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ENHANCING THE FINANCIAL SECURITY FRAMEWORK UNDER SANCTIONS AS A KEY ELEMENT OF SUSTAINABLE DEVELOPMENT

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Umarova Nargiza Kholdarovna
Senior Lecturer at Tashkent State University of Economics
Email address: Nargiza128.nu@gmail.com

Abstract.

This article explores the theoretical and methodological aspects of financial and food security, focusing on their interconnection with sustainable development and their evaluation across Russian regions. It highlights the significant impact of the global financial crisis and economic sanctions on national and regional security levels in Russia. These adverse effects are expected to hinder both environmental protection efforts and the development of the agricultural sector, posing challenges to sustainable development goals. The article identifies key barriers to advancing domestic agricultural production, with a particular emphasis on financial constraints. The findings suggest growing attention and support for the agricultural sector, despite persistent financial difficulties. Additionally, the article underscores the practical limitations of achieving regional financial autonomy from the central government, which complicates the assessment of regional financial security. It also emphasizes the close relationship between food security and regional financial independence.

Keywords

Import substitution, food security, financial security, gross regional product (GRP), regional economy, agricultural lending, sanctions, banking system, economic adaptation, inter-budgetary relations

1. Introduction

The effects of sanctions on the Russian economy have been extensively analyzed by various institutions and researchers. However, their assessments of the damage inflicted on Russia and the sanctioning countries differ considerably [1, 2, 3]. According to several experts, these sanctions have revealed the Russian economy's notable vulnerability to external pressures [4, 5]. Nonetheless, it is important to recognize that many of Russia's economic difficulties are rooted in internal structural issues. Currently, the traditional raw material and export-oriented model of economic development is being dismantled, giving way to the emergence of a new developmental framework [6]. Within this transition, import substitution has taken on a pivotal role across all sectors, designated as a strategic priority for the coming years. This policy has yielded some measurable outcomes.

Among all sectors, agriculture has shown the most significant improvements and positive dynamics. However, the beneficial effects of Russia's economic countermeasures, such as the embargo, should not be overestimated. Researchers point out that the impact of the embargo has been somewhat obscured by the depreciation of the ruble and the sharp decline in household incomes, which in turn reduced demand for costly imported goods. Adaptation has been particularly pronounced in regions with undiversified economies, where industrial and extractive sectors dominate. A critical factor in stimulating domestic production is ensuring adequate financial investment, both in the creation of new agricultural facilities and the modernization of existing ones.

This shift introduces challenges not only related to financing, resources, and investments but also to maintaining the financial sustainability of individual regions within the Russian Federation. Today, budget deficits have become a persistent issue for the majority of Russian regions. Investigating regional financial security within the context of agricultural import substitution represents a relevant scientific task. It has practical implications for developing a system to monitor food security, examining the financial components of economic resilience, creating a management model, and identifying the prospects for sustainable economic development [7, 8, 9]. The question of what level of financial and food security should be deemed sufficient remains unresolved.

2. Materials and Methods

This study adopts a dialectical approach to examining economic processes and phenomena. The focus is the Kemerovo region, an industrial area representative of the broader characteristics of the Russian economy during the crisis and post-crisis period. The research centers on two key aspects: financial security and food security as integral components of the region's economic sustainability.

The timeframe of the analysis spans from 2013 to 2017—a period marked by heightened relevance of financial and food security issues amidst the global economic crisis. This interval was selected due to its clarity in revealing the intensified vulnerabilities in regional economies, allowing for a detailed examination of cause-and-effect relationships. Accordingly, historical and evolutionary methods were employed to trace these developments, aligning with the dialectical approach that emphasizes the dynamic and progressive nature of economic systems.

At the theoretical level, methods such as abstraction, analysis, and synthesis were utilized to explore economic phenomena in their systemic interconnections.

These methods allowed the identification of critical features while preserving the holistic accuracy of the investigation. A systems-based perspective facilitated the transition from assessing food security to evaluating financial security, based on the premise that food security challenges are inherently linked to financial factors.

To study the interplay between food and financial security, the research incorporated statistical and econometric tools. These methods enabled the quantification and formalization of observed trends, placing them within a unified analytical framework. The method of progressing from abstract to concrete concepts was used to uncover deeper-level relationships, particularly how food security correlates with other socio-economic variables—either directly or indirectly.

The evaluation of regional financial security was grounded in the application of indicative analysis. However, a key limitation lies in the discrepancy between current conditions and the contexts for which traditional assessment methodologies were originally developed. One methodological challenge is the ambiguous definition of the financial foundation of regional security. The financial system of a region includes diverse components such as banks and credit organizations, some of which operate beyond regional boundaries. This interconnection with national-level systems often undermines the conceptual integrity of a regionally localized financial framework. Consequently, financial flows tend to transcend regional confines, complicating their assessment.

Similarly, food security—typically associated with the development of local agricultural production—is frequently supported by financial resources originating from outside the region. These may include federal or interregional funding sources. As such, the regional model of food security is often underpinned by external financial inputs, adding complexity to the interpretation of both financial and food security at the regional level.

3. Results and Discussion

Despite ongoing economic instability, efforts to explore new avenues for business development within the Russian banking sector have continued. Particular attention has been given to the agro-industrial complex, which has demonstrated strong adaptability in adjusting to new economic realities and supporting the implementation of import substitution policies. Agricultural financing—especially through loans—has proven to be a critical component of this policy, aimed at reducing the nation's reliance on imported food and thereby strengthening national food security. Import substitution, when strategically integrated with domestic production support, export growth, and the promotion of market competition, has the potential to diversify the economy, enhance product quality, and stabilize prices.

An analysis of import substitution outcomes in the Kemerovo region—a primarily industrial area—reveals that the region has successfully transitioned to a stable growth trajectory with respect to both food and economic security. Though not traditionally classified as an agricultural region, Kemerovo now meets its own demand for vegetables, poultry, meat, and eggs. However, the region's development of an independent agro-industrial base faces persistent obstacles common across Russia: aging infrastructure, low investment levels, and a shortage of financially robust borrowers.

Assessments of the region's financial security reveal a crisis-like situation. The applied indicators fail to fully capture the complexity and scope of the region's financial and economic challenges. A nuanced classification and evaluation of threats and risks is necessary. In crisis conditions, economic systems often shift their focus from growth to survival, underscoring the limitations of current safety assessment metrics. The need for revised methodologies that incorporate emerging economic conditions and variables is evident.

Most financial security indicators are expressed in relation to gross regional product (GRP), making it a practical and insightful metric for understanding how various economic trends influence regional development. However, the financial systems of Russian regions often extend beyond administrative and geographic borders. This limits the clarity and localization of financial flow analysis and complicates the assessment of how banking and financial systems impact regional import substitution projects.

Furthermore, many Russian regions lack a fully localized banking system and remain heavily dependent on the federal center due to complex inter-budgetary arrangements. This creates methodological challenges in assessing financial security, especially when financing of local agricultural production is often sourced from federal or external regional funds. As a result, the concept of regional food security—closely tied to agricultural self-sufficiency—becomes increasingly reliant on non-local financial support.

The study also examined the relationship between food security and GRP by analyzing production and consumption data. Factors considered in the analysis included: financial performance of organizations, consolidated regional budget expenditures, overdue liabilities, accounts payable by businesses, personal and corporate loans, and external funding flows. Correlation analysis revealed a strong and consistent relationship between GRP and both individual loans and organizational accounts payable. The latter highlights the increasing reliance on delayed payments, reflecting the strained financial positions of borrowers. Notably, between 2014 and 2016, the proportion of overdue loans to organizations rose significantly, adversely affecting both banking institutions and regional budgets, ultimately undermining financial stability.

In light of limited access to long-term and affordable international credit, Russia's import substitution initiatives demand substantial domestic investment. Yet, the ongoing contraction of the banking sector and declining borrower creditworthiness have restricted credit availability. Despite liquidity surpluses, banks remain cautious in lending, especially as profitability decreases.

Nevertheless, under state-supported agricultural lending programs, banks have begun to target small and medium enterprises, fostering domestic production and supporting the goals of import substitution. Though initial outcomes have been achieved—largely as breakthrough developments in specific sectors—the broader economic impact remains limited. For example, in 2015, agriculture grew by 3.1% compared to 2014, while its share in GDP remained at 3.5%, similar to figures from 2011 and 2014.

Assessing food security at the regional level poses unique challenges. Russia's vast geography and diverse economic structures have historically influenced the distribution of productive capacity. Factors such as labor availability, technological capacity, proximity to economic centers, financial resources, socio-economic conditions, and defense priorities have shaped regional specialization, meaning agriculture is not the dominant sector in many areas.

Currently, food and financial security monitoring systems do not adequately reflect these regional distinctions. While the methodologies employed are universal, a single standardized approach fails to account for regional disparities. As a result, security assessments may underestimate a region's actual capabilities or constraints. This raises the fundamental question of whether it is realistic or necessary for each region to achieve complete food self-sufficiency—especially those with a strong industrial base and a historic focus on energy exports. Overgeneralization may reduce the accuracy and reliability of security assessments.

An increase in agricultural lending would undoubtedly stimulate growth in the agro-industrial sector and contribute positively to GRP. On one hand, this development enhances domestic production and strengthens food security. On the other hand, rising accounts payable among enterprises—particularly those with limited financial resilience—may lead to significant overdue debt. This trend, in turn, negatively affects overall financial security at the regional level.

5. Conclusion

The findings of this study remain somewhat inconclusive, highlighting the necessity for further in-depth analysis of the relationships between gross regional product (GRP) and key financial indicators such as loans and accounts payable. A more detailed examination is required—one that considers borrower categories, loan terms, volumes, and sectoral distribution. Nonetheless, qualitative assessments provide valuable insight into the underlying dynamics and allow for the identification of the most significant interconnections.

These results underscore the importance of adopting an integrated analytical approach to uncover the structural dependencies of GRP on banking sector parameters. Such an approach can help clarify the contribution of agricultural sector borrowers to the region's financial security, particularly in the context of efforts to enhance food sovereignty.

The observed correlation—where improved food security may coincide with weakened regional financial stability—suggests potential shortcomings in the localization and development of the regional financial system. This may reflect the structural immaturity of the financial infrastructure at the regional level.

Future research should focus on adapting the methodology for assessing regional financial security to more accurately incorporate indicators that reflect the state of food security. This integrated assessment framework would support more effective policy-making and strategic planning aimed at ensuring balanced and sustainable regional development.

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