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THEORETICAL ASPECTS OF BUSINESS DEVELOPMENT IN RURAL DISTRICTS OF UKRAINE

ТЕОРЕТИЧНІ АСПЕКТИ РОЗВИТКУ ПІДПРИЄМНИЦТВА В СІЛЬСЬКІЙ МІСЦЕВОСТІ УКРАЇНИ

Fedun Igor

Doctor of Economic Sciences, Professor,
State University of Trade and Economics
ORCID: <https://orcid.org/0000-0002-1012-9970>

Bey Roman

PhD hab. (History), Senior Researcher,
National Scientific Agricultural Library
of National Academy of Agrarian Sciences of Ukraine
ORCID: <https://orcid.org/0000-0003-0649-2141>

Pysklyvets Vitalii

FOP Pysklyvets Vitalii
ORCID: <https://orcid.org/0000-0001-9210-9115>

Федун Ігор Леонідович

доктор економічних наук, професор,
Державний торговельно економічний університет

Бей Роман Васильович

кандидат історичних наук, старший науковий співробітник,
Національна наукова сільськогосподарська бібліотека
Національної академії аграрних наук України

Пискливець Віталій Володимирович

ФОП м. Тербовля Тернопільська обл.

Substantiate the essence of entrepreneurship, in particular entrepreneurship in rural areas, identify key trends and develop international experience for its use in modern Ukrainian realities. Analysis and synthesis of the results of fundamental and applied research of domestic and foreign scientists on the problem of business development. The main scientific method of research is a systematic approach, the application of which has led to the study of bottlenecks in the development of entrepreneurship in rural areas. It is established that at this stage of the country's development in the agricultural sector of the economy and rural areas entrepreneurship needs due attention. The essence of entrepreneurship in the agricultural sector of the economy in modern conditions is substantiated. The directions of further changes in the scientific and theoretical basis of business development are outlined. The results of the study will serve to enrich the theory of entrepreneurship for the use in research and educational process in the in-depth study of the theory of agricultural economics.

Keywords: entrepreneurship, countryside, firm, innovation, technology.

У статті обґрунтовано сутність підприємництва, зокрема підприємництва в сільській місцевості, визначено основні тенденції та опрацьовано міжнародний досвід для його використання в сучасних українських реаліях. Підприємництво – складне та багатоаспектне явище, яке у навчальній та науковій літературі розглядають з філософської, політекономічної, юридичної, психологічної, соціальної точок зору. Аналіз і синтез результатів фундаментальних і прикладних досліджень вітчизняних та зарубіжних науковців стосовно проблеми розвитку підприємництва. Виокремлено характерні риси підприємництва. Розглянуто основні види і форми суб'єктів господарювання. Проаналізовано нинішній стан підприємницької діяльності в Україні та перспективи розвитку підприємництва у сільській місцевості. Виявлено основні мотиви підприємницької діяльності на селі. Основним науковим методом досліджень визначено системний підхід, застосування якого зумовило вивчен-

ня вузьких місць у розвитку підприємництва в сільській місцевості. Встановлено, що на даному етапі розвитку країни в питаннях аграрного сектору економіки і сільських територій підприємство потребує належної уваги. Суб'єкти малого підприємництва аграрної сфери володіють рядом суттєвих переваг порівняно з більш потужними формами господарювання, а саме: швидко реагують на зміни на ринку; є основним джерелом інноваційних ідей у сфері виробництва; мають певні переваги у маркетингу та умовах реалізації завдяки особистому контакту зі споживачем; реалізують поєднання підприємця (власника), керівника і працівника в одній особі, що забезпечує найкраще узгодження інтересів та максимальну мотивацію у досягненні цілей діяльності. Окреслено напрями подальших змін у науково-теоретичному базисі розвитку підприємництва. Результати дослідження слугуватимуть збагаченню теорії підприємництва для використання в наукових дослідженнях та навчальному процесі при поглибленому вивченні теорії аграрної економіки. Проведені дослідження стану, умов та проблем функціонування суб'єктів малого підприємництва в сільській місцевості та нових можливостей, які відкриваються перед ними у зв'язку з посиленням євроінтеграційних процесів.

Ключові слова: підприємництво, сільська місцевість, фірма, інновація, технологія.

Scientific problem. Entrepreneurs have traditionally remained the driving force of the economy of most developed countries and represent a significant layer of businesses in Ukraine, but they are far behind large enterprises in terms of modernization, marketing research, financial resources and competitiveness.

In Ukraine, 32% of the population lives in rural areas. Every year this figure decreases by an average of 1.3%. This process occurs both through natural reduction due to birth and death imbalances, and through internal and external migration. The main reason for the decrease in the rural population is the extremely high level of unemployment in rural areas and the low level of wages of the employed population. The priority of solving this problem is to intensify small business in rural areas [1].

Analysis of recent research and publications. Problems of entrepreneurship in rural areas are studied and covered in the scientific works of F. Agion [6], O. Sorenson [9], B. Jovanovich [10]; K. J. Haltivanger [11]; M. Malik, Yu. Lupenko, O. Spykuliak [2]; A. Zhygir [5], L. Lukashova [1] and others. However, the works of these scientists mainly cover the problems of small business development in rural areas of some regions of Ukraine and state regulation and budget financing of rural entrepreneurship.

The purpose of the article is to substantiate the essence of entrepreneurship, in particular entrepreneurship in rural areas, identify key trends and develop international experience for its use in modern Ukrainian realities.

Research results. According to the State Statistics Service of Ukraine, as of the end of 2020, the number of economically active population aged 15–70 living in rural areas is 5.4 million people (31.5% of the economically active population), of which 5,2 million people of working age [2, p. 23–31]. The unemployed population of working age in rural areas is

600.3 thousand people, or about 11.4% of the total working population. The employment rate of the working age population is at the level of 58.6%. At the same time, the rural population has a steady downward trend. Some settlements are deserted and deregistered. Over the past 15 years, the number of such settlements was 407 units. Almost 400 settlements still have no population, although they have not yet been deregistered.

The reason for this negative trend is not only natural mortality, but primarily the outflow of young people to large cities due to lack of employment opportunities. As the number of young people decreases, the problem of "aging" and "extinction" of villages becomes relevant. The priority of increasing the level of employment of the rural population is to create favorable conditions for the development of small business in rural areas.

Today, entrepreneurship has become an integral part of the progressive development and growth of national economies in almost all countries of the world. The definition of "entrepreneurship" can be found not only in scientific but also in various regulations and documents. Thus, according to the Commercial Code of Ukraine, it is "an independent systematic initiative. at their own risk economic activity carried out by economic entities (entrepreneurs) in order to achieve economic and social results and profit" [4, p. 421]. Entrepreneurship in Ukraine is carried out in any organizational forms provided by law, at the choice of the entrepreneur.

Changes in the socio-economic development of a country as well as transformations within the business itself cause the emergence of new approaches to the interpretation of the essence of this concept. For example, developing the principles of the theory of entrepreneurship, A. Zhygir proposes to consider entrepreneurship

as a complex four-level system of education, i.e. actually uses a system-hierarchical approach in the process of formulating this definition. According to Zhygir's approach the following levels should be distinguished to reveal the essence of entrepreneurship [5 p. 30]:

- general that, regardless of the specifics of production (or business), is related to aspects of its efficiency;
- specification, which involves the specification of the essence of entrepreneurship in a market economy;
- property and its increase, regardless of its form;
- financial and economic, when financial and economic activities are considered as the work of the entrepreneur.

In view of the above, we can conclude that scientific approaches to the definition of "entrepreneurship" have changed in accordance with the socio-economic conditions and stages of society development, scientific and technological progress, political and socio-economic priorities. Due to these changes, a list of distinctive features that are characteristic of entrepreneurship has been formed gradually. These are innovation, risk-taking, effective combination of factors of production, rationality, dynamism, initiative, evolutionary, social orientation, systematicity, market principles deployment, a positive economic effect orientation.

Consideration of aspects of the evolution of business theory arises the prior need to point out the scientists who for their scientific achievements in the development of business theory and research of practical problems of entrepreneurship for five years (2016–2020) received the World Award for research in the field of Entrepreneurship (Global Award for Entrepreneurships Research) and, secondly, to outline the directions of further probable changes in the scientific and theoretical basis of entrepreneurship development, taking into account the research topic.

The most prominent scientists who received this award for research in the field of entrepreneurship and made a significant contribution to the further evolution of the theory of entrepreneurship were [6–11]:

1) in 2016, F. Agion's research broadened the understanding of the relationship between, on the one hand, innovation at the firm level, entry and exit, and on the other – productivity and growth. He showed in his research:

- how higher rates of entry and exit of firms to / from the market (so-called processes of

creative destruction) and increased competition can be associated with higher growth rates based on innovation;

- the relationship between growth and long-term technological waves, when such waves are associated with the increased flows of entry and exit of firms;
- how growth is affected in different ways, whether the technology enters near the border or below it;
- the relationship between growth and firm dynamics, i.e. how young and small firms come out more often than large firms, but also (if they survive) grow faster;
- how unfinished contracts and bankruptcy proceedings affect business finance;
- how institutions affect business.

2) in 2017, E de Soto, who made a significant contribution to understanding the informal economy, as well as the importance of property rights for business development, poverty reduction and underdevelopment. His contribution has led to a new and better understanding of the role of business institutions, especially in developing countries.

3) in 2018, O. Sorenson, whose outstanding contribution is based on the vision that entrepreneurship and innovation are embedded in socially and spatially limited relations. Combining ideas from sociology, economic geography and economics, he gave new insights that challenge established views on the microeconomic foundations of spatial formations, the dissemination of knowledge and interaction between economic agents. His main contribution to the study of entrepreneurship and innovation can be directed to three areas:

- geography of entrepreneurship, where he showed that connections and closeness to family and friends contribute to localization more than regional economic characteristics, and explored the opposing forces of competition intensified by agglomeration compared to expanding access to specialized services such as venture capital providers, and how it affects firms of different sizes and ages;

- social capital and entrepreneurship, where he concluded about the problems of endogeneity in the construction of social capital;

- the evolution of learning and innovation, where he developed models of organizational learning that explain the relationship between research and technological innovation, etc.

4) in 2019 B. Jovanovich, whose research is original and influential in at least three areas: why some people become entrepreneurs;

dynamics of competition between existing firms and new business firms; the importance of entrepreneurship for the economy.

The main methodological contribution of the scientist is the integration of entrepreneurship into dynamic mathematical models and the general equilibrium analysis of the labor market, as well as the idea of complex interdependence between sorting in the labor market, due to which some people become entrepreneurs and others become workers, with the distribution of knowledge in conditions of uncertainty and asymmetric information.

5) in 2020, J. Haltivanger, who improved his understanding of the nature of job creation and destruction, growth of labor productivity and the role of small and medium-sized firms (SMEs) in economic development. Of particular note is his conclusion that age is more important for job creation than enterprise size. He questioned the generally accepted ability of small businesses to create new jobs and also identified a tendency to reduce the rate of opening and dynamism of the business, i.e. the rate of creation and reduction of jobs and employee flows between firms.

The generalization of theoretical aspects of the researched problem gives grounds to assert that the following characteristics are inherent in the subjects of small business in the agrarian sphere: private capital; unity of ownership and management; local sphere of activity focused on the use of local resources of rural areas; concentration on personal work of the owner and members of his family, where there is a personalized nature of the relationship between the owner and employees; insignificant market share in its field of industry specialization; financing of activity at the expense of own means or small bank credits.

With sufficient entrepreneurial potential, small forms of management in rural areas can be transformed into a higher level ones. For example, a private farm may, with the achievement of higher productivity and the involvement of other family members, be able to register with the family for legal status and enter into commercial employment, in addition to being able to continue to meet their personal needs in agricultural products [12].

Small business entities in the agricultural sector have a number of significant advantages over more powerful forms of management, namely: respond quickly to changes in the market; are the main source of innovative ideas in the field of production; have certain advantages in marketing and sales conditions due to personal contact with the consumer; implement a combination of entrepreneur (owner), manager and employee in one person, which provides the best coordination of interests and maximum motivation in achieving goals.

However, as rightly noted by M. Malik and O. Shpykuliak "...inconsistency of the institutional base of entrepreneurial activity leads to a decrease in the number of enterprises – business entities, non-transparent activities of entrepreneurial structures, exclusion of landlords from participation in enterprises" [13].

Regarding the assessment of trends in the dynamics of development of existing enterprises in agriculture of Ukraine, it should be noted that the number of all categories of enterprises has decreased. Only the number of private businesses increased from 2519 units in 2000 to 3956 units in 2019. The reason is the general crisis of the national economy, as small businesses are extremely sensitive to any economic troubles (Table 1).

Table 1

Operating enterprises in agriculture of Ukraine in dynamics, units*

Category of enterprises	2000	2010	2013	2014*	2015*	2016*	2017*	2018*	2019*
Total	51588	56493	49046	46199	45379	47697	45558	49208	48504
Business associations	6718	7769	8245	7750	7721	7752	8215	10323	10931
Private enterprises	2519	4243	4095	3772	3627	3752	3815	3955	3956
Production cooperatives	3136	952	809	674	596	582	573	568	554
Farms	38428	41726	34168	33084	32303	33682	34137	33164	32452
State enterprises	385	322	269	228	241	222	218	213	215
Enterprises of other forms	402	1481	1460	691	891	603	592	681	465

* Excluding temporarily occupied territories

Source: Calculated by the author according to the State Statistics Service of Ukraine

Table 2

**Gross output of agriculture by main groups of producers, UAH million
(at constant 2010 prices)**

Commodity producers	Years					
	2011	2015	2016	2017	2018	2019*
All categories of farms	233696	239467	254641	249157	269408	680982,4
Agricultural enterprises	121054	131920	145119	140535	158307	449806,3
including						
Farms	16193	18909	22101	21743	25119	79053,0
Populations	112643	107549	109522	108622	111102	231176,1
As a percentage of total						
All categories of farms	100	100	100	100	100	100
Agricultural enterprises	51,8	55,1	57,0	56,4	58,8	66,1
of which						
Farms	6,9	7,9	8,7	8,7	9,3	11,6
Populations	48,2	44,9	43	43,6	41,2	33,9

* in 2016 prices.

Source: Author's calculations according to the State Statistics Service of Ukraine

The dynamics of gross output of business entities over the past nine years shows a positive trend, which peaked in 2019. Households during the study period gradually decreased from 48.2 million UAH in 2011 to 33.9 million UAH in 2019 (Table 2).

Conclusions. Studies of the state, conditions and problems of small businesses in rural areas and the new opportunities that open up to them in connection with the strengthening of European integration processes, allowed us to draw the following conclusions.

Currently, according to the analysis of the comparison and systematization of scientific views on entrepreneurship and the staging of the evolution of entrepreneurship theory, the aspects of facilitation of entrepreneurship in the

agricultural sector that would contribute to its development have not been studied in detail.

Quite promising is the development of methodological principles for facilitating the development of entrepreneurship in the agricultural sector, which should be based on a fundamentally new scientific and theoretical basis, which, on the one hand, should summarize the existing practice of facilitating entrepreneurship, and on the other hand – will promote the application of scientifically sound approaches to creating and developing conditions for business growth.

The results of the research necessitate further study of this issue in order to supplement, improve and apply in business activities of business entities.

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