

DIVERSIFICATION OF BUSINESS DIRECTIONS IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT OF RURAL AREAS

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Черевко Г. Диверсифікація напрямів підприємництва у контексті зрівноваженого розвитку сільських територій

Представлено основні результати дослідження проблеми диверсифікації підприємництва у сільських територіях як одного зі шляхів реалізації концепції їх зрівноваженого розвитку. Ідентифіковано основні можливі напрями поліфункціоналізації села і сільського господарства та основні диверсифікаційні види підприємницької діяльності на селі як джерела одержання коштів для реалізації концепції зрівноваженого розвитку сільських регіонів. Показано місце і напрями вирішення проблеми диверсифікації підприємницької діяльності на селі у розробленій і схваленій Кабінетом Міністрів України Концепції розвитку сільських територій. Представлено основні сільськогосподарські та позасільськогосподарські функції сільських територій і проаналізовано рівень їх реалізації та можливості покращання в рамках втілення концепції зрівноваженого розвитку сільських територій.

Ключові слова: диверсифікація напрямів підприємницької діяльності, поліфункціоналізація села і сільського господарства, зрівноважений розвиток сільських територій.

Cherevko G. Diversification of business directions in the context of sustainable development of rural areas

The main results of the study on the diversification of businesses in rural areas as a way to implement the concept of sustainable development are presented and the main directions of possible diversification are identified in this article. Major business activities in rural areas as sources to obtain funds for the implementation of sustainable development of rural regions are depicted. The direction of diversification of business activities in rural areas are developed and approved by the Cabinet of Ministers of Ukraine. The basic functions of agriculture are analyzed on the level of implementation and possible improvement of rural areas development.

Key words: diversification of business directions of economic structures, poly-functioning of villages and agriculture, sustainable development of rural areas.

Черевко Г. Диверсифікація напрямів підприємництва в контексті урівноваженого розвитку сільських територій

Представлены основные результаты исследования проблемы диверсификации предпринимательства в сільських територіях как одного из путей реализации концепции их урівноваженого розвитку. Идентифицированы основные возможные направления полифункционализации села и сільського господарства, а также основные диверсификационные виды предпринимательской деятельности на селі как источника получения средств для реализации концепции урівноваженого розвитку сільських територій. Показаны место и направления решения проблемы диверсификации предпринимательской деятельности на селі в разработанной и одобренной Кабинетом Министров Украины Концепции развития сільських територій. Представлены основные сільськогосподарские и внесільськогосподарские функции сільських територій, проанализированы уровень их реализации и возможности улучшения в рамках концепции урівноваженого розвитку сільських територій.

Ключевые слова: диверсифікація напрямів підприємницької діяльності, поліфункціоналізація села і сільського господарства, урівноважене розвитку сільських територій.

Formulation of the problem. The Concept of rural development was approved by the Cabinet of Ministers of Ukraine on September 23, 2015, № 995-p. It is noted that the main

causes of the deterioration of the socio-economic and ecological condition of rural areas are: low economic diversification of rural areas; migration of rural young population; high unemployment

and low income; destruction of social and physical infrastructure; low level of entrepreneurship because of unfavorable tax environment and the inefficiency of economic instruments; low levels of domestic and foreign investment; the limited resources of local budgets; unwillingness of villages communities to initiate and participate in development projects; low efficiency of local governments etc [1].

The problem is that agriculture is changing nowadays but it is still the main type of business activity in the countryside. Objectively it must be combined or even integrated with other types of business activities. It determines the relevance in research of business activities diversification in rural areas in the context of implementation of sustainable development of rural areas.

Materials and methods of research. The main principle used in the research methodology was dialectical approach to the studied phenomena. The specific economic conditions and the real state of economic, political and social situation in the country were taken into account. With the help of method of abstraction as well as the method of synthesis and analysis the necessity of diversifying areas of business activity in rural areas through the provision of agricultural production of sustainable development of rural areas in western regions of Ukraine were studied and systematized. The monographic method made it possible to study the experience of the features and implementation of these processes in Ukraine and other countries.

Analysis of recent research and publications. Problems of diversification of business activities in rural areas is becoming more active where agriculture is the main source of income for their residents. Therefore, this subject is quite of great importance. The economists, including V. Andriychuk, I. Ansoff, O. Babintseva, T. Zinchuk, H. Maslak, R. Byalobzheska, R. Kisyel, M. Ilchuk, M. Klodzinsky, Yu. Lupenko, M. Mayevskyy, M. Malik, H. Mintsberh, M. Minkovska, H. Nemchenko, Ye. Pehuda, M. Porter, A. Stryklend, V. Tkachuk, A. Tompson, M. Turchenko, A. Chandler, A. Chupis, V. Yurchyshyn and others worked out a fairly significant contribution to the scientific basis of business diversification in rural areas. They developed specifically organizational and economic mechanism of diversification of business structures [5, p. 15]. However, the situation in the countryside is very dynamic to ensure that the basic theoretical and methodological diversifica-

tion businesses in rural areas could remain outside the field of attention of scientists, in particular as regards the definition of rational directions of diversification of business and study the best ways of combining, definitions and improvement of its social, economic and environmental performance. It should also be kept in mind that diversification of entrepreneurship in the countryside is not an end in itself but a powerful tool to improve this overall situation «... The problem is also how to improve the wellbeing of rural residents and the standard of living in rural areas to the level of the city, preserving and multiplying village its benefits over the city» [2, p. 95].

Setting objectives. The aim of this article is to present the results of the study on the diversification of businesses in rural areas as a way to implement the concept of sustainable development.

The presentation of research results. Business development in rural areas is characterized by potentially high degree of diversification, which allows residents of different rural areas to provide a suitable income and adapt to changing economic conditions. Diversification of production and economic activities of agricultural units is one of perspective activities. It allows getting financial income and creating jobs [11, p. 5]. But it needs legislative consolidation and targeted support from the state [10, p. 1]. Such policies should be focused on new economic structures through introduction of industrial service centers, creating new sources of housing for residents of the village. That is why a multifunctional rural development and multifunctional development of agriculture are of great necessity.

The main functions of rural areas are:

- production of agricultural goods as the basis to solve the problem of food security;
- non-agricultural functions:
 - ecological functions: protection of natural resources (including forests);
 - soil protection;
 - environmental protection;
 - protection of biodiversity of flora and fauna;
 - socio-cultural functions (providing social public goods), spatial management (aesthetics fence, village, village councils);– preservation of cultural and folk traditions; preserve the positive values of national culture; providing «clean» environment; creating the right conditions for

tourism and recreation; creating resort places, food and treatment; equal accessibility of rural and urban residents to the socio-cultural infrastructure.

Developed and approved by the Cabinet of Ministers of Ukraine, the Concept of rural development involves creating the necessary institutional, legal and financial conditions for rural development by: diversifying economic activities; increase the level of real income from agricultural and non-agricultural activities in rural areas; achievement of guaranteed social standards and improving living conditions in rural areas, environmental protection, conservation and restoration of natural resources in rural areas [1].

The reasons that motivate villagers to diversify its activities are: existing successful business entities; the need to develop the opportunity to receive additional financial benefits from the work; trying to avoid bankruptcy; go with stagnating markets attempt; to develop newly created entities in need to survive due to lack of alternative wage employment, the opportunity to receive a stable income, the desire to implement skills and entrepreneurial skills [10, p. 8]. Difficult conditions of production and existence of rural families in the present situation forced farmers to seek opportunities to improve their financial situation. Depending on the individual characteristics of existing productive capacity and financial situation, they choose different ways and strategies. Some of them reconstruct the way of its economy, changes the direction of production etc. Others go to trade services. These changes lead to the appearance of new non-agricultural trends and activities in the countryside [7, p. 41; 8, p. 170].

The main business activities to diversify rural residents are: space activities where entrepreneurs are oriented to meet the respective needs of different categories of people (urban population, the population of remote areas, tourists and holiday-makers, etc.); interdisciplinary, involving the distribution of rural entrepreneurs activities in the agricultural and non-agricultural internal business activities providing the development of various activities within a small business or entrepreneur [10, p. 8]. In other words, the economic development of rural areas can not be based only on the development of agriculture. In the local conditions with limited financial means non-agricultural development of entrepreneurship should be joined with other activities in the countryside. Non-agricultural population in rural

areas should be connected with the activity of farmers that will contribute multifunctional development of the region. This development will lead to changes in the socio-economic structure of the population and affect economic efficiency [6, p. 64]. This is largely detected by implementing a sustainable and multi-functional development of each rural area and can contribute to the development of cooperation – both production and servicing. Developed countries have already had fairly extensive experience solving these problems of sustainable development of rural areas. One of these approaches is that system of integrated agricultural production (Integrated Farming System). Its aim is an attempt to implement seemingly contradictory goals: economic (to achieve high economic efficiency), environmental and social. The key elements of this system are: knowledge and skills of producers, the use of appropriate methods of production, saving, its controlled and precise use [9, p. 167]. The objectives of the implementation of such a system are: the economic development of agricultural enterprises, the development of social infrastructure, improving rural employment, education and rural youth development, environmental protection and production of environmentally friendly products. The most promising areas of business in the village include: the development of various forms of hand made business; territorial small industrial facilities (buildings, sawmill, etc.); building and renovation; ornamental horticulture; cooperation with processors and retailers; development of small businesses to provide trade advisory services, personal services and so on. One form of diversification of agricultural enterprises is development of agro-tourism. It is one of three types of rural tourism, which include recreation and ecotourism [13]. It should be noted that although rural tourism was originated in Europe, it has been widely spread in the USA during the recent decades. Nearly 2/3 of all adult citizens of this country that is 87 million people have made at least one journey in rural areas to rest and entertain. For the last three years, this travel industry provides more than 564 billion dollars income being only after health care and business services [3].

Population of Ukraine is also able to get real income in the agrarian sphere of tourism in such activities as improvement of tourist routes, parking facilities, tour guide jobs, transport service, Chasseurs activities (hunting, amateur and sport

fishing), reception services, culinary services, hands and crafts manufacture, sale of organic foods, including berries and mushrooms [12].

Nowadays certain types of activities are very popular not only in Europe but all over the world. The rural population of Ukraine can also be engaged in certain types of activity such as collecting of snails, frogs, flowers and herbs. Production of flax, false flax, rapeseed, black cumin, sea buckthorn, soy, amaranth, grape seed, thistle oils can be added to the traditional sunflower oil as well [4]. Today oil production of «Ahrosil-prom» company (Dnepropetrovsk) is available in 23 countries on 4 continents. The company «Elitfito» monthly shipped abroad for 5-10 tons of oil of 17 different types at relatively low price and decent quality, which enjoys stable demand in the market for organic products [4, p. 18].

Conclusions and recommendations for further research. Sustainable development of rural areas is a chance to restrain degradation of the environment through the development and

diversification of rural entrepreneurship. At this stage of development of science we are aware of increased environment problems and potential threats of increasing globalization challenges. Poly-functioning of villages and agriculture fits into the concept of sustainable development of rural areas. The essence of this concept is the combination of optimal and comprehensive solutions to economic, social, demographic and ecological problems. To find these ways, we need to develop economic cooperation between villages and small towns, through the development of non-agricultural jobs, even in regions that are traditionally considered to be a typical farm. This is largely detected by implementing a sustainable and multi-functional development of each rural area. Since Ukraine is an agrarian country, sustainable development of rural areas should become a key direction of agricultural policy of the state and diversification of business activities and non-agricultural source of funds for the implementation of this concept.

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