

Economic Security of Economic Entities in Crises

Olga Chepik^{1,*}, Elena Mishanova¹, Galina Kalinina¹, Alla Gracheva¹

¹ Academy of the FRIS of Russia, Russia

*Email: ovchepik@yandex.ru

ABSTRACT

The study examines a set of measures that affect the level of economic security of the country as a whole, individual regions and companies. Current economic conditions determine the state of the economy, which is determined from a position of macroeconomic control of the state over the use of national resources to protect the economic interests of the country at national and international levels, from the perspective of microeconomics – resource utilisation to ensure stable operation of the company. The purpose of the study is to identify the features of the functioning of economic entities in current economic conditions of management and substantiate ways to improve their economic security. In the course of the study, methods of comparison, induction, deduction, observation, and descriptive were used. The results of the study were the substantiation of the synthesis of factors of external and internal threats to the economic security of economic entity; determination of the role of the information field and its organisation in the accumulation of relevant information to take measures to ensure a stable financial condition and long-term development, as well as a systematisation of measures of state support for business in the context of the 2020 corona-crisis.

Keywords: *Economic security, Threats, Risks, Measures to support small and medium-sized businesses.*

1. INTRODUCTION

In modern economical literature, the problems associated with ensuring the economic security of an individual economic entity are not thoroughly studied. At the same time, it should be noted that the economic security of an economic entity is primarily predetermined by the existing economic security of a particular region and the state as a whole. The stable economic situation within the region and the country as a whole and the practical absence of external threats can positively influence the economic security of an individual economic entity. Consequently, the whole set of measures that affect the economic security level of the country in general, individual regions and companies are closely inter-related. In this regard, the terminology and indicators of economic security should be uniform and logically linked at all levels: federal, regional and economic entity level.

2. DISCUSSION

In the economic literature, the authors in determining the economic security of the company emphasised

protection from external and internal threats, i.e. the ability of the organisation to ensure its stability, independence, sustainability and effective satisfaction of needs. L.I. Abalkin, E.M. Buchwald hold this point of view. [2,3]. Other authors, including S.Yu. Glazyeva, E.A. Oleynikova, define economic security in terms of protecting their vital interests. [4,10]. According to M.M. Kalashnikov, L.P. Goncharenko and others, the economic security of a company is the state of the most effective use of corporate resources to prevent threats and ensure the stable functioning of the company at present and in the future [8,5]. At the same time, all authors agree that at present, each company should work to ensure economic security to protect the interests of the company from both external and internal threats in its sustainable development.

Jang Yong defines the country's security as the preservation of independence, ensured by the national development and the growth of population standards [7]. C. Murdoch clarifies that changes in income and wealth accompany the threat to security; it is reflected in the level of employment, inflation, market access, etc., which ultimately affects economic sovereignty [9]. In cases of

significant changes in external conditions to the negative side in the context of natural disasters, war, pandemics and other force majeure circumstances, the company finds itself in a difficult economic situation, to protect itself from which it is practically impossible without the support from outside the state. According to BBC NEWS Russian service, since the beginning of the pandemic, the authorities of different states have allocated huge sums of money to fight it and support various sectors of the economy (figure 1).

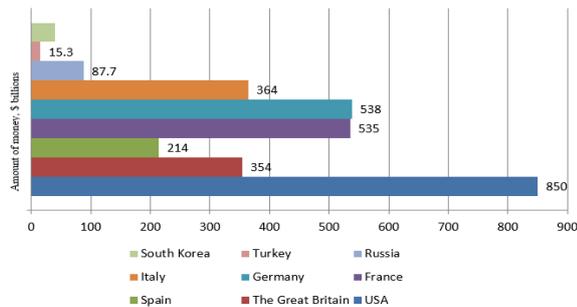


Figure 1 Amount of money allocated by countries to support the economy during the 2019-2020 pandemic (Retrieved from: <https://news.ru/>).

The internal business conditions of the company, related to the organisational structure, management, information security, finances, personnel, directly depend on the company, are entirely determined and controlled by it. However, to ensure the regular and effective functioning of the company, it is necessary to monitor the external environment and interact with it.

To develop a system for ensuring the economic security of a company, necessary to determine the position that the company adheres to overcoming threats or ensuring security. The choice of position determines the further direction of actions for the formation of economic security. In the first case, all attention is focused on the threat determining, its danger to the company, developing actions to protect against it. This is a condition for protecting the whole company and a separate element, the structure of the company.

In the second case, attention is focused on the facts of the financial and economic activities of the company to ensure normal functioning and reduce the likelihood of not achieving the goal of its activities. Thus, this is a sufficient condition for the safety of the company to achieve its goal of the activity. Within the framework of the company's activities, a successful combination of these approaches is possible. At the same time, it should be remembered that each of them requires its methods of achieving economic security.

Achieving a high level of economic security of an economic entity is impossible without a stable state of its solvency. An organisation that is not able to fully meet its obligations becomes mostly dependent. That is why the activities carried out in the organisation to achieve a

high level of solvency occupy an important place in ensuring and maintaining the proper level of economic security. Crisis periods of economic development represent the greatest danger of the destructive effect of several factors on the production, technological and human resources potential of the organisation. Such factors include a poor regulatory framework, shortage of qualified personnel, significant wear of production equipment, shortage of working capital, tight monetary and fiscal policies of the state, insolvency of partners, and several others.

According to its content, several types of threats to the economic security of an economic entity should be noted: catastrophic, informational, competitive and organisational. Thus, based on the correspondence of actual and normative values of technical and economic parameters and magnitude of deviations from the threshold values of economic security organisation may be: normal, when the indicators of economic security are within thresholds; pre-crisis, when the values of at least one of the indicators of economic security threshold, while others approached the barrier values crisis, when there are excess barrier values most significant indicators of economic security; critical when violated almost all the threshold values of economic safety of an economic entity.

The main functional components of the economic security of the organisation can be represented by financial, political and legal, technical and technological, information, environmental and power. At the same time, the financial component is characterised by the rational use of fixed and working capital, the capital of the organisation, the optimal exchange rate of securities on the stock exchange. The technical and technological component is characterised by the compliance of the technologies used in the organisation with international standards, their competitiveness and the possibility of further improvement. The political and legal component is related to the compliance of both the organisation and its employees with the necessary legal requirements. In the modern world, the information component of the economic security of an economic entity is critical. At the same time, information and analytical support of the organisation's activities require specific operations related to the prediction of potential threats, the collection of official information, its elaboration and sorting, as well as measures to prevent unauthorised access to information. Recently, the requirements for the environmental component have been tightened in terms of cost optimisation for compliance with environmental standards for technologies and products, minimising the cost of fines for violating environmental legislation.

The creation of a system for monitoring the state and dynamics of development of organisations contributes to the early warning of danger and the adoption of necessary measures for protection and counteraction. Monitoring

should be the result of the interaction of all interested services of the company. When monitoring must be a principle of continuous monitoring of the condition of the monitored object based on the current condition and trends in the development of its potential, and General economic development, the political situation and the actions of other system-wide factors.

3. RESULTS

The economic realities of the existence of the country's economy since 2014 in the context of severe economic sanctions have led to a new approach to the definition of economic security. In the current crisis conditions, economic entities had to not only continue their activities, providing various sectors of the economy with the necessary, but also quickly rebuild, be able to resist the current situation quickly. A new regulatory act was developed and adopted – Decree of the President of the Russian Federation, May 13, 2017, No. 208 "On the Strategy of Economic Security of the Russian Federation for the period up to 2030" (hereinafter - the Strategy), which comprehensively reveals the threats to Russia's economic security for near-term and the conditions for ensuring economic security [1].

Conditions for ensuring economic security are the implementation of a set of political, organisational, socio-economic, informational, legal and other measures aimed at countering and eliminating threats.

As the main directions of ensuring economic security provided by the Strategy, there are two main ones: reducing the risks of doing business associated with the possibility of using formal reasons for stopping it or unjustified selective decisions regarding business entities; developing and taking measures for social protection of various segments of the population [11].

The timely adoption of the document was confirmed by the measures taken by the Government since March 2020. This is confirmed by unprecedented measures to support small and medium-sized businesses, city-forming and system-forming companies, as well as social support for various segments of the population since the introduction of restrictive measures due to the spread of coronavirus infection in March 2020.

Scientific studies conducted by NAFI experts show that almost half of the respondents are pessimistic about the prospects for normalisation of the situation in their industry, believing that the situation will normalise no earlier than in a year. About 31% believe that the situation can return to normal only in a few months. At the same time, entrepreneurs call first of all to postpone the payment of taxes or cancel them, to provide subsidies or financial support from the state, to introduce rental and credit holidays, issue interest-free loans to support business, as well as reduce or cancel mandatory contributions to the Social Insurance Fund [12].

At the same time, in these areas of business, it was most necessary to restructure such business processes as personnel management; marketing; planning; online sales and several others.

Support from the state was received by specific industries that are significantly dependent on consumer demand:

- to support airlines affected by the cancellation of flights due to coronavirus – more than 23 billion rubles.;
- for the development of domestic tourism – 15 billion rubles;
- subsidies to tour operators – 3.5 billion rubles;
- the program to stimulate demand in the automotive industry – 25 billion rubles;
- for the purchase of aircraft and helicopters for air ambulance – 15 billion rubles;
- for the program of subsidising loans to developers – 12 billion rubles.

Active measures to support citizens and businesses, primarily small and medium-sized businesses, provide not only confidence in the future, but also political stability. The receipt of significant support measures from the state in developed European countries at the initial stage of the crisis in march 2020 ensured the livelihoods of companies and the population. As the main directions of state support, the EU countries apply an increase in the amount of loans and deferred payment of interest, direct subsidies to small businesses, a ban on the termination of lease agreements [6].

In Russia, business operations economic security and the reduction of threats to its liquidation, a significant reduction in jobs, in 2020 is ensured through the application of the following measures:

- state aid;
- concessional lending,
- instalments and deferred tax payments;
- instalment payment of debts when filing a claim until October 1, 2020;
- prolongation of planned and audit audits;
- automatic renewal of 15 types of licenses;
- reduction of insurance premium rates;
- extension of the terms of payment of administrative fines from 60 to 180 days for small and medium-sized businesses, except for fines for violation of traffic rules and trade in alcoholic beverages;
- increase in advances on government contracts;
- extension of the lease of state or municipal real estate.

Pivotal measures to ensure the economic security of companys in 2020 are taken if business entities meet several conditions:

1. legal entities and individual entrepreneurs are included in the Register of Small and Medium-sized Businesses as of 01.03.2020;

2. the activities of these entities belong to the sectors most affected by the coronavirus. The sectors list was approved by the Decree of the Government of the Russian Federation No. 434 of 03.04.2020.

Particular attention should be paid to the economic security of various categories of citizens in crises. Protection of the labour population in current difficult conditions is ensured by the preservation of jobs, the prevention of staff reduction by more than 10%, the provision of loans for up to 6 months at a 0% rate for the payment of the wages.

Suppose you lose your job after March 1, 2020, as a result of the closure of companies due to coronavirus. In that case, you can remotely register as an unemployed person, pass free retraining programs, receive unemployment benefits from 4,500 rubles to a maximum of 12,130 rubles with an extension of payments for 3 months, payments of 3,000 rubles for each child. Measures are being implemented to support families with children through lump-sum payments, extending the terms of payment of benefits, changing the method of calculating family income when assigning social support, the possibility of disposing of maternity capital using electronic services, doubling the minimum child care allowance to 1.5 years.

4. CONCLUSION

To ensure the economic security of economic entity, a generic method to confront the threats do not exist and require the development of a comprehensive approach, including the definition of security, identifying security threats, developing threat protection, the formation of a security with a comprehensive approach to security management.

In turn, an integrated approach to the system of ensuring the economic security of the company requires the formation of a multi-level structure with a comprehensive assessment of economic security at each level of company management. The average level allows you to assess the security of system objects that are previously grouped based on external economic threats. At the lower level, a set of measures should be formed to ensure the security of objects and structures of the company.

The personal contribution of the authors lies in the synthesis of factors of external and internal threats of economic safety of an economic entity, the role definition information field and its organisations to collect relevant information to adopt measures for the sustainable financial state and future development and systematisation of measures of the state support of business in terms of 2020 corona-crisis.

The study does not take into account all risk factors and only confirms one of the most critical trends in the

system of economic security – the need for a comprehensive assessment of the level of economic security and generalisation of support measures taking into account existing threats and risks.

REFERENCES

- [1] On the Strategy of Economic Security of the Russian Federation for the Period up to 2030: Resolution of the President of the Russian Federation: [dated May 13, 2017. No. 208-FZ], Collected Legislation Ros. Federation, Iss. 20, 2017, Art. 2902. Retrieved from: <http://www.szrf.ru/szrf/oglavlenie.phtml?md=0&nb=100>
- [2] L. Abalkin, Economic security of Russia: threats and their reflection [Text], L. Abalkin, Economic Issues, Iss. 12, 2017.
- [3] E.M. Buchwald The system of concepts of economic security: the regional level [Text], EM Buchwald, Economic security Vol. 3 Iss. 3 (2020) 63-78.
- [4] S.Yu. Glazyev, Creation of a system for ensuring economic security and management of the development of Russia [Text], S.Yu. Glazyev, Management and business administration 4 (2015) 12-16.
- [5] L.P. Goncharenko, MANAGEMENT OF NATIONAL ENERGY CORPORATIONS AS A PART OF RUSSIAN ECONOMIC SAFETY [Text], L.P. Goncharenko, S.A. Sybachin, I.V. Frolova, Journal of Economic Regulation Vol. 10 Iss. 4 (2019) 54-64.
- [6] A.A. Gracheva, Audit in the field of economic security of companys [Text], A.A. Gracheva, E.V. Mishanova, L.S. Petrushkina, Financial Economics 9 (2020) 31-33.
- [7] Jiang, Yong Economic Security: Redressing Imbalance. [Text], China Security, Vol. 3, Iss. 2, 2008.
- [8] M.M. Kalashnikov, The state and strengthening of the country's economic security [Text], M.M. Kalashnikov, Economics and Entrepreneurship 3(104) (2019) 252-256.
- [9] C. Murdoch, Economics issues & national security Lawrence, 2012.
- [10] Oleinikov, E.L. Fundamentals of Economic Security (State, Region, Company, Personality) [Text], Ed. E.L. Oleinikov, M.: Intel-Sintez, 1997., 138 p.

- [11] O. Chepik, Small business development strategy in the changing conditions of taxation: Monograph [Text], O.V. Chepik, S.G. Chepik, Kursk: Publishing house of JSC "University Book", 2019, 143 p.
- [12] Retrieved from:
https://nafi.ru/upload/SP_Business%20and%20coronavirus_P1.pdf