

THE ISSUES OF EFFECTIVENESS OF STATE ENTREPRENEURSHIP AND PERSPECTIVES OF ITS DEVELOPMENT IN THE REPUBLIC OF ARMENIA

A.Kh. Markosyan^{1,2}, E.N. Matevosyan¹, S.H. Tokmajyan¹

¹Yerevan State University

²Shushi University of Technology

Though as a result of political and economic reforms in the Republic of Armenia over the past three decades, more than 80% of the gross domestic product of the Republic of Armenia is produced in the private sector, yet the share of state entrepreneurship is still significant. As in many countries of the world, one of the most important missions of state-owned enterprises is the role of economic stabilization in critical situations in the Republic of Armenia which in each country has its own peculiarities and structures of manifestation.

Due to the circumstance that, in fact, the Armenian economy is a sphere of competition between the public and private enterprises, the main criterion for the development of state-owned enterprise should become especially the economic efficiency of that sector. This research by the authors is dedicated to state entrepreneurship in the Republic of Armenia, its problems and possible solutions.

Key words: State entrepreneurship, private entrepreneurship, state-owned trade organization, economic activity, financial-economic rate, revenue, profit, loss, assets, profitability of production, efficiency of activity.

Introduction

The main direction of political and economic reforms of the past years of the formation of the Third Republic of Armenia was the transition from a community to a free market relations. One of the key directions of that transition was the transformation of the state property right into private and state-private property as a result of which a multi-layered economy was formed in the Republic of Armenia. As it is stated in the current Constitution of the Republic of Armenia (adopted on December 6, 2015), a market economy has been established in the Republic of Armenia based predominantly on private property. The point is that free market relations can be built in such an environment where individuals and legal entities make independent decisions without the dictation of “higher officials”. Especially during the transformation of the ownership of the means of production (land, agricultural machinery, enterprises etc.), the formula “The state deals with those sectors of the economy that are not beneficial to the private sector” has been applied in the past years. Such a general approach to building free market relations is conditioned by the simple truth that private enterprise has a number of advantages over the state the main of which is the incomparably more efficient use of material, financial, labor and natural resources in the private sector. From this viewpoint, the economic policy implemented in the republic (regardless of the change of government or the socio-economic policy followed by them) must be able to ensure both the sequence and continuity of the adopted direction, otherwise any deviation leads to negative socio-economic and political consequences.

Conflict setting

The socio-economic policy implemented in the Republic of Armenia over the past year makes the impression as if a new wave of formation of state or community-owned economic entities is rising without studying and analyzing the expediency of creating such organizations and the effectiveness of their activities. In such conditions it is necessary to first of all focus on the efficiency of the activity of these organizations which can become a priority for the further development of state-owned enterprise and the determination of its size and spheres.

Research results

From this point of view it is not accidental that on June 4, 2020 the Union of Producers and Businessmen of Armenia issued a statement expressing its views and position on the problems that have arisen due to the current pandemic Covid 2019. Highly appreciating the efforts of the RA Government in the current difficult situation for the country and expressing support to the Prime Minister, the businessmen express their concern over such issues as the positions of some RA Government officials and a number of RA National Assembly deputies on the need to start processes of nationalization and state building. Such an approach is seen as a clear retreat from the ideas of economic liberalism and the policy of building a free market economy [1] which will undoubtedly have a negative impact on the business environment in the country and will improve neither the competitive environment nor the implementation of serious investment projects.

We speak about a number of suggestions which have been expressed recently concerning the establishment of state or community organizations which will realize certain functions or explore certain trade organizations out from current privatization program (more precisely from the list of companies of state shares suggesting privatization).

Hence, the city council of Yerevan established a facility of scavenging the reason for establishing which is that private companies do not organize garbage collection services well due to searching profit. At the same time the fact that the municipality has not been able to resolve the dispute with the scavenging company is not taken into account which was inherited from the former city authorities. It should be noted that this time the priority was given to the easiest but at the same time the most inefficient way to eliminate the old by creating a new organization the management of which will be in the hands of the municipality.

The rights certified by the shares of “Haypost” Closed Joint-Stock Company owned by the Republic of Armenia were transferred to the accrediting management of “Haypost Trust” OJSC in 2006 and then to the management of “Haypost Trust Management” CJSC. The act of the contract was last extended by the RA Government in 2019 by the decision N 704-A of June 6, 2019 and expired on February 15, 2020. After the expiration of the contract the term of the accrediting management contract was not extended without serious arguments and comments, besides, no decision was made to hire a private manager in any other way. Moreover, “Haypost” company together with “Energyimpex” CJSC of the Ministry of Energy Infrastructures and Natural Resources of the Republic of Armenia was removed from the list of companies with state shares suggesting privatization in 2017-2020 by the RA Law on “State Property Privatization Program for 2017-2020” (AC-222-N) on making amendments to the law adopted by the National Assembly on November 19, 2019. This circumstance was considered by the head of the authorized body in the field of state property management as an achievement though in fact it caused more uncertainty in the field of privatization and created a negative atmosphere regarding the issue of investments in the Republic of Armenia.

The other sphere where the current authorities have discussed proposals for the establishment of a state-owned company (at least, the chairman of the RA State Commission for the Protection of Economic Competition voiced the issue) is the import of petroleum products while the study conducted by the same commission for 2017-2019 shows that the number of companies selling gasoline and diesel fuel has increased over the last two years (especially in the diesel fuel market). Meanwhile, the profit rate in those companies was quite low - 5%, i.e. they found an intermediary who would import at a lower price and distribute fuel to business entities operating in Armenia [2]. It is obvious that a state organization cannot compete with such intermediary companies or such competition must be financed from state funds or sponsored by the government. Private companies which are already operating at a low profit, will not be able to compete with a state-sponsored company and consequently, one of the basic principles of organizing market economy will be violated: the principle of providing equal rights and opportunities for all economic entities operating in the market.

The study of international experience shows that although there are state organizations in almost all countries, their economies are also transitioning from state ownership to an economy built on the diversity of property. Here the following circumstance becomes important that according to Article 10 of the RA Constitution (adopted by the referendum of December 6, 2015): all forms of property are recognized and equally protected in the Republic of Armenia. The next article (Article 11: Economic regulation) stipulates that the basis of the economic regulation of the Republic of Armenia is the social market economy based in its turn on private property, freedom of economic activity, free economic competition and is directed to general economic welfare and social justice through state policy [3].

In general, the choice of a public (state) or national property is conditioned by the economic role of the state. There is no country in the world where the state is not engaged in any economic activity. State property is necessary for the macro-regulation of the economy and for the solution of other state problems. It is accepted that state property operates less efficiently than other forms of property. As a rule, state property operates in such areas where market opportunities are very limited and on the other hand, the efficiency of state property decreases in normally functioning markets because the owner is not famous and the state enterprise is inflexible and has no market orientation.

The public sector in the economy can be characterized by a number of indicators the main of which are the share of state-owned enterprises in GDP, the share of those employed in the public sector among the total number of employees and the share of public sector assets in the structure of economic assets. And the criterion of their activity for the state and non-state sectors of the economy should be the amount of revenue received for per unit of invested resource. Let us mind one thing: when comparing public and private sectors of the economy, it should be taken into account that very often the role of the public sector is to solve social problems within the state (mainly to provide employment for the population) and not merely commercial activities aimed at making a profit. This fact is first of all explained by the fact that there are some types of economic activities which are not beneficial to the private sector. Such reasons may be the harmful character or low profitability of these activities, the need for huge investments which is beyond the power of the private sector, the solution of social problems instead of purely economic motives (when even in the case of harmful activities of this or that activity the state finances their spheres to provide employment of the population or after reviewing the loss in the area it offers to remove it from the market) etc.

At present state entrepreneurship is considered not as a self-aimed but as a tool for both solving certain problems of certain sectors and the whole economy. It carries both purely economic and public goals. The point is that state-owned enterprises have so-called “public obligations” which means that they carry out non-commercial operations the expediency of which does not come from the principle of receiving the maximum income (profit).

The concept of “state entrepreneurship” is based on two basic principles: a) the state or public principle which fixes the orientation of activity in the form of state or public benefit or interest and b) the principle of entrepreneurship which fixes the way to achieve that goal. Both of the principles mentioned above are in close unity complementing and limiting each other. At the same time, this unity is not rigid by its nature; it can get its manifestation in the ways of acting at the planned loss only compensating the expenses and ensuring this or that level of profit.

The main feature of state-owned enterprises (with its various real manifestations) is that the final owners (citizens) automatically (sometimes without desire) own honored property rights which are often of a formal nature. Unlike a stakeholder (or shareholder of any private company), the final owner of a state-owned enterprise, having rather declared right to own than real right, is in fact deprived of the right of disposal and finally does not get any income from his/her property or gets in the form which does not allow to regard it as income.

Each type of business has its own purpose (s) and main tasks of activity. The goals of state trade organizations should, in fact, carry general nature, i.e. reflect the interests of the majority of members of society (citizens). They serve as a tool for co-economic regulation to achieve the goals set by governments or may be created as an alternative to the private sector.

In countries having market economies, state-owned enterprises are formed and developed mainly by governments with socio-democratic (liberal-democratic) orientation as an alternative to the private sector. The justification for the establishment of state-owned commercial organizations is the seemingly high efficiency of their business in comparison with private individuals and during the establishment of state trade organizations first of all the need to satisfy public demand and public capability for purchase are taken into account. Moreover, it is assumed that almost all state-owned trade organizations should not aim at the goal of profit. This view was more prevalent after the end of World War II which was explained by the need for active state intervention in solving the socio-economic problems of the countries involved in the war.

In fact, it is assumed that the employees of state trade organizations should have a special spirit of responsibility, self-discipline and personal commitment which will ensure the unity of their own and public interests. In case of unity of interests, the society will be able to save money due to the efficient work of the employees which is absolutely necessary and inevitable in such a situation when, on one hand, the interests of the employees do not coincide with the interests of the owners of the means of production and on the other hand, both interests do not always coincide with the interests of consumers (such approaches were typical of the “philosophy” of the creation and operation of “state socialist enterprises”).

Referring to the tendencies of privatization of state property and state enterprises and relation between them in recent years, it should be noted that the Organization of Economic Cooperation and Development (OECD) has published a comprehensive analysis in 2018 according to which the general policy in developed countries is that as few companies with little state participation as possible remain in the economy. Thus, privatization revenues in developed countries have increased since 2008 from US \$ 110 billion in 2008 to US \$ 266 billion in 2016.

Most of the privatization transactions from OECD countries have taken place in the economies of European countries since 2008. Privatization revenues in 25 EU countries reached a historical record of US \$ 87 billion in 2015. Among other factors, such a high level of revenue was due to the diversification of the financial sector in the United Kingdom and other countries at the beginning of their financial crisis which resulted in a significant share of the public sector. Prior to 2016 a large number of privatization transactions continued but the average value of transactions decreased and in 2016 privatization revenues amounted to US \$ 38 billion mainly obtained due to the privatization of the organization of state communal and infrastructural spheres.

The report notes that since the onset of the global financial crisis in 2008, privatization and denationalization have taken place in many EU countries (United Kingdom, France, Sweden, Greece, the Netherlands, Germany, etc.). In France and in the UK the total transactions amounted to about US \$ 80 billion with each country accounting for 18% of total transactions in the EU.

The distribution of transactions of privatization in Europe has taken place among the financial and “real estate sector” in recent years. The investment of these sectors is estimated as US \$ 206 billion or 47% of their total revenue in 2008-2016. This mainly reflects the efforts of governments to “end the crisis” and to end state support (funding) to financial institutions. Essentially, they were partially nationalized and/or recapitalized (including through the insurance of non-voting shares) during the crisis.

Other key areas of privatization are public services (which accounted for 26% of total transactions thus providing \$ 117 billion) and transport (8% and \$ 34 billion). This corresponds to the trends of the previous decade when private sector involvement in these areas and therefore the impact on the market based on competition increased encouraged by governments [4].

However, in the current pandemic Covid-19, an attempt will be made to increase the role of the state which can be considered as regularity, but the privatization of state trade organizations according to both foreign and domestic practice proves that effective governance can be ensured only in the case of private property.

It is obvious that Covid-19 introduces its clarifications in the framework of state-private entrepreneurship. Thus, if a person becomes ill, he should receive right treatment being prescribing drugs that will help to overcome the disease and not to harm his health. The same principle is applied in economics: the fight against the crisis or the support provided to certain sectors of the economy should not harm the whole economy. Therefore, before solving the problems that arise in the economy, the state must diagnose what the sources of crisis are. This is a seemingly simple task but it is not always taken into account.

The concept of analysis of market failure and economic policy proposed by professor of Columbia University Yagdish Bhagwati allows us to solve the problems of the economy at the lowest cost. There are many tools for implementing trade policy in the state toolkit: regulation, tariffs, subsidies etc. The authors of this concept show that the tool that directly affects the cause of the problem is considered to be the optimal. And the explanation is very simple: state intervention in the economy, as a rule, does not benefit the economy. Accordingly, the more direct the impact on the cause of the problem is, the less additional losses are [5].

As we have already mentioned, as a result of the reforms carried out in the economy during the last three decades of the Third Republic, the enterprise was in fact separated from the state (state functions) thus dividing the enterprise (business) and the state (regulator of the economy and determinor of the rules of the game). This practically secured the principle of the founder of classical economics Adam Smith that: “Two things are incompatible in the world: reign and trade”. It should be noted that currently this process continues in the RA in the sense that according to the official data published in the RA National Assembly, the amount of property owned by one deputy comprises 97% of the property value of all other deputies and is estimated at 96 billion AMD.

Regarding the National system of assets of Armenia, it is necessary to note that according to adopted classification the sectors of financial and non financial organizations consist of three subsections:

- State organizations (corporations),
- National private organizations (corporations),
- Organizations under foreign control (corporations).

In fact, NSA offers to conditionally acknowledge that a structural unit controls this or that organization in case when more than 50 percent of the voting shares in the entity are under its control (provided that there is no other evidence of the control of the organization because in some cases control can be exercised by acquiring significantly less than half of the control package).

According to the above-mentioned methodology, the volume of Armenian GDP at basic prices was also divided into sub-segments of non-financial and financial organizations based on information on the share of their founders in the statutory capital obtained from the State Register of Legal Entities of the RA Ministry of Justice.

If all three types of founders had participated in the authorized capital, then the structural unit is classified according to the type that has the largest share in the authorized capital. And if the shares of the founders are equal (50-50), then:

If all three founders participated in constitutional capital, then the structural unit was classified according to that type which has the greatest share in constitutional capital. And if the shares of the founders are equal (50-50), then

- In case of equal state and national private shares the organization was considered as state,
- In case of equal state and foreign shares the organization was considered as state,
- In case of equal foreign and national private shares the organization was considered as foreign [6, p. 112-113].

Table 1 shows the gross added value and structure of certain sectors of the Armenian economy according to the control rate in 2015-2017 from the data of which it follows that only 14,3% of the added value in Armenia in 2017 is created in the public sector of the economy and Table 2 shows the

structure of the gross value added of the non-financial and financial sectors of the RA economy according to the control rates in 2015-2017.

Table 1

**Gross added value and structure of financial and non financial sectors of RA
according to control rate in 2015 and 2017**

Structural sectors	Distribution according to control rate						Total	
	State		National private		Under foreign control		2015	2017
	2015	2017	2015	2017	2015	2017		
Non financial organizations (corporations)	217993.2	210318.1	1421928.9	1702497.9	688042.6	756127.6	2327964.7	2668943.6
	4.7	4.1	31.0	33.4	15.0	14.9	50.7	52.4
Financial organizations (corporations)	11220.0	12342.7	92879.7	150495.0	90542.1	109918.1	194641.8	272755.8
	0.3	0.3	2.0	3.0	1.9	2.1	4.2	5.4
State governing bodies	478224.3	504679.2	-	-	-	-	478224.3	504679.2
	10.4	9.9	-	-	-	-	10.4	9.9
Households	-	-	1581495.5	1617774.2	-	-	1581495.5	1617774.2
	-	-	34.4	31.7	-	-	34.4	31.7
Non trade organizations serving households (NTOSH)	-	-	14667.4	31200.9	-	-	14667.4	31200.9
	-	-	0.3	0.6	-	-	0.3	0.6
VA (Gross, basic prices)	707437.5	727340.0	3110971.5	3501968.0	778584.7	866045.7	4596993.7	5095353.7
	15.4	14.3	67.7	68.7	16.9	17.2	100.0	100.0

Note: numerator- mln. AMD, denominator- %- to the total

Table was drawn by the authors using the data of National assets of Armenia, annual and trimester data, 2019, Statistical collection, Yerevan, RA Statistical Committee, 2019, p. 125, 129

Table 2

**Gross added value and structure of financial and non financial sectors of RA
according to control rate in 2015 and 2017**

Structural sectors	Distribution according to control rate						Total	
	State		National private		Under foreign control		2015	2017
	2015	2017	2015	2017	2015	2017		
Non financial organizations (corporations)	9.4	7.9	61.1	63.8	29.5	28.3	100.0	100.0
	30.8	28.9	45.7	48.6	88.4	87.3	50.7	52.7
Financial organizations (corporations)	5.8	4.5	47.7	55.2	46.5	40.3	100.0	100.0
	1.6	1.7	3.0	4.3	11.6	12.7	4.2	5.4
State governing bodies	100.0	100.0	-	-	-	-	100.0	100.0
	67.6	69.7	-	-	-	-	10.4	9.9
State governing bodies	-	-	100.0	100.0	-	-	100.0	100.0
	-	-	50.8	46.2	-	-	34.4	31.7
Non trade organizations serving households (NTOSH)	-	-	100.0	100.0	-	-	100.0	100.0
	-	-	0.5	0.9	-	-	0.3	0.6
VA (Gross, basic prices)	15.4	14.3	67.7	68.7	16.9	17.0	100.0	100.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: numerator-structure of Gross VA according to control rate (%- to the total), denominator- structure of Gross VA according to control rate and sectors (%- to the total),

Table was drawn by the authors using the data of National assets of Armenia, annual and trimester data, 2019, Statistical collection, Yerevan, RA Statistical Committee, 2019, p. 126, 130

Let us discuss the financial and economic indicators of the activity of state trade organizations in the Republic of Armenia more in details and the summative results of their observations. One of the

important issues related to the efficiency of the economy is the choice of the methods and indicators of its measurement especially for assessing the economic efficiency of the main branches of the economy such as trade organizations. One of the unresolved issues we are studying is whether a single indicator should be taken into account when determining the level of efficiency of production or whether a system of indicators should be used.

The system of evaluation indicators is widely used for the analysis of the financial situation of economic entities which consists of the following groups of indicators: (1) used for the calculation of coefficients, (2) solvency (consumable), (3) profitability, (4) financial stability, (5) circulation, (6) the use of fixed assets, (7) structural indicators, (8) indicators used to define market processes, (9) resource utilization and assessment of efficiency and (10) safety analysis coefficients [7, p. 286-295].

The above-mentioned issue is a topic of debate in the economic literature [8] according to which the pros of one view believe that the development and application of scientifically justified indicators of the efficiency of production should be based on a more complete recognition of economic laws and their active use and the pros of another view consider it necessary to use one summarized, collective (integral) indicator in the practice of economic management.

Profitability which characterizes economic efficiency in a trade organization (regardless of whether the owner(s) is/are individuals or the state) is among the summary rates of economic efficiency of production offered in the economic literature on the basis of which the effectiveness of state trade organizations has been assessed by monitoring the financial and economic activities of these organizations in the Republic of Armenia since 2004.

According to the results of the annual analysis and monitoring of the financial and economic indicators of trade organizations with state participation subordinated to the state property cadaster conducted by the Committee of State Property Management of the Republic of Armenia in 2019 conducted an analysis for about 150 state intervened trade organizations of RA Ministries, RA Government and authority bodies of Ministries, RA Regional administrations and Yerevan mayoralty out of 159 (Table 3).

Analysis was not carried for the following 9 companies of 5 bodies in 2019 for the following reasons:

- For not operating activities and not providing information of 5 companies,
- For not providing information of 2 companies,
- One company was opened by the top secret decision of RA Government and the activity of that company is temporarily stopped,
- The rights of one company («Haypost» CJSC) stated by shares have been given to accrediting management.

Table 3

The number of trade organizations according to state authorities included into the financial-economic system of monitoring in 2019

N	Name	Number of trade organizations subjected to monitoring	Number of trade organizations having presented information
1	2	3	4
RA Ministries, authorities controlled by RA Government and RA Ministries			
1	RA Ministry of Health	12	12
2	RA Ministry of Justice	1	1
3	RA Ministry of Emergency Situation	1	1
4	RA Cabinet of Prime Minister	2	2
5	RA Ministry of Environment	1	1
6	RA Ministry of Regional Government and Infrastructures	18	14

1	2	3	4
7	RA Ministry of Economy	9	9
8	RA Ministry of Education, Science, Culture and Sport	5	5
9	RA Ministry of Defence	8	7
10	RA Ministry of Industry of High Technologies	10	8
11	RA Committee of Civil Engineering	3	2
12	RA Council of Public Radio and TV	3	3
13	Civil Aviation Committee	3	3
14	RA Police	1	1
RA Regional administrations			
15	Armavir Regional administration	6	6
16	Aragatsotn Regional administration	5	4
17	Ararat Regional administration	7	7
18	Gegharquniq Regional administration	8	8
19	Lori Regional administration	14	14
20	Kotayk Regional administration	8	8
21	Shirak Regional administration	20	20
22	Syuniq Regional administration	7	7
23	Vayots Dzor Regional administration	3	3
24	Tavush Regional administration	3	3
25	Yerevan Mayoralty	1	1
Total		159	150

Source by official site of Committee of State Property of the Ministry of RA Regional Government and Infrastructures in the department of «Reports» (citing <https://www.stateproperty.am/page/48>)

The results of the analysis show that in the reviewed period (2019), 122 (or 81,3%) of the 150 companies analyzed were operating at a profit, 23 companies (or 15,3%) at a loss and 5 companies (or 3,3%) did not generate profit or loss at all. If we compare, 30 companies were operating at a loss out of 148 companies analyzed last year (or 20,3% of the organizations surveyed in 2018). Moreover, as a result of the annual activity in 2019, a loss of 11,352 million AMD was formed. According to the annual data in 2018, the loss comprised 8319,8 million AMD, i.e. the amount of loss increased by 3033,1 million as compared to the previous year or the amount of loss increased by 36,45% which is mainly conditioned by the increase in the amount of loss by companies of the RA Ministry of Defense. The companies of the Ministries suffered a loss of 247,5 million AMD in the previous year and the amount of loss comprised 3422,9 million AMD in 2019 out of which only 3359,2 million AMD was the loss owed by «Vorotan HPP» CJSC.

The total net profit of the monitored companies amounted to 8415,3 million drams in 2019 (the total net profit of public sector companies amounted to 10944,7 million drams last year). Meanwhile, the majority part among the profit making companies are the companies of the Ministry of Regional Administration and Infrastructures the revenue of which comprises 5114,6 mln AMD, the profit generated by the companies of the Ministry of High-Tech Industry – 195,6 million drams, the companies of the Civil Aviation Committee generated about 1360,1 million drams and Yerevan mayoralty formed profit of 790,2 mln. drams. The total net profit of the monitored companies decreased by 2529,4 million drams in 2019 compared to the previous year.

It should be noted that the average level of profitability of the assets of analyzed 150 companies with state participations was 7,79% noting that such a high index is mainly conditioned by the high value of the index profitability of the assets of the RA Public Television and Radio Company Board which is 110,64%. According to the sectors, this index has the following values: the average level of profitability of assets of 92 companies in the sphere of health (RA Ministry of Health and Regional

Administration) was 1,926%, in the energy and water resources sector was 0,294%, in the companies subordinated to the Ministry of Economy – 1,569%, in the military defense sector – 0,979% and in the high-tech industry 2,677% respectively [9].

The study allows us to conclude that the general trend for the annual results of 2015-2017 is not the increase in the number of state non-profit trade organizations but the increase in the total amount of current assets and losses of those organizations. These indicators have slightly been improved in 2018 and 2019 (Table 4). Accordingly, both the total net profit of the organizations and the level of profitability decreased during that period. At the same time, the delayed period of summarizing the results of financial and economic activities (it is carried out till May of the following year) does not allow to quickly make a comparative analysis of annual indicators and as a result, to develop proposals for improving the activities of commercial organizations during the first months of the year. One more problem is that the accounting conducted by the Committee of State Property Management and the Statistical Committee of the Republic of Armenia is incompatible in terms of financial and economic indicators of organizations, therefore the task of comparing the results of public-private sectors of the economy is significantly complicated.

Table 4

Final results of the financial-economic situation of state trade organizations included in monitoring system in 2015-2019 according to presented reports

N	Index	Unit of measurement	Years				
			2015	2016	2017	2018	2019
1	2	3	4	5	6	7	8
1	Total number of state trade organizations included in monitoring system among which	Piece	From 371 companies 194 were analyzed*	From 207 companies 189 were analyzed*	From 154 companies 142 were analyzed*	From 154 companies 148 were analyzed*	From 159 companies 150 were analyzed*
1.1	Gain profit	Piece	154	150	117	114	122
1.2	Had loss	Piece	34	33	21	30	23
1.3	Neither profit nor loss	Piece	6	6	4	4	5
2	Profit share paid to RA state budget	Piece	125	160	-	-	-
3	Total sum of profit share paid to RA state budget	Mln. AMD	604,1	1 440,8	-	-	-
4	Total amount of net profit	Mln. AMD	8 947,8	2 466,3	5 434,8	10 944,7	8 415,3
5	Total amount of loss	Mln. AMD	10 900,6	12 178,8	14 456,2	8 319,7	11 352,8
6	Total assets	Mln. AMD	-	-	-	-	706 288,4
7	Non current duties, among which	Mln. AMD	-	-	-	329 292,2	359 360,9
7.1	Long term bank loans and credits	Mln. AMD	-	-	-	-	295 758,5
7.2	Grants concerning asstes	Mln. AMD	-	-	-	-	43 960,7
8	Current duties among which		203 879,5	171 469,8	99 948,7	186 628,3	82 356,9
8.1	Purchase	Mln. AMD	57 518,7	46 899,6	39 828,7	34 216,3	33 650,7
8.2	State budget	Mln. AMD	96 230,0	81 370,3	2 279,1	5 459,7	5 376,6
9	Current assets	Mln. AMD	198 459,1	155 253,6	476 354,0	200 726,2	138 327,7
10	Revenue from selling production, products, activities and services	Mln. AMD	194 295,0	171 937,2	161 401,2	64 200,1	176 087,6
11	Number of employers	People	25 605	24 688	22 113	22 914	23 155

*Note: No analysis was carried out for 177 companies from different departments in 2015 (of which 150 companies of regional administration were reestablished and transformed into SNTD by the decision N 41-A of RA Government in 15.01.2015 on «Establishing rural healthcare state CJSC»). According to the decision, only the annual results of the independent auditing are required to be considered, one company was not analyzed as it

was established by a secret decision of the Government of the Republic of Armenia, 4 companies were dissolved at that period, 14 companies were dissolved for not providing information and for not operating, one company has been reorganized as bankrupted, one has been reestablished by joining another and one has been privatized). No analysis was conducted for 18 companies from different supreme departments in 2016 (of which 5 companies are required to consider only the annual independent audit conclusions, 10 companies did not operate and did not submit information, one company was established by a secret decision of the RA Government, one company was dissolved by the decision of the Government of the Republic of Armenia, one company was declared bankrupted during the mentioned period). No analysis was conducted for 12 companies from different departments in 2017 (of which 6 companies for not operating and not submitting information, 2 companies were established by a secret decision of the RA Government, the right to use water systems and other properties by 4 companies (as joint property complex it had been transferred to «Veolia Water» CJSC for renting since 2017 January 1 for 15 years term). No analysis was conducted for 9 companies from different departments in 2018 (of which 5 companies were closed for not providing information and for not operating, 2 for not providing information, one company was established by a secret decision of the RA Government and it was temporarily closed and the rights certified by the shares of one company were transferred to accreditation management).

Source by the authors based on the data by official website <http://spm.am/am> of Department of Management of State Property of RA Government and then official site of RA Ministry of Investment and ED and Department of Management of State Property in the section of «Reports» and in the official site of the Ministry of RA Regional Management and Infrastructures using the official documents in <https://www.stateproperty.am/page/48>).

The monitoring of the financial and economic results of the activities of state shared trade organizations was carried out until 2017 in accordance with the procedure established by the Decision N 1844-N on November 18, 2004 of RA Government [10]. It was replaced in 2017 by the Decision N 1262-N of the Government of the Republic of Armenia on October 5 of the same year [11], the 1.3 point of which approved the procedure for “determining the efficiency of organizations, evaluating the activity of executive bodies and making suggestion” (Appendix 4).

According to the procedure, the main goal of determining the efficiency of the activities of trade organizations with more than 50% state participation is to increase the efficiency of the management of those organizations and to develop and implement more effective measures in the field of activities of the organizations [11].

The efficiency of the activity of organizations is determined on the basis of their annual results according to a number of key and additional financial indicators such as size of profit from basic operations, sales revenue, labor productivity, current ratio of consumption (ratio of current assets to current liabilities) and debt coefficient (ratio of total liabilities and total assets). However, it should be noted that the companies involved in the program of state property privatization were excluded from the process of assessing the effectiveness of state trade organizations which has a very negative impact on the results of their financial and economic activities not only in terms of their exclusion out of monitoring but because they being within the programs of state property privatization for years and even for decades, still are in uncertain situation thus causing huge damage to the economy of Armenia. In this way investments in these trade organizations are stopped, especially since it is difficult to point out at least one company in the past decades where the state had made significant investments. Finally, privatization of companies cease to exist as a business and as a result these companies are sold as low-valued and hence, as property units having no business value.

According to the procedure above mentioned, we surveyed those organizations with 2018 annual data (more fresh data have not been summarized yet) whose balance value of assets at the end of the reporting year exceeded one billion drams (excluding assets not used by the organization) and/or revenue from operations in the reporting year exceeds one billion drams (Table 5).

Table 5

The assets of state trade organizations having annual revenues and/or balance value exceeding one billion AMD as annual result in 2018 in RA and the indicators of effectiveness of their circulation

N	Name of the state trade organization	Balance value of assets (thousand drams)	Revenue from consumption (thousand drams)	Coefficient of assets circulation (col.4 / col.3)	Assets circulation, day (365/ col.5)
1	2	3	4	5	6
1	«Surb Grigor Lusavorich» MC CJSC	6,374,575.0	6,055,692.0	0.95	384.2
2	«Blood center after Professor R.O.Yolyan» CJSC	6,420,225.0	1,241,175.0	0.19	1888.0
3	«Insurance agency of exporting of Armenia» ECJSC	3,291,447.0	75,545.0	0.02	15902.8
4	«HNHP» CJSC	154,816,301.0	17,437,337.0	0.11	3240.6
5	«Yerevan TPS» CJSC	152,073,431.9	94,238,251.6	0.62	589.0
6	«HVEN» CJSC	113,606,153.0	7,857,221.0	0.07	5277.5
7	«Nairit-2» CSJC	15,634,031.0	No data	No data	No data
8	«Operator of energy systems» CSJC	12,122,917.0	1,923,820.0	0.16	2300.0
9	«Research institute of Energetics» CSJC	1,182,760.0	264,248.0	0.22	1633.7
10	«Analytic» CSJC	1,058,775.0	103,435.0	0.10	3736.2
11	«Amelioration» CSJC	1,863,597.0	346,526.0	0.19	1962.9
12	«Jrar» CSJC	64,427,976.7	1,634,797.8	0.03	14384.8
13	«Armsewer» CSJC	40,052,013.8	No data	No data	No data
14	«Lori-sewer» CSJC	3,275,039.6	No data	No data	No data.
15	«Armenian TV and Radio network» CSJC	10,729,662.0	6,336,069.0	0.59	618.1
16	«Armenian Public Radio and TV» CSJC	3,900,449.0	847,646.0	0.22	1679.6
17	«Armenian TV and Radio network» CSJC	9,754,658.0	1,296,058.0	0.13	2747.1
18	«Armenikum» CSJC	1,842,784.0	128,875.0	0.07	5219.1
19	«YerMag»* CSJC	1,407,805.0	79,036.0	0.06	6501.5
20	«Garni Ler GAM» OSJC*	2,079,157.0	29,733.0	0.01	25523.6
21	«Zinar» CSJC	6,444,213.0	134,640.0	0.02	17469.8
22	«Vorotan HPP» CSJC	47,041,756.0	No data	No data	No data
23	«Charentsavan machine tool factory» OSJC*	2,956,371.0	544,244.0	0.18	1982.7
24	«Salsa development» CSJC	12,633,054.1	No data	No data	No data

1	2	3	4	5	6
25	«ArmAeronavigation» CSJC	10,282,897.0	6,807,970.0	0.66	551.3
26	«Artashat MC» CSJC	2,531,373.0	785,422.0	0.31	1176.4
27	«Armavir MC» CSJC	829,005.9	1,072,468.6	1.29	282.1
28	«Gavar MC» CSJC	1,130,945.0	383,299.0	0.34	1077.0
29	«Hrazdan MC» CSJC	3,045,542.0	830,512.0	0.27	1338.5
30	«Vanazor MC» CSJC	5,921,028.4	1,370,301.7	0.23	1577.2
31	«Gyumri MC» CSJC	4,611,960.1	1,332,046.5	0.29	1263.7
32	«Kapan MC» CSJC	1,764,656.0	761,423.0	0.43	845.9
33	«Goris MC» CSJC	1,013,367.0	696,633.2	0.69	531.0
34	«Meghri MC» CSJC	1,707,860.0	219,487.0	0.13	2840.1
35	«Yerevan Metropoliten after k.Demirchyan» CSJC	16,641,672.5	3,059,658.4	0.18	1985.3
	Total	724,469,459.0	157,893,570.8	0.29	1248.0

Table was formed by authors on the basis of data of the Committee of management of State Property of RA Ministry of Regional Management and Infrastructures

The following practice is widely accepted when the activity of trade organizations is evaluated with the help of relative indicators and we can freely say that the most important indicators characterizing financial and economic results are turnover indicators which show the intensity of applying certain assets and obligations (or speed of turnover).

Turnover ratios are indicators of the business activity of organizations. Among them are the following frequently used and calculated: turnover of current assets (ratio of annual gross income to average annual cost of current assets), turnover of debitory credits (ratio of annual gross revenue to average annual cost of debitory credits), turnover of credits (ratio of gross annual income to average annual cost of credits), turnover of assets (ratio of gross annual income to average annual cost of all assets of the organization) and turnover of its own capital (ratio of gross annual income to average annual cost of its capital) [12].

The data we calculated for the organizations calculated in Table 5 show that, for example, the index of asset turnover for all companies is equal to 0,29 which means that those organizations receive so much profit for one year which is equal to 29% of balance value of their assets or the assets of the company are circulated for 1248 days (or 3,4 years) which is a very low rate.

Conclusion

The study of the assets of state trade organizations as well as the above mentioned indicators shows that these organizations have low efficiency of activity. It is enough to say that the total amount of net profit received by trade organizations with state participation in the total monitoring system in 2019 comprised 8415,3 million drams and the total amount of losses – 11352,8 million drams.

Therefore, the total losses received by trade organizations with complete state participation comprised 2937,5 million drams, i.e. the loss of system assets was -0,41% (2937,5/706288,4). And if we take into account that the average level of revenue of the economy (necessary for its normal reproduction) should be between 12-15%, then the need of serious and systematic reforms in the system of state entrepreneurship will become clear.

The above mentioned requires the implementation of a complex state program in the sector of state entrepreneurship including (but not limited to) the clarification of approaches of public policy in organizations, the introduction of advanced forms of management, deepening the public-private partnership and expanding the framework of cooperation (including the development of new partnerships), the development and application of structures for the evaluation and interest (motivation) of the results of the activities of the heads of the executive bodies of trade organizations with state participation.

These issues are the subject of another study due to their importance and scope of interest.

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ՊԵՏԱԿԱՆ ԶԵՌՆԱՐԿԱՏԻՐՈՒԹՅԱՆ ԱՐԴՅՈՒՆԱՎԵՏՈՒԹՅԱՆ ՀԻՄՆԱԽՆԴԻՐԸ ԵՎ ՀԵՌԱՆԿԱՐՆԵՐԸ ՀԱՅԱՍՏԱՆԻ ՀԱՆՐԱՊԵՏՈՒԹՅՈՒՆՈՒՄ

Ա.Խ. Մարկոսյան^{1,2}, Է.Ն. Մաթևոսյան¹, Ս.Հ. Թորմաջյան¹

¹Երևանի պետական համալսարան

²Շուշինի տեխնոլոգիական համալսարան

Թեև Հայաստանի Հանրապետությունում անցած շուրջ երեք տասնամյակի ընթացքում իրականացված քաղաքական ու տնտեսական բարեփոխումների արդյունքում ՀՀ համախառն ներքին արդյունքի ավելի քան 80%-ը թողարկվում է մասնավոր հատվածում, այնուամենայնիվ դեռևս զգալի է պետական ձեռնարկատիրության բաժինը: Ինչպես աշխարհի բազմաթիվ երկրներում, այնպես էլ Հայաստանի Հանրապետությունում պետական ձեռնարկատիրության կարևորագույն առաքելություններից մեկը ճգնաժամային իրավիճակներում տնտեսության կայունացման դերակատարումն է, որը յուրաքանչյուր երկրում ունի դրսևորման իր առանձնահատկություններն ու կառուցակարգերը: Ելնելով այն հանգամանքից, որ, ըստ էության, Հայաստանի տնտեսությունը իրենից ներկայացնում է պետական և մասնավոր ձեռնարկատիրական հատվածների մրցակցության ոլորտ, հատկապես պետական ձեռնարկատիրության զարգացման հիմնական չափորոշիչ պետք է դառնա այդ հատվածի տնտեսական արդյունավետությունը: ՀՀ-ում պետական ձեռնարկատիրության, դրա հիմնախնդիրներին և հնարավոր լուծումներին է նվիրված հեղինակների հետազոտությունը:

Բանալի բառեր. պետական ձեռնարկատիրություն, մասնավոր ձեռնարկատիրություն, պետական մասնակցությամբ առևտրային կազմակերպություն, տնտեսական գործունեություն, ֆինանսատնտեսական ցուցանիշ, հասույթ, շահույթ, վնաս, ակտիվներ, արտադրության շահութավերություն, գործունեության արդյունավետություն:

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ПРОБЛЕМА ЭФФЕКТИВНОСТИ ГОСУДАРСТВЕННОГО ПРЕДПРИНИМАТЕЛЬСТВА В РЕСПУБЛИКЕ АРМЕНИЯ И ПЕРСПЕКТИВЫ РАЗВИТИЯ

А.Х. Маркосян^{1,2}, Э.Н. Матевосян¹, С.О. Токмаджян¹

¹Ереванский государственный университет

²Шушинский технологический университет

В результате политических и экономических реформ в Республике Армения за последние три десятилетия более 80% валового внутреннего продукта Армении производится в частном секторе, однако доля государственных предприятий все еще остается значительной. Как и во многих странах мира, одной из важнейших миссий коммерческих организаций с

государственным участием в Республике Армения является участие в стабилизации экономики в кризисные периоды, и в этом деле каждая страна идет своим особым путем и применяет определённые механизмы. Экономика Армении такова, что в ней имеет место конкуренция между государственным и частным секторами, между тем основным критерием развития государственных предприятий должна быть экономическая эффективность этого сектора. Исследование авторов посвящено государственному предпринимательству, возникающим в этой сфере проблемам и возможным решениям таких проблем.

Ключевые слова: Государственное предпринимательство, частное предпринимательство, коммерческие организации с государственным участием, хозяйственная деятельность, финансово-экономические показатели, доходы, прибыль, убытки, активы, рентабельность производства, эффективность.

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