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## Socio-economic role and institutional capacity of family farms in the implementation of the sustainable development goals

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► **Abstract.** Rapid changes and dynamic fluctuations in modern social development determine the relevance of institutional transformations in the implementation of proclaimed sustainable development goals. In achieving this, the socio-economic role of effectively reaching the institutional potential of family farms increases. The purpose of the paper is to detail methodological judgments and develop parameters for determining the institutional potential and socio-economic role of family farms in the implementation of the United Nations sustainable development goals for the period up to 2030, considering national economic characteristics. In achieving the purpose, a systematic approach and theoretical (axiomatic, analysis and synthesis, analogies) and empirical research methods (comparison, expert assessments) were applied. The obtained results provide deeper methodological insights and characterisation of the socio-economic and institutional role of family farming in the national economy and sustainable development goals. Family farms play a creative role in maintaining a balance between meeting the population's needs and efficient utilisation of agricultural potential. The paper presents an original interpretation of the category "institutional potential" of family farms. Institutional potential can be defined as the capacity of institutions to maintain stability and conditions conducive to fulfilling their functions, influencing the behaviour of social actors. It also involves delineating and differentiating the socio-economic and institutional characteristics of family farming. The study also

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substantiates economic, social, and environmental factors affecting the development of family farming concerning their role in achieving sustainable development goals. The necessity of making managerial decisions at various levels to increase the level of sustainability of the agri-food system was noted. The practical value of the study is provided by methodological generalisations, consolidation of knowledge, and confirmation of theoretical conclusions about the features of the functioning of family farms in the context of proving the objectivity of their socio-economic role and the effectiveness of using institutional potential in the implementation of sustainable development principles

► **Keywords:** entrepreneurship; sustainable development principles; food security; institutions

### ► Introduction

The dynamism and non-linearity of contemporary world development necessitate the need for supporting institutions and regulatory mechanisms for societal progress. The role of economic systems in ensuring adequate living conditions, economic activities, and sectors that balance interests and limited resources of the national economy while preserving essential potential for future generations is increasing. Family farming plays a crucial role in achieving harmonious economic, social, and ecological development.

Ensuring food security is one of the primary goals of sustainable development, and family farming can provide a local consumer base with food products, reducing reliance on imports and supplies from distant regions within the country. In addition, family farms typically engage in agricultural activities on small plots, utilising conventional methods mainly, which help conserve soil resources, biodiversity, and minimise the negative environmental impact of economic activities (Guth *et al.*, 2022).

Family farming holds the potential to address important challenges related to poverty reduction, inequality, enhancing food security, and producing food items while preserving natural resources. They contribute to local employment and economic development, reducing rural-to-urban migration, especially among the youth, and strengthening the overall resilience of rural areas and their communities. Thus, C. Umstätter *et al.* (2022) discuss the social sustainability of farms.

The special relevance of this subject is underscored by the UN Decade of Family Farming (2019). This is an important initiative that promotes the diversity of family farms to achieve all the sustainable development goals. Family farms are the main actors in achieving these goals, as they comprehensively embody all the characteristics of sustainable development institutions. The Decade of Family Farming promotes the integration of three aspects of sustainable development: stimulating economic growth, social integration, and environmental protection. It encourages the participation and partnership of stakeholders, fostering their collaboration and interest in achieving the proclaimed objectives.

However, despite their importance, family farms, as a form of agrarian entity, face numerous challenges. These challenges include a lack of financial resources (Bórawski, 2008), inadequate support from governments (Bojnec *et al.*, 2022), difficulties in accessing markets, and lower competitiveness compared to large agro-industrial companies (Dung *et al.*, 2021). Hence, it becomes vital to establish and empirically outline the institutional role of family farms as a fundamental basis for shaping their development strategies. F. Becot & S. Inwood (2020) argue that family farms critically need institutional and social support, being a decisive factor in their overall development. The rapid

technological advancement and dynamic fluctuations accentuate the necessity of forming a renewed foundation for agricultural development, wherein family farms become key actors driving the development of sustainable institutions within the agricultural sector as a whole.

The purpose of the paper is to establish the socio-economic and institutional role of family farming as a conductor of initiatives, practices, and mechanisms for ensuring sustainable economic development through the achievement of the UN 2030 goals.

### ► Literature review

In the context of wartime conditions and prospects for post-war economic recovery in Ukraine, the relevance of fully achieving the potential of peasant farms, especially family farms, has become evident. These farms play a crucial role in ensuring local food security. The value of family farms and other small-scale forms of agriculture has been recognised, and their importance has been acknowledged in studies and publications. These achievements form the foundational basis for shaping the development concept of family farms. However, there are existing challenges.

Key scientific discussions in global academia regarding the development of family farms and defining their institutional role are related to the following aspects:

Efficiency and environmental productivity. Previous empirical studies show that farm size is inversely related to productivity – the larger the farm, the lower the production per unit of land (Dung *et al.*, 2021; Bojnec *et al.*, 2022; Guth *et al.*, 2022). This is due to changes in transaction costs associated with various operations on the farm. N. Vasylieva & J.Jr. Harvey (2020) highlight that when labour costs are a significant portion of production expenses, small farms can have substantial advantages over larger farming entities, such as self-control, motivation for meticulous work, and flexible management forms to adapt to unpredictable conditions and fluctuations. However, M. Zieliński (2019) indicates that low incomes in small farms do not incentivise their owners to modernise, increase the value of assets, and enhance the added value of production. The author established that the reason for this is that about 69% of managers of small farms do not have formal training for the profession of a farmer.

P. Bórawski (2008) evaluates the performance of small, medium-small, and medium-large farms, indicating their excessive liquidity, leading to a lack of investments and potential financial deterioration in the future. However, these farms have low debt ratios and limited development potential. Thus, empirical data show that there is no single economically optimal agricultural structure, so a variety of forms is the key to the sustainable development of the agricultural sector.

Social development and poverty reduction. In the works of C. Umstätter *et al.* (2022), Y. Gao *et al.* (2019), F. Becot & S. Inwood (2020), the development of family farms has been identified as a means to ensure broader participation in decision-making and political processes within rural communities. This can enhance their self-sufficiency and facilitate more effective solutions to human development and strategic planning issues. However, it is important to maintain a balance between small and large farms as both approaches can have their advantages and disadvantages depending on various factors such as market conditions, climate factors, etc. For instance, O. Yermakov & I. Kostetska (2022) compare the experiences of Ukraine and Poland and highlight the importance of creating socio-economic conditions for rural development, which requires adequate living standards for rural communities and substantial financial resources for their livelihoods.

Several provisions were analysed to improve the institutional environment for the development of farms, providing a necessary foundation for the development of programs and projects in this sector that can increase productivity, enhance product quality, and ensure sustainable farming practices.

Legal field. For example, the concept of a “farmer” is interpreted differently in two Polish laws. In the Bankruptcy Law, a farmer is considered a person who is not engaged in entrepreneurial activities, while the Restructuring Law does not provide a clear rationale for such a decision, implying that farmers use institutions similar to entrepreneurs to restore the solvency of their farms (Law of Poland..., 2015; Bankruptcy procedure in..., 2021).. According to M. Komarowska (2018), it would be beneficial to differentiate bankruptcy provisions for farmers, allowing them to declare bankruptcy after meeting certain requirements (such as maintaining accounting records and registering with the appropriate judicial register). This uncertainty is typical for some other EU countries, and Ukraine.

Thus, P. Colnago *et al.* (2021) discuss the need to address the shortcomings of sustainable development on family farms. It is proposed to implement strategies that differ between farms depending on the availability of resources and technologies, which confirms the need for a systematic perspective and individual decisions on resource management and the organisation of the agricultural system as a whole.

Different types of farms are characterised by varying levels of social integration. The social integration of farmers depends on the individual characteristics of the farm, as small farmers and part-time farmers show less social integration than full-time farmers (Schou *et al.*, 2022). It is suggested to extend social attachment to three components: community engagement, commitment to responsibility, and commitment to conventional production.

Radical digital transformations are a global trend in the development of the agri-food industry. Significant improvements in economic efficiency, rational use of natural resources, rapid exchange of up-to-date information, new markets, and economic opportunities in the context of modern climate change are possible with digital transformation (Borodina *et al.*, 2021; Lupenko, 2021).

The emergence of new and powerful digital technologies has considerably changed the way businesses

produce. As proved by S. Peng *et al.* (2023), factors related to environmental innovation and investment in pollution control play an important role in shaping the link between digital transformation and pollution emissions, and the impact of digital transformation on pollution reduction. Climate change adaptation is a pillar of sustainable development that requires strategic family farming planning (Junges *et al.*, 2022).

### ► Materials and Methods

The investigation of the socio-economic role and institutional potential of family farms in achieving sustainable development goals is multifaceted and multi-elemental. Therefore, the paper is based on a systemic approach, assuming that the studied components form a whole and are interconnected.

Contemporary social development is directly dependent on formal and informal institutions, such as norms and rules that determine the actions and behaviours of social actors. This justifies the application of institutionalism theory as the methodological foundation for the conducted study.

The definition of categories used in international research to ensure their compatibility with national concepts is based on T. Bartol's (2023) study. Specifically, the categories of “small farm” and “small-scale farm” are encountered in the research literature, and it is noted that these concepts cannot be clearly distinguished and are often used interchangeably. This paper uses the category of family farms.

The achievement of the United Nations Sustainable Development Goals for the period up to 2030 (Transforming our..., 2015) serves as a strategic reference point, wherein the agri-food sector plays a crucial role. At the tactical level of research, the UN Global Action Plan for the United Nations Decade of Family Farming 2019-2028 (2019) is considered.

Obtaining the status of a candidate for membership in the European Union Ukraine determines the expediency of investigating the European Green Deal policy (Striving to be..., 2019).

The paper uses several general theoretical research methods. Thus, an axiomatic method was applied to justify the status of the socio-economic and institutional roles of family farms in achieving sustainable development goals. Analysis and synthesis were used to determine the trends in the formation of family farms in the agricultural sector of the Ukrainian economy and the general signs of their functioning in the context of implementing the mechanism for achieving sustainable development goals. The method of analogies was used to qualify the general economic role, socio-economic and institutional effectiveness of family farms as a separate type of business entity. The paper also uses empirical research methods, such as comparison, to contrast the economic performance definitions of farms and agricultural enterprises. The generalisation method is used to summarise the main findings of this study.

Official statistical data on the socio-economic results of farmers' activities in Ukraine and the dynamics of production of various types of goods by farms in Ukraine were utilised (Agriculture of Ukraine..., 2022). Strategic

documents and concepts were used, and scientific developments and publications concerning family farming development were considered within the relevant priorities of the roadmap for the development of agri-food systems and rural areas.

### ► Results and Discussion

Ukraine possesses considerable potential in family farming – a sector of agricultural entrepreneurship that has become crucial in the modern development of rural areas and in ensuring food security at the national and local levels (Peculiarities of the..., 2022). The family farming model or type of organisation in Ukraine's agricultural sector has undergone institutional evolution since the early 1990s. The emergence of the family farming movement is linked to the gradual shift from collective and state forms of farming towards a market-oriented model based on private ownership of production means, including land.

Recently, starting in 2016, family farms as a variety of smallholder family-based enterprises gained some prevalence within the institutional framework of the agricultural market and rural development in Ukraine (Peculiarities of the..., 2022). The introduction of family farms into the institutional system of the agricultural market and rural territories is driven by the need to provide organisational status to a large number of household farms and personal peasant farms, which highlights the institutional potential of family farms.

The current development of family farming and the mechanisms and factors contributing to its institutionalisation should be examined within the context of several factors: wartime conditions and post-war economic recovery perspectives in Ukraine, the implementation of measures and national policies as a candidate for European Union membership, the Sustainable Development Goals for the period until 2030 (Transforming our..., 2015), the Decade of Family Farming 2019-2028 (2019), and the policies of the European Green Deal (Striving to be..., 2019). These four segments of scientific-practical knowledge form a system of rules and norms, considering the importance of preserving the traditions of the family farming movement on the European continent while strengthening the role of family farms in ensuring food security and supporting rural development.

Family farms will have distinct roles in sustainable development when considering the social-economic aspect on the one hand and the institutional aspect on the other hand. Social-economic parameters can be seen at a tactical level, mostly related to addressing current tasks and immediate challenges. The institutional level should be considered a strategic one, which concerns the formation of institutions of sustainable development in Ukraine, posing a promising task.

The priority goal of the agricultural sector for Ukraine today is to support the farming movement in wartime and post-war recovery – with the establishment of the farmer as a stable guarantor of food security. Currently, smallholder family farms not only ensure food security but also support internally displaced people, contribute to the development of territories, etc.

Ukraine is now on the path of developing family farming as a viable and scientifically confirmed model based on private ownership, individual management, and the three main components of family entrepreneurship (Spaskiy, 2019). The organisation of family farming is based on principles of social-economic inclusivity and sustainability, derived from a theoretical and analytical assessment of their current development status, projections for effective management support, and the formulation of conceptual principles for the future development of the family farming movement.

In the context of modern development, especially in wartime situations, the mechanism of self-organisation of small farms and the institution of self-sufficiency in the food supply has become more active, reflecting national traditions in the organisation of life and farming in rural areas. One of the organising elements of this process is a simple form of cooperation, based on the formation of social capital of mutual trust without formal cooperative characteristics. From an institutional and legal perspective, “family farms can be created in the form of a legal or physical entrepreneur (at the founder's discretion). In practice, family farms are a type of farm founded and operated exclusively by members of one family; they may use the labour of only their family members, without involving hired workers” (Hubeni, 2022). It is appropriate to identify different types of family farms based on institutional and organisational-economic characteristics (Table 1).

**Table 1.** Institutional and organisational-economic characteristics of family farms in Ukraine

Features	
Institutional	Organisational-economic
Legal entity – authorised	Founders – private individuals Size – large and medium-sized, small enterprises
Legal or physical person – establishment based on a declaration of creating a family farm	Founders – family Size – small and microenterprises

**Source:** Law of Ukraine No. 973-IV “On Farming Enterprise” (2003); Law of Ukraine No. 1067-IX “On Amendments to the Law of Ukraine “On Family Farming Regarding the Stimulation of the Creation and Operation of Family Farms” (2016)

The formalisation of the status of a peasant farm means obtaining the corresponding organisational form, which is institutionally regulated according to the legislation. Firstly, status – a legal or physical person defined by family farms, and other small forms, belong to the 4th group of unified taxpayers under the simplified system.

Secondly, the form of organisational activity includes personal peasant farms, family farms, and farm households.

Institutionally, a farmer is an owner, and a farm is a form of implementing one's economic and entrepreneurial skills in the market mechanism to achieve socio-economic benefits, including obtaining entrepreneurial

profit. The acquisition of the status of a farmer, as a subject of entrepreneurial activity in the form of a farm (legal entity or individual entrepreneur), is based on ensuring compliance with legislatively defined criteria, which include the employment of household members, specifics of engaging hired labour, the area of agricultural land, and the size of the income earned (Lupenko, 2021).

A family farmer is the owner of their economic activity and the head of entrepreneurial concepts through personal work and cooperation with members of their own family. However, small farm owners are increasingly under pressure due to the transformation taking place in the global food system and supply chains. Large processors, wholesalers, and supermarket chains are increasing their purchasing power concentration, using strict standards, both public and private, and seeking greater vertical integration. This leads to more difficult conditions of competition and pressure on small farmers. To ensure the viability of small-scale farming, innovation, and protection from biased competition in the market and its unfavourable conditions are necessary.

The agri-food business plays an active role in the implementation of the concept of sustainable development, as the projected outcome to be achieved through progress within the UN's Sustainable Development Goals for the period up to 2030 (Transforming our..., 2015) includes the expansion of capabilities to overcome hunger, which directly relates to family farmers. This issue is not new, as approaches to its resolution have evolved throughout human history, as the modern economy of human livelihood requires sustainable development across all areas of economic activity. Agricultural activity correlates with the development of rural areas. However, the problem of hunger is becoming more and more acute due to the increase in the population on Earth, urbanisation of territories, man-made problems, and depletion of resources. Economical use of agricultural resources is one of the main global priorities for sustainable development. However, there are certain challenges and obstacles to farm development, such as high initial investment costs and instability in the agri-food market. Therefore, to ensure the sustainable development of agriculture, favourable conditions for the development of farming are needed, such as state support and the creation of favourable conditions for interaction between farmers and other market players.

In the world practice of small agricultural business development, family farms are active, systematic guides to the practices of ensuring food supply to the population and sustainable development of rural areas. However,

family farms are organisationally, economically, and institutionally limited in their development prospects. This is a simple system for organising business processes, which does not always positively correlate with their sustainability. The form of complication the investigated system can be cooperation as a way of organising agriculture.

As noted by T. (Ch.) Gong *et al.* (2019), R. Rudnicki *et al.* (2023), and family farms that are not members of cooperatives demonstrate the lowest technical efficiency and the largest gap between observed and potential production. The authors suggest that membership in a cooperative may allow farmers to learn more advanced technologies and take advantage of methods to increase productivity.

To enable small peasant farms to rise from the local or regional level to the national and global levels, state support and the creation of conditions for cooperative development are necessary. In Ukraine, this aspect of the problem is addressed in a fragmented manner, stemming from the nature of social capital regarding the organisation of economic interactions in rural areas. Peasants lack the motivation to join formalised economic coalitions, including cooperatives (Shpykuliak & Bilokinna, 2019), not only in the agricultural sector.

It is essential to emphasise that stimulating employment through support for the development of peasant farms, such as forming family farms and their integration into cooperatives, should become a priority. Such a range of events will gradually address many problems of wartime and provide an impulse for post-war recovery in rural areas. There are also prospects for the development of family farms with Ukraine acquiring the status of a candidate member of the European Union. Expected areas for the development of the investigated subjects in the agricultural economy can be outlined based on a scenario approach (Gaviglio *et al.*, 2019; Lopatynskyi *et al.*, 2021).

A retrospective analysis of the development of family farming in Ukraine indicates certain inconsistencies in the role and value of these farms compared to the global tradition. Family farms have their roots in peasant yards and households that have played and continue to play a role in self-sufficiency in food production.

Amid wartime conditions and considering the prospects of post-war recovery in Ukraine, including rural areas, the institutional and organizational-economic roles of family farms, among others, have changed. This type of farming increasingly becomes a driver in ensuring economic prosperity in rural areas and the welfare of citizens, families, and farmers. The importance of farms in the development of the agricultural sector is considered below (Table 2).

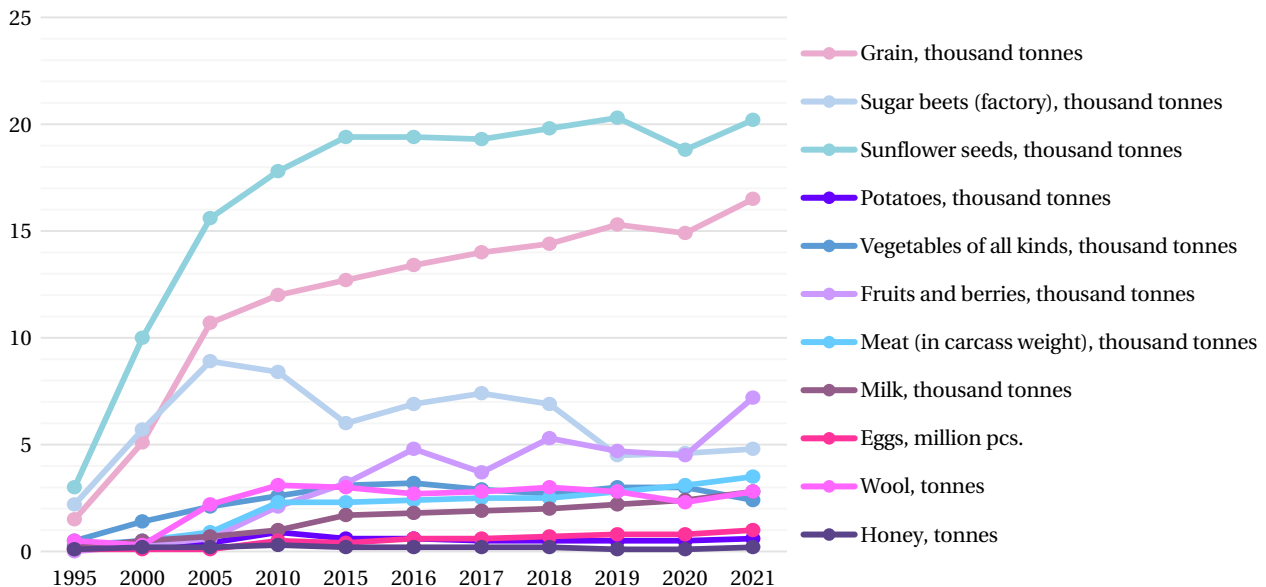
**Table 2.** Structural assessments of socio-economic performance of farms in Ukraine

Farms, %	Year						
	2015	2016	2017	2018	2019	2020	2021
in the total number of operating agricultural enterprises	71.2	70.6	74.9	73.1	79.1	65.6	90.2
in the total land area of agricultural enterprises and citizens – farmland	11.9	12.2	12.5	14.1	14.2	13.8	13.2
– arable land	13.6	13.8	14.3	15.2	15.3	16.6	18.6
in the total number of employed population in the agricultural sector	3.3	3.4	3.4	2.9	3.0	2.7	2.6
in the production of agricultural products (all categories) – total	7.9	8.7	8.7	10.9	11.6	10.7	12.7
– crop production	10.4	11.2	11.3	13.3	14.1	13.2	14.9
– livestock products	1.9	2.0	2.0	2.1	2.3	2.5	2.9

**Source:** completed by the authors based on Agriculture of Ukraine for 2021 (2022)

According to statistics, farms occupy a considerable share in the performance of agricultural enterprises in Ukraine. In particular, they account for a significant share of agricultural production and provide jobs for the local population. Notably, family farms often specialise in cultivating niche crops, allowing them to diversify production and ensure high-quality products.

The production structure of family farms can change depending on shifts in market conditions and demand for different types of products (Fig. 1). Therefore, to ensure the sustainable development of a family farm, it is essential to have a flexible production strategy that enables adaptation to changing market conditions and demand for various products.



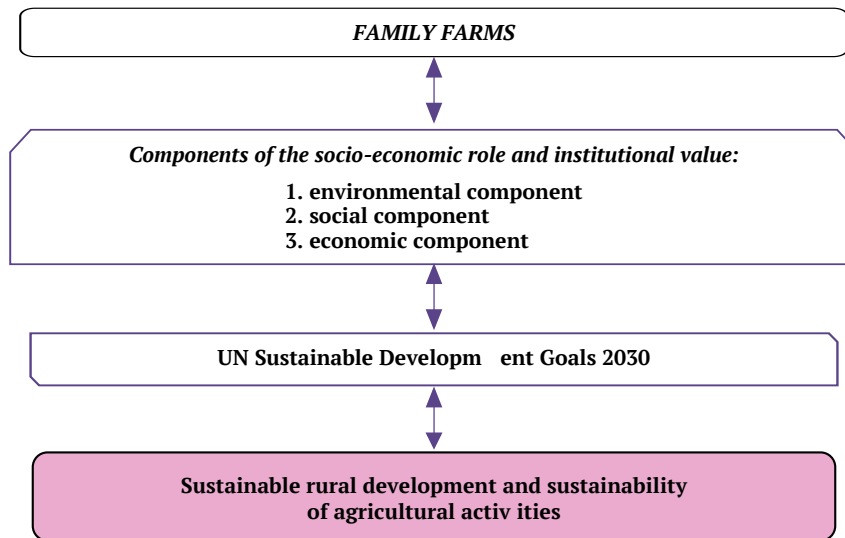
**Figure 1.** Dynamics of production of various types of goods by farms in Ukraine

**Source:** completed by the authors based on Agriculture of Ukraine for 2021 (2022)

The analysis of the production structure dynamics of farms in Ukraine from 1995 to 2021 reveals that they engage in the production of a wide range of products, including sunflower seeds, cereals, vegetables, fruits, milk, and meat. The dynamics of increasing production of sunflower seeds, grain, fruits, and berries show a clear dependence on general trends in the agricultural market. However, there are also regional features and imbalances in the development of certain types of products, depending on climatic and geographical conditions, and several institutional factors. In the world practice of small agricultural business development, family farms are active systematic guides to the practices of guaranteeing food supply, employment, and sustainable rural development. According to the definition of the UN institutions, particularly the Food and Agriculture Organization of the United Nations (FAO), family farming should play a central role in their focus on expanding support to achieve the Sustainable Development Goals by 2030 (Transforming our..., 2015). The Global Initiative for the Decade of Family Farming 2019-2028 (2019) is constructively integrated into the mechanism for implementing actions to achieve the Sustainable Development Goals by 2030. In the context of functions inherent to family farms, they possess the institutional capability to purposefully implement sustainability initiatives in rural areas. Compared to other forms of farming, family farmers act exclusively and creatively.

They demonstrate the current institutional and organisational-economic capacity “to provide innovative solutions to social, ecological, and economic challenges, such as preserving biodiversity, landscapes, cultural heritage, and local traditions of producing nutritious and cultural food” (United Nations Decade..., 2019). It is worth noting that family farms, in addition to the economic mission, perform a social one, especially this aspect is manifested in Ukraine in modern conditions, wartime conditions. For small-scale farming, priority tasks include ensuring food security for the farmer, their family, and the local community, beyond solely pursuing profit. The economic aspect has somewhat receded, while the social mission of these farms lies in their abilities to implement practices that support employment, foster territorial development, and offer opportunities to generate income through entrepreneurial activities.

Therefore, family farms contribute to sustainability and inclusivity in the economic, ecological, and social spheres of rural development. Thus, they serve as a starting point, a factor in promoting food availability and preserving rural resources for future generations through a balanced alignment of benefits and costs. Therefore, the socio-economic role and institutional value of farms should be justified by the following components of sustainable development (Fig. 2).



**Figure 2.** Concept of a scheme for structuring the components of the socio-economic role and institutional importance of family farms in the implementation of the sustainable development goals

**Source:** compiled based on the analysis of literary sources and generalisations of authors

1. Environmental component. Family farms are of great institutional importance for maintaining environmentally sustainable agroecosystems in the long term. According to the concept of similarity to nature, an agricultural system is environmentally sustainable if it protects natural resources such as biodiversity, water, soil, and air quality provided by the ecosystem. With this in mind, family farms can play a key role in conserving these resources, as they often focus on following traditional farming practices that promote biodiversity conservation and ensure soil and water quality. In addition, family farmers usually have a greater interest in preserving natural resources, as they depend on them, they use them for their lives and work, which contributes to the formation of sustainable environmental practices and the maintenance of the natural environment. Thus, family farms can play a crucial role in ensuring sustainable agricultural development and maintaining environmentally sustainable agroecosystems.

2. Social component. In recent years, more attention has been paid to the institutional importance of family farms, in particular their role in preserving the social heritage of territories, cultures, and traditions. However, less attention is paid to assessing the role of family farms in social sustainability compared to environmental and economic sustainability. This may be because the perception of social issues is heterogeneous and causes a lack of conceptual clarity, and depends on the local context and socio-political influences. Family farms can play a key role in maintaining the social sustainability of territories by ensuring the development of local economic structures and promoting employment in rural areas. The multifunctional role played by agriculture makes it necessary to restore the role of family farms in local economic structures and develop small farms to ensure the social sustainability of territories.

3. Economic component. The relationship between consumers and farmers who maintain short supply chains is based on mutual trust provided by direct contact be-

tween them. This strengthens links between agriculture and local communities, which can have a positive impact on the sustainability of rural development. Moreover, short supply chains reduce the number of intermediate links in the food supply system and losses in the transportation and storage of products, which contributes to more sustainable economic development and ecosystem sustainability.

The multi-functional nature of the farm is another factor that affects its resilience to economic instability and reveals its importance in achieving the economic goals of sustainable development. According to this concept, the importance of family farms is enhanced through the development of diversification in their activities, particularly the production of non-agricultural products and services such as agritourism, food establishments, boarding houses, and educational farms. This establishes appropriate parameters for evaluating their multi-functionality.

Therefore, it is crucial to recognise the substantial social-economic role and value of various types of family farming, organisational-legal forms, and characteristics, including their sizes, in increasing employment rates, ensuring food security, and achieving sustainable development goals in Ukraine. However, the application and assessment of the category "institutional potential" are not straightforward. The application of the theory of institutionalism requires the establishment of an institutional framework in research. Hence, it is proposed to define the concept of "institutional potential" of family farms, which should be considered as one of the research outcomes.

As M.R. Bhagavan & I. Virgin (2004) note, although the institutional potential is often mentioned in the context of development and is well understood in general terms, it can be challenging to define precisely and measure with specific terms and methods. In addition, institutional capacity has two dimensions: internal organisational features and external institutional context (Shyian *et al.*, 2023).

From the perspective of new economic theory, in a methodological aspect, institutional potential can be viewed as opportunities and resources related to organisation and achieved through a set of rules, norms, values, procedures, and structures that shape the behaviour of the agents and determine their properties. The institutional potential may depend on the institutional culture, customs, and practices that are formed based on social interactions, social norms, and influence the participants of the organisation. Furthermore, it is determined through the level of trust in the institution and the level of its legitimacy in the eyes of society and the public. These factors can affect an organisation's performance and ability to innovate, develop, and adapt to changing environments. This may involve the presence of monitoring and evaluation systems, the ability to address issues promptly and effectively, and the capacity for collaboration with other institutions and stakeholders.

In the applied context, the institutional potential of family farms is defined as a set of institutional capabilities of an economic structure. They are acquired within the organisational-legal framework, following the fundamental principles of economic, social, and political participation of the subject in the practices of achieving specific goals (including sustainable development). It is also related to ensuring competitiveness in the market through appropriate social capital.

As for the assessment of the level of institutional potential, there is no unambiguity. For instance, P.E. Prasetyo *et al.* (2022) state that there is a need to remove institutional barriers to enhance the efficiency and productivity of socio-cultural-economic systems. The development of institutional potential falls under the theory of resource dependence, which is relevant for Ukrainian family farms. Investment in high-quality human capital and the development of the latest technologies are important for institutional potential.

Addressing the problematic issues of developing the institutional potential of family farms is challenging. In their discussion, N. Chandran (2020) notes that the free market development model with limited government has become an ecological and social catastrophe for developing countries. They state that sustainable and equitable development is only possible with the active participation of a strong central government capable of managing the economy, protecting the environment, and prioritising the basic needs of its people. On the other hand, A. Cid & A.M. Lerner (2023) emphasise the crucial role of the local level, as local self-government bodies are key participants in climate change adaptation and are responsible for conveying risk information to vulnerable population groups and can scale up grassroots initiatives in adaptation planning. The authors also add self-development and self-organisation of the institutional potential of family farms to the key participants.

In the applied aspect, the effective implementation of the institutional potential of family farms is important. An alternative approach is sustainable intensification, which refers to increasing resource productivity in the agricultural sector without harming the natural environment. In the context of the EU, J. Staniszewski *et al.* (2023) note that sustainable intensification, taking into account the

dynamic perspective, regional structural features, and social dimension of sustainability, has not yet occurred. This increases the institutional role of farms, and Ukraine is no exception. Although alternative assessments in Ukraine show powerful development of holding-type agrarian enterprises, it has not been thoroughly studied.

The obtained results indicate the necessity of increasing the effectiveness and efficiency of management decisions at various levels, considering endogenous conditions, exogenous factors, and the institutional potential of the country, specific regions, territorial units, and family farms concerning the components of sustainable development. Therefore, the implementation of proposed measures approaches, and mechanisms to ensure sustainable development for achieving UN 2030 goals through economic, social, and environmental components is considered pivotal.

### ► Conclusions

Family farms play a crucial role in achieving sustainable development goals, which will help ensure economic and social growth in rural areas, reduce poverty and inequality, guarantee food security, and preserve natural resources, contributing to sustainable development both at the national and global levels. However, for family farms to reach their potential, they require proper support from the government and international organisations, and the development of relevant infrastructure, including access to markets and financial resources. Ukraine has considerable potential in family farming, an agricultural entrepreneurial sector that has become increasingly important in modern rural development and the formation of food security guarantees at the national and local levels. To enhance the role of family farms in promoting sustainable rural development, several measures are needed: the establishment of new institutional support structures, government and regional programmes supporting specific production types, and the organisation of infrastructure for the storage and processing of agricultural products, etc.

The scientific originality is determined by the deepening of methodological assessments and the development of elements for defining the institutional potential and the socio-economic role of family farms in achieving the UN Sustainable Development Goals for the period up to 2030, considering national features of economic activities.

The examination of the prospects for the development of family farms in the context of the European Green Deal policy represents a task for further research in this area. Family farms, considering that agricultural production has always been and will remain a foundation for national well-being, play a substantial role in shaping the "green" economy and will be influenced by the "green" course. The "greening" of the economic activities of family farmers makes sense and holds value in achieving the principles of sustainable development, as this type of economic entity globally determines food security and trends in territorial development.

The details and elements required for ensuring the sustainability of family farms in the country serve as a means to promote the synergistic effect of correlating institutional transformation and the green course, aiming at achieving balanced development: economic growth, environmental preservation, and favourable social progress.

Gradual approaches (iterations) will be implemented through small steps, starting from individual initiatives, family farms, and extending to the national economic system, following an institutionally driven backward motion.

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### ► Conflict of Interest

None.

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## Соціально-економічна роль та інституційний потенціал сімейних фермерських господарств у реалізації цілей сталого розвитку

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► **Анотація.** Стрімкі зміни та динамічні флуктуації сучасного суспільного розвитку зумовлюють актуальність інституційних трансформацій у реалізації проголошених цілей сталого розвитку. У досягненні цього зростає соціально-економічна роль ефективної реалізації інституційного потенціалу сімейних фермерських господарств. Мета статті полягала у деталізації методологічних суджень і розробці параметрів визначення інституційного потенціалу та соціально-економічної ролі сімейних фермерських господарств у реалізації Цілей сталого розвитку Організації Об'єднаних Націй на період до 2030 року з урахуванням національних особливостей господарювання. У процесі розкриття проблеми застосовано системний підхід і загальнонаукові теоретичні (аксіоматичний, аналізу і синтезу, аналогій) та загальнонаукові емпіричні методи дослідження (порівняння, експертних оцінок). Отримані результати полягають у поглибленні методичних оцінок і елементів визначення теоретико-методологічних характеристик соціально-економічної й інституційної ролі сімейних фермерських господарств у національній економіці та у реалізації Цілей сталого розвитку. Фермерські господарства сімейного типу є креативними у забезпеченні балансу в задоволенні потреб населення й ощадливому використанні потенціалу сільського господарства. Подано авторське трактування категорії «інституційний потенціал» сімейних фермерських господарств. Інституційний потенціал може визначатися: як спроможність інституцій до стабільності та збереження умов, що забезпечують реалізацію їх функцій, які формують поведінку соціальних акторів; полягати у окресленні та розмежуванні соціально-економічні та інституційні характеристики сімейних фермерських господарств. Обґрунтовані економічні, соціальні та екологічні фактори розвитку сімейних фермерських господарств у контексті їхньої ролі у реалізації Цілей сталого розвитку. Зазначена необхідність прийняття управлінських рішень різних рівнів з метою підвищення рівня сталості розвитку агропродовольчої системи. Практичну цінність досліджень становлять методологічні узагальнення, закріплення знань і підтвердження теоретичних висновків про особливості функціонування сімейних фермерських господарств у контексті доведення об'єктивності їх соціально-економічної ролі та ефективності використання інституційного потенціалу у реалізації засад сталого розвитку

► **Ключові слова:** підприємництво; засади сталого розвитку; продовольче забезпечення; інституції