I half of this year. Improved dynamics of automotive services, rail, water and air transport.

Unfortunately, while keeping a significant drop in the volume of construction works - 30% (in the first half I - about 19%). This is due not only to the completion of construction of Olympic facilities, but also a general decline in investment activity due to heightened economic uncertainty, a significant increase in the cost of credit in the country and limiting borrowing in foreign banks.

At the same time, a sign of stabilization is a substantial increase in financial performance of the organizations of the region - as of September 1, 2015 the balanced profit (profit minus loss) amounted to 108.7 billion rubles, which is almost 2 times higher than in 2014.

A positive fact is the fact that over the past 5 months, the inflationary pressure on the economy gradually reduced - about 0.2% points monthly. The consumer price index in annual terms amounted to 116% compared to 117.1% in January-April.

The weakening of the ruble, the growth in consumer prices and the slowdown in economic activity had a negative impact on the living standards of the population, as the country and the region.

At the same time the negative dynamics of real disposable income of the population has slowed slightly - to 98.8% in the I half of this year to 99.1% in the first 9 months. Per capita income of the population amounted to 30.7 thousand. Rubles per month.

Gradually increasing the pace of nominal wage growth - from 102.2% in January-June to 103.0% in January-September. On the background of slowing inflation, real wages in the same period last year changed from 87.6% to 88.8%. The average wage in the region - 26.1 thousand rubles.

Fairly stable situation on the labor market. Number of unemployed registered with the employment service at the end of September 2015, has 16.7 thousand. People. This is by 5.9% <3 months ago, but 9.9% more than in September last year.

The level of registered unemployment, as a year ago, is preserved at the level of 0.6% of the economically active population (Monitoring the Socio-economic Development of the Krasnodar Territory, 2015).

On the territory of the region implemented about 20 federal target programs with total funding of more than 20.5 billion rubles, including from the federal budget - 13.3 billion Rub.

A significant contribution to the edge of the country’s gross domestic product (GDP), and in the formation of the federal budget is provided by the progressive development of the real economy, growth of business activity and the influx of skilled workers. This is evidenced by the high values not only macroeconomic indicators of development of agriculture, tourism and recreation and transport complex of the region, but also of many other regional development indicators.

Edge takes tenth place in the country in the number of experts, issued by higher education institutions, and the fourth - the number of experts issued secondary special educational institutions. Consequently, in the region there is a strong potential for advancing development, which determines the growth opportunities of its contribution to the realization of the objectives of the government of the Russian Federation (Strategy of Socio-economic Development of the Krasnodar Territory Until, 2020).

The basis of the productive forces of the Krasnodar Territory constitute the industrial, construction, fuel and energy complexes, the area of information and communication technologies, as well as agriculture, transport, resort and recreational and tourist sectors.

The last three lines of activity (agriculture, transport, health resorts and tourist sectors) correspond to the priorities of socio-economic development of Russia and determine the special status of the Krasnodar Territory in the economy (The Official Website of the Ministry of Economy of Krasnodar Region Development).

The dynamic development of the agro-industrial complex (hereinafter - AIC) of Krasnodar Region provides the country's food security:

- Region possesses the richest resources of agricultural land, including black earth, covering an area of 4.805 million hectares (more than 4% of Russian and about 2% of the world's reserves);
- Region ranks first among the subjects of the Russian Federation in terms of production of grain, sugar beet, fruits and berries, the second - for the production of sunflower seeds and honey;
- Region is the second largest egg production of the Russian Federation, cattle meat and poultry (live weight), third place - for the production of milk.

The transport complex provides the implementation of foreign policy and economic interests of Russia in the area of the Black Sea and the Mediterranean economic cooperation, makes a significant contribution to improving the "connectedness" of the country.

Seaports edges provide direct access through the Azov and black sea in the international foreign trade routes and recycle over 35% of Russian foreign trade and transit cargoes of Russian sea ports serving about a third of Russian oil exports.

In the province are the most important railway routes of federal importance, which are oriented towards the edge of the sea international ports and resorts of the Black and Azov Seas.

Pipeline transportation is represented by international oil pipeline "Tengiz - Novorossiysk" and gas pipeline "Russia - Turkey" ("blue stream").

Air transport of Krasnodar Region is represented by four airports, two of which are international (Krasnodar, Sochi).

Unique for Russian natural and climatic conditions of the region, the availability of advanced medical facilities and technology, historical sites create the potential for the development of high-performance, competitive tourist and recreational complex of international level, forming a positive image of the country in the international arena and providing the growing population's need for services related to recreation, treatment and tourism:

- Climate in the region - one of the most favorable in Russia for living and human activity. Krasnodar region - the warmest region of Russia, the average length of time in the daytime on the territory of the region there is sunny weather, is 2300 h a year;
- Thanks to a combination of favorable climatic conditions and availability of mineral waters and curative mud Krasnodar region is the most popular resort and tourist regions of Russia

and in fact the only one in Russia seaside balneology and resort and recreational center;

- In the period of maximum daily capacity deployment resorts edge reaches 450-480 thousand people;
- The potential of health resort and tourist complex of the region is realized through the establishment in the province a SEZ of tourist-recreational type.

The corresponding status of Krasnodar region in the Russian Federation is determined by its contribution to GDP and the formation of the federal budget, as well as high values of a number of other regional development indicators.

Krasnodar region takes tenth place among the subjects of the Russian Federation in terms of the gross regional product and plays an important role in the economy (Table 1).

Thus, for the sustainable development of socio-economic Krasnodar Territory system is necessary to form a network management system that will limit the effects of negative processes, enhance resource area possible, include it in intra- and inter-state division of labor (Figure 1).

Along with the spatial components of the strategic development of Russian regions, caused by the historical, natural, social and cultural and other development factors, it is necessary to appropriate the defects of economic policy of the Russian state, which may limit the solution of regional development strategies, and the ways and measures that will counteract their negative influence (Alekhine, 2007):

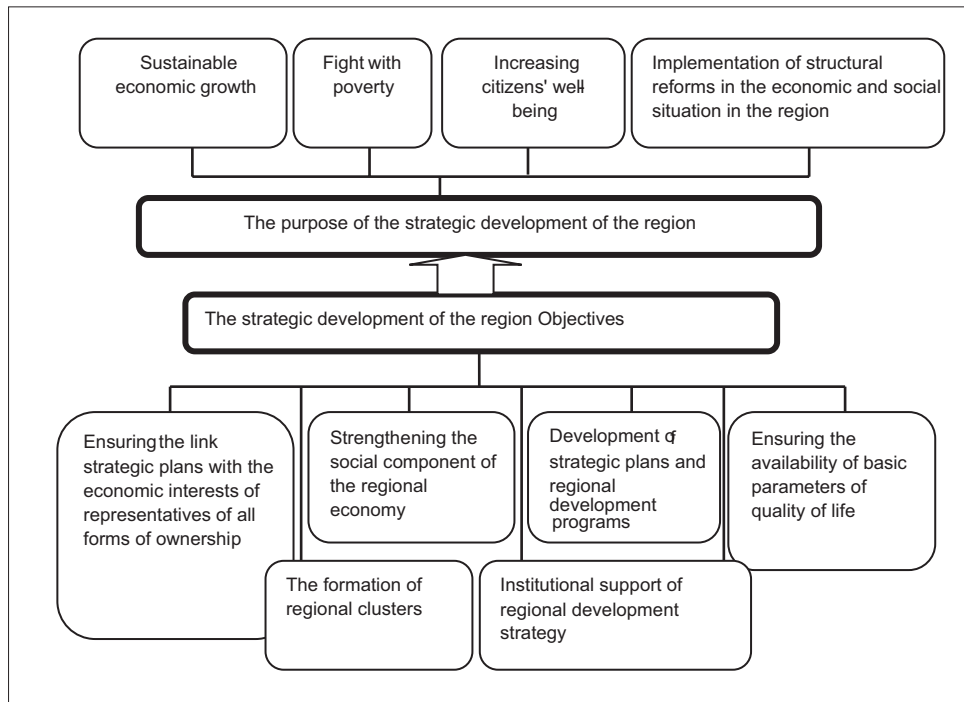
- Firstly, it is necessary to suspend the state escape from the sphere of economic governance in the country, and in the regions where it still retains 20% of the spheres of influence, and to consider a regional power not as a political institution, but as an economic organization.
- Second, the investment gap strategy - an investment for the rejuvenation of the fact that the investment necessary to create clusters.
- Thirdly, with regard to the reforms, the volume of investments fell to 5 times, the revision of their quality needs, major part should go to the innovation, but not in the "anti-investments" going to increase production, which will be obsolete soon.
- Fourth, there must be a sharp increase in economic sectors that are vital for the development of the Krasnodar Territory.
- Fifth, the local authorities must change the attitude of the resources to be sent directly into the economy, and to give safeguarded.
- Sixth, change the personnel policy in the Krasnodar region, and in particular the relationship between high school and academia.
- Seventh, regularly giving people full information about what is happening in our country and the regions, making them allies of reform, but not the hot opponents.

The proposed system will allow the measures to improve the economic situation and the institutional environment in which Russian regions solve socio-economic problems of the strategic and tactical.

**Table 1: Contribution of the most economically developed regions in GRP Russia (The Official Website of the Ministry of Economy of Krasnodar Region Development)**

Subject Russian Federation	The volume of gross regional product in 2015, mln. rubles	The share of the subject in the GRP Russian Federation in 2015, %	A place in 2015
Moscow city	4,005,883.0	22.25	1
Tyumen region	2,224,295.7	12.36	2
Moscow region	704,390.1	3.91	3
St. Petersburg city	667,905.4	3.71	4
Republic of Tatarstan	488,609.1	2.71	5
Sverdlovsk region	481,690.4	2.68	6
Krasnoyarsk region	441,886.3	2.45	7
Samara region	402,308.6	2.24	8
Republic of Bashkortostan	381,431.0	2.12	9
Krasnodar region	371,177.5	2.06	10
Chelyabinsk region	350,341.8	1.95	11

**Figure 1: Purpose and objectives of the strategic development of the Krasnodar Territory**



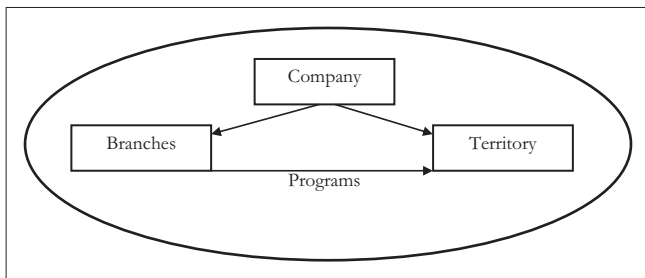
The problem of increasing the scale of regional reproduction - growth - takes one of the first steps in the hierarchy of the regional problems (Bokov et al., 2011). The study of different approaches and economic growth theories is necessary to allocate five classical groups of economic resources, which makes it possible to increase the production of natural resources, the quantity and quality of work power, capital flow, technological progress, the economy caused by the production weights. These factors cause two types of growth: The main intensive and extensive manner.

Total all possible points of economic growth we are allocating into four components: The territory (such as the country’s creation in general and the region in it), offices (more perspective and less expensive for concrete areas), companies (major for offices or simply continuing operation), the program (aimed at economic stabilization). The relationship between these groups can be reflected by the following scheme (Figure 2.)

The advantages of the regional economy are realized through the structural and regional policy, adherence to the production structure of resource allocation structure. The theory of territorial and industrial complexes, and the theory of groups aimed at achieving such compliance. Since identical regions do not exist, and therefore there is also no definitive recommendations on the application of a theory, the best possible to consider a combination thereof, which is based on the identification of the economic potential of the region, resource security and relations between branches for the distribution of priority development units (points of economic growth (Balabanov, 2013).

### 3. CONCLUSIONS

The structure of the industrial complex of the regional economic system of Krasnodar region must be built so that between the elements were built a stable relationship. Best mode when all sectors in the activities interact with each other. It gives the

**Figure 2:** Interconnection points of economic growth

chance to transfer the development of the economic potential of a competitive industry so far that have not yet reached this level.

Account and solutions to these problems will significantly improve the socio-economic situation of the taxonomic units in the region, cities and regions, and, consequently, the Krasnodar Territory in general.

Thus, the main objectives of a comprehensive program of socio-economic system of the Krasnodar Territory are the following:

- Creating the conditions for accelerating the development of manufacturing in the most promising industrial enterprises of Krasnodar Region;
- Carrying out structural and institutional restructuring of the industrial sector;
- Improving the efficiency of industrial enterprises on the basis of technical and technological re-equipment of production, the restructuring of assets and property and land complex, the stabilization of the financial and economic condition;
- Increasing the investment attractiveness of Krasnodar region, the creation of a mechanism of guarantees for investors, reducing the risk of investment projects of regional enterprises;
- Formation of stable markets for enterprises in the region;
- Reduction of the hidden and open unemployment in the region

and increase revenues, and on this basis, and tax revenues, and others (Ustia, 2014).

Achieving points will ensure the sustainable development of regional social and economic system of the Krasnodar region, which will undoubtedly have a positive impact on the national economic system as a whole.

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