

інновацій – освоєння їх у виробництві – наукомістка продукція – споживач”.

Важливою рисою запропонованої інтерактивної моделі інституційного забезпечення інноваційної діяльності є обґрунтування механізму проведення трансформаційних процесів вже одержаних інноваційних про-

дуктів у конкурентоспроможну наукомістку продукцію з погляду узгодженості змін, що відбуваються з різними надсистемами, з якими вони зв’язані: технічними, економічними, екологічними, соціальними на основі успішної реалізації бізнес-системи управління інноваційними ресурсами.

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Institutional background of the development of small agricultural entrepreneurship

Scientific problem. On the way from command to market-oriented economy Ukraine has always tried to be guided by the principles of its own institutional development: the emergence of civil society and establishment of democratic

relations, sustainable economic development with the saving of natural resources and environmental protection, preservation of historical and cultural heritage. However, market reforms were carried out without consideration of social and cultural traditions and customs of the rural population, the specific features of the development of agricultural sector, which led to a

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series of contradictions that impede effective establishment of owner in rural areas and the implementation of his property rights. Institutional transformation of the agricultural sector has led to a decrease in the effectiveness of the relevant business entities and collapse of a large part of them due to their failure to adapt to the new market conditions. Thus, at the present stage of development of the domestic agricultural sector there is an urgent need for intensive development of effective institutional arrangements and replacing of old inefficient mechanisms of management in agriculture.

Analysis of recent researches and publications. The studies of institutional economics have been reflected in the publications of numerous foreign and domestic scientists, such as: K. Meyer [1], K.P. Rao [2], M. Rutherford [3], P.A. Strassman [4], F. Welter [5], T.V. Haidai [6], M.I. Malik [7], O.O. Moroz [8], Yu.V. Uschapovskyy [9], O.H. Shpykulyak [10], V.D. Yakubenko [11]. The development of small business is reflected in the works of many local scientists. In thesis of M.M. Kostrytsya [12] author has represented the theoretical foundations of the justification of business for its social and economic importance as market institute with analyzing of the impact of entrepreneurship in the competitive environment of national economy. Several researchers, such as S.H. Driga and V.O. Husev in their studies [13; 14] have paid special attention to the research of public policy to support small entities with further definition of key institutional factors of innovation policy in the small business sector. In their own publication A.D. Ostapchuk and V.H. Vdovych have justified the demand to accelerate small business in Ukraine as a basis for sustainable rural development and environmental safety of agricultural production [15]. However, there are remained insufficiently studied questions of complex analysis of the functioning of the institutional environment of small business forms in the countryside.

The objective of the article is to report the research results of institutional support of small agricultural entrepreneurship in Ukraine, the definition of its main components, problems of functioning and practical suggestions for improving the present business environment in

rural areas with a summary of forecast parameters of relevant entities.

Statement of the main results of the study.

The processes of further restructuring of the national system of agricultural entrepreneurship occur through the development of an effective set of social and economic formations as formal institutes with market content. The institutes make a simultaneous impact on both the economic and the social sphere of rural businesses. In addition, the development of relevant economic structures cannot be achieved without systematical institutional modernization of relations in the countryside.

According to the analytical evaluation of institutional support of small agricultural entities, there are demonstrated the most influential institutions of these forms of business, such as: the institution of property, labor, credit and consumption that need an urgent measures of functional improvement. This means that the process of institutionalization should be aimed to improve the efficiency of small enterprises, with considering the peculiarities of legal regulation and providing the support for social and cultural development of the village in an appropriate level.

The institutional formation of small agricultural enterprises largely depends on the development of property relations in the countryside. However, problems of functioning of ownership such as a lack of legitimacy of ownership, frequent reformatting of the legal framework for the respective relations, concentration of property in the hands of inefficient owners, create an unfavorable basis for the development of small business.

The mentioned problems cannot be solved by reprivatization, followed by redistribution of property or other compensatory measures from non-transparent distribution of property. These efforts can only lead to another transformation of the current unstable institutional ownership relations. The first priority must be the creation of an effective system for the protection of existing property rights and the elimination of opportunities to their baseless formatting. This path can restore the faith of the rural residents in guaranteed protection of property rights and give them an ability to develop their potential

and to freely choose a vector of activity according to their preferences.

The main measures of improvement of institutional ownership relations in the small agricultural enterprises should be: fixation of stable property rights, execution of transactions on the legislative level; development of informal rules in society and improvement of the functioning of institutions; creating organizations that regulate interests of social groups in certain objects. A particular attention should be given to the protection of property rights and interests of businesses, according to the failure of the current legislation they provide it. The proposed practical changes are:

- establishing effective linkages between tax authorities and antitrust control in the area of exchanging of data on violations of property rights;

- amendments to the provisions of the Commercial Code of Ukraine [16] and the law "About Government Oversight (Control) of Economic Activity" [17] that concerning of the suspension of production (manufacturing) or sale of goods, works and services by public supervision must be prescribed only by law;

- implementation in legislative level of an enforcement of the decisions about regarding compensation of any action to entrepreneurs caused by the state.

The practical interpretation of the functioning of the institution of property is a choice between favor forms of enterprises. Being agreed with the opinion of L. Vasilieva that the classical form of small agricultural business are farms, but private households oriented to the commodity production should also be attributed to the sector. Of course, in a stable economic environment, which provides an acceptable level of income, households make a function of providing people with food products. However, in times of crisis, this function changes by transfer of private households to the commodity

production [18, p. 156]. Households have a significant influence on the volume of gross agricultural production, part of which is standing at about 48% now. Their importance to the national economy is confirmed by the absence of the need for substantial financial investments and attraction of additional manpower for their increase of production, which is an essential element of food security in a crisis period.

At present time more than two-thirds of land farms are rented, and only 12-16% is used for production for own use and for sale (table). According to the calculations on 1 hectare of land private households were producing agricultural products in an amount of 30.4 thousand UAH annually. Thus, starting from the measured value, there have been determined that an increase in the proportion of the land area of its own management (due to the transfer of leased areas) by 1% could potentially increase the volume of agricultural production of 1.1 billion UAH. The predictions of the total amount of production should increase to 148 billion UAH in 2015 and to 240 billion UAH in 2020.

The basis of constructed prediction is the tendency of gross agricultural production in households (starting from 2005), which describes the third-order polynomial function: $y = -57.08 \cdot x^3 + 2028.1 \cdot x^2 - 11990 \cdot x + 118391$ with adding a certain amount of higher potential increase in output.

Unfavorable demographic and economic situation in the countryside interferes implementing of the employment potential in the agricultural sector. There have been still remained unresolved problem of unemployment and illegal employment, the lack of an acceptable level of salary, high costs of production, destruction of social infrastructure, low level and quality of life in rural areas. This list of outstanding issues forms a major obstacle to the functioning of a complete market of workforce in the countryside.

Characteristics of private households with land

Indicator	2010	2011	2012	2013	2015	2020
Number of households, thousand units	17050	17023	16984	16959	16880	16700
The distribution of land area by type of use, %:						
- for growing products only for their own needs	14,7	15,0	14,2	15,8	15,6	18,5
- for growing products for their own needs and for sale	16,1	12,7	14,5	12,3	15,0	16,2
- being leased	67,6	71,3	70,2	70,8	68,0	63,5
- has only begun to explore, etc.	1,6	1,0	1,1	1,1	1,4	1,8

The average area of using land, hectares:						
- for growing products only for their own needs	0,29	0,28	0,21	0,21	0,24	0,18
- for growing products for their own needs and for sale	1,75	1,30	1,10	0,90	1,10	1,30
- being leased	5,77	5,73	4,42	4,02	3,50	2,60
- has only begun to explore, etc.	0,66	0,32	0,40	0,39	0,40	0,50
Gross production of agricultural products, billion UAH	100,8	122,9	119,9	116,3	148,0	240,0

Calculations based on the data of The State Statistics Service of Ukraine.

Considered analytical indicators of business activity of the rural population suggest a relatively stable condition of institute of labor at first glance. However, the main reason for the low value of the unemployment rate in rural areas is the large scale of hidden unemployment in the form of forced employment in private households. In such circumstances, the subjects' acquisition of the official status of small businesses can provide additional revenues to local budgets without involving significant assets from rural population and lead to a reduction in hidden unemployment.

There has been carried out a forecast of changing in the number of small entities to determine the potential of small business in Ukraine (Figure 1).

There have been predicted three different scenarios according to the constructed forecast:

– pessimistic level was based on the trends that emerged in the period from 2001 to 2012 with the extreme values in 2013-2014 and future gradual decline;

– in the basis of a realistic level was established function of growth that reflects the minimum limit of the sustainable development of relevant entities;

– optimistic level reflects the figures of desired scenario of the development of small domestic entrepreneurship, which can be fully implemented through active state support, as laid annual growth rate of the previous period is only 1/20.

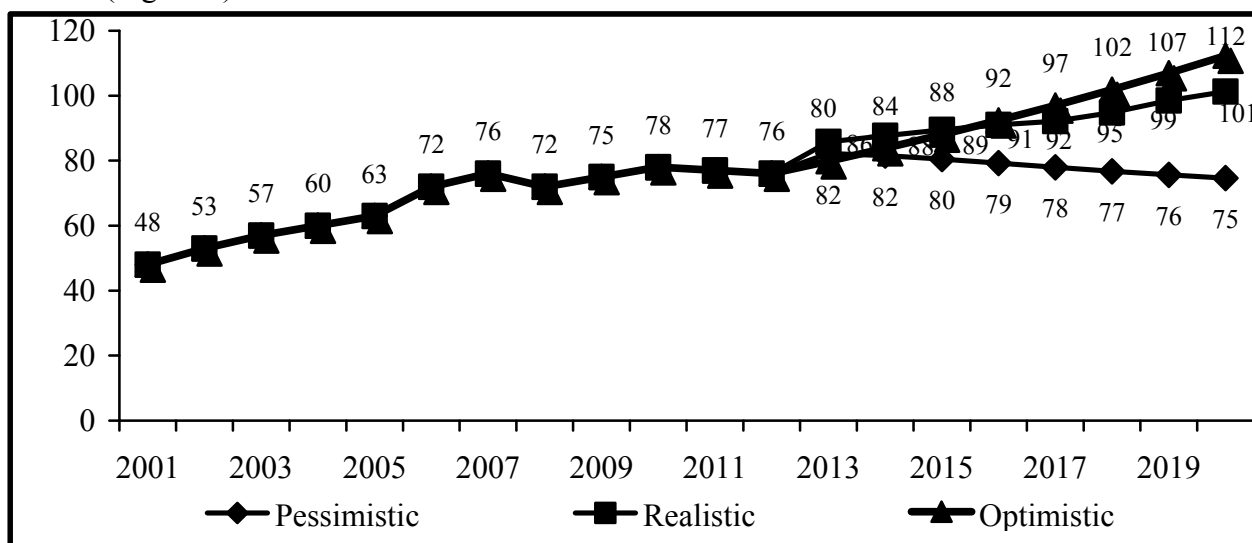


Figure 1. Forecast of the quantity of small enterprises per 10 thousand people in Ukraine

Formed by author.

Thus, according to the forecast it's proved that only through the development of small businesses in rural areas it is possible to create new jobs and increase the number of employed people in this sector (Figure 2). Under certain scenarios by 2020 in rural areas could potentially be created:

– at the pessimistic level of the development of small business – 31.8 thousand workplaces, which will reduce the level of unemployment in rural areas by 0.14;

– at the realistic level – 148.5 thousand with a reduction in the unemployment rate by 0.68;

– at optimistic - 259.1 thousand and by 1.18 respectively.

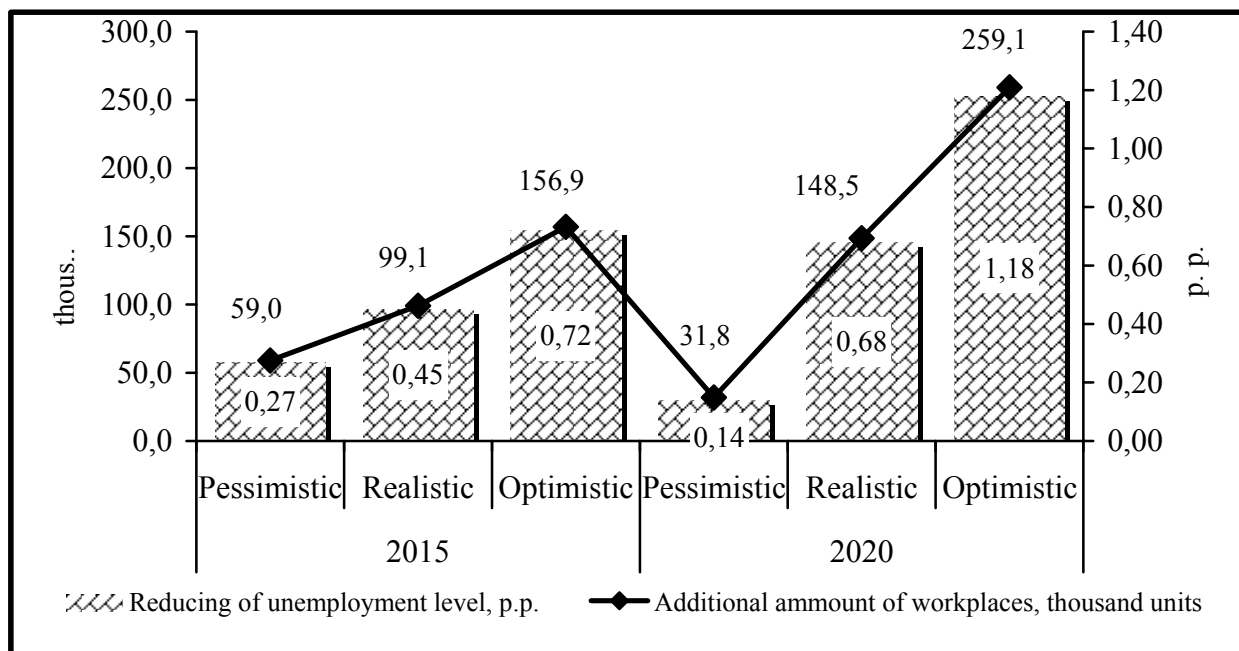


Figure 2. Forecast the impact of small businesses on employment of rural population in Ukraine

Formed by author.

Unfortunately, the problem of rural employment cannot be solved by merely increase of the intensity of small business development in agriculture. Modern pace of scientific and technological progress in agriculture along with the need to ensure an adequate level of competitiveness of production will cause reduction in employment in the agricultural sector, such it was observed in developed countries. Therefore, with limited opportunities for employment in the agricultural sector, it is important to develop additional non-agricultural forms of employment.

Alternative employment in rural areas is able to vary the employment potential of the population. Based on the experience of developed countries, we can conclude that in rural areas where further development of non-agricultural employment types is going, people are gradually changing established views of the rural environment. Trade, transportation, repair and construction work, rural tourism and sport, health and education services, catering services, entertainment industry and other services provided by rural residents are aimed at addressing social and psychological aspects of the institute of labor in rural areas, making a certain "bridge" between rural and urban settlements. This institutional approach expands economic opportunities for rural residents and reduces the

gap formed between the types of settlements in terms of urbanization [19, p. 42].

There is need to create a socio-economic background of social development to increase rural employment:

- identification of priority areas for regional economic development with a concentration in certain areas in order to maintain high performance productions and their expansion;
- state regulation of the labor market in rural areas, while ensuring reliable social protection of economically active population;
- improvement of territorial mobility, that aimed at the redistribution of manpower among the various regions.

It should be noted that the solution of employment problems cannot solve all the problems of the institute of labor in the countryside. Even with the availability of jobs, including also for skilled workers, social and cultural development of rural areas is still low that definitely makes a deterrent towards of the revival of rural settlements. Therefore, there must be activated functions of the state towards addressing problems in the housing market, financing education, health and cultural institutions, transport links and other measures of social and economic support.

Small agricultural entrepreneurship's development, in addition to increasing of the level of

employment in the country, is serving an additional factor in creating an enabling social and cultural environment of its inhabitants. But with lack of own resources reliable functioning of the institute of credit has a great importance for the launching of small businesses and supporting of existing businesses.

Domestic bank lending system is characterized by low adaptability to work with small business forms. Main obstacles to the access to credit for small agricultural enterprises are: the lack of a sufficient level of capitalization of credit institutions and insurance risks; high loan rates; lack of experience in rural lending by domestic banks; short credit history of borrowers or lack thereof; lack of a unified banking policy in this area; overestimation of the size of mortgage; undeveloped system of normative legal regulation of guarantee institutions; underdeveloped infrastructure and so on. At the present stage to improve credit relations in the sector should be carried out measures of improvement in the following areas:

- ensuring of appropriate conditions for access to credit to all forms of business in agricultural sector [20, p. 273];
- establishment of concessional crediting of agricultural sector (meaning clear legislative strengthening rules and regulations of concessional crediting);
- state involvement in the formation of an effective credit guarantee system;
- stimulate the development of credit secured by the future harvest;
- public financing to enterprises for obtaining of manufacturing facilities based on lease;
- stimulation of credit unions and cooperatives;
- development of mechanisms for lending that involves alternative types of mortgage, commercial lending and other instruments.

Also it's important for small form of agribusiness to consider the specific conditions of their work by creating flexible seasonal loan repayment schedule, creating a differentiated approach to individual borrowers, depending on their specific sector entities.

The main reason for the undesirability of banks to work with small entities lies in the fact that the cost of servicing loans to small and large amounts are about the same. Clearly, the finan-

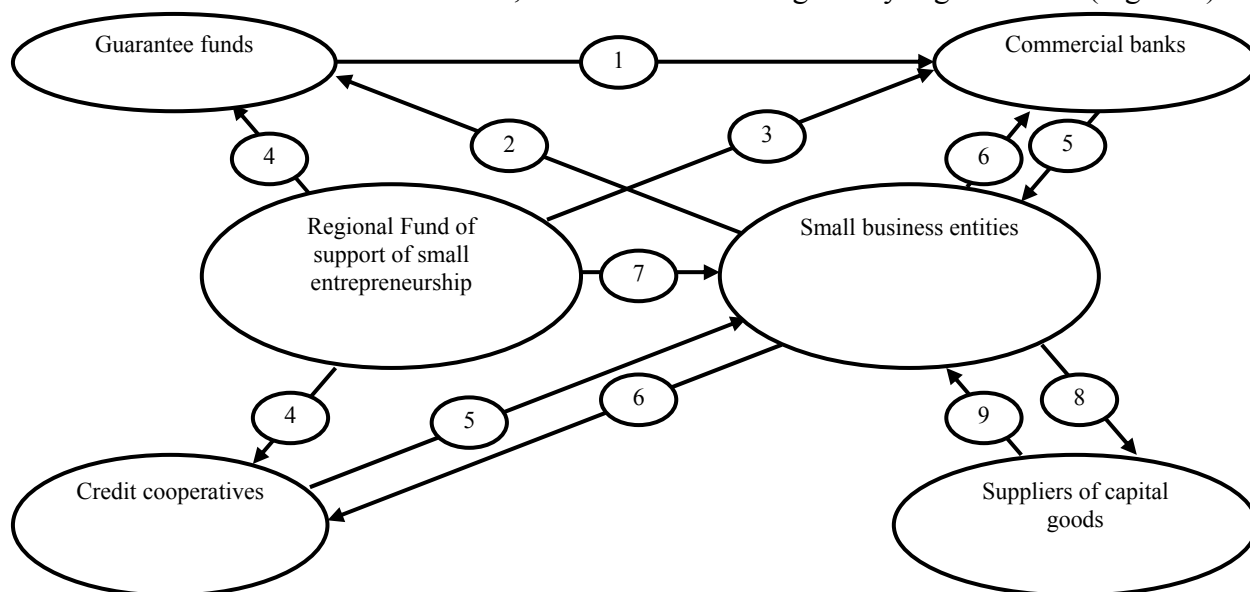
cial institutions are more profitable to focus on finding a single large loan than spray own efforts between ten small. Under these circumstances, the state must actively engage in the regulation of the flow of credits in domestic commercial banks, providing some incentive mechanisms of development of the institute of microcredit for small forms of agribusiness and implementing the guarantee schemes of return of borrowed funds. The importance of establishing efficient guarantee scheme of credit in Ukraine confirmed by the high requirements concerning borrowers' mortgage, prejudice towards subjects of agricultural production, which is listed in the domestic banking system as unreliable.

Partial improvement of modern finance and credit support for small agricultural businesses is possible by implementation of the following specific institutional measures:

1. Adoption of the Law "On State Guarantees of Providing Loans for Entrepreneurship" – in order to create a reliable loan-guarantee support system for small businesses that provides incentives for legislative lending banking institutions by guaranteeing their return and small business development through the partial refund for using of issued guarantees;
2. Adoption of the Law "On the development of credit cooperation" – in order to activate the system of credit cooperatives in rural areas with regulation of principles of their operation, identifying the mechanism of refinancing that would contribute to the economic efficiency of credit cooperatives in the financing of small enterprises;
3. The introduction of interest-free (fully or partially) lending to small businesses which operate in priority sectors or engage in an innovative activity;
4. Reducing of the size of reserve requirements for financial institutions engaged in the lending of small business sector and the introduction of tax incentives for those which lend to priority innovative projects for relevant entities.

Thus, the problems of functioning of the institute of loans in small agricultural entrepreneurship of Ukraine can be resolved through an interaction of alternative mechanisms and ways to attraction of additional resources. That would create an effective institutional environment for

credit relations between business entities, creditors and regulatory organizations (Figure 3).



* - 1 - loan guarantees; 2 - fee for the guarantee; 3 - subsidies of the interest rate; 4 - support in the establishment; 5 - concessional lending; 6 - repayment; 7 - earmarked budget funding and subsidizing; 8 - payment for capital goods, agricultural receipts; 9 - leasing, mortgage lending.

Figure 3. Improving credit schemes, small forms of entrepreneurial activity

Formed by author.

The proposed guarantee scheme has the potential to significantly increase an access of small enterprises to credit, but still cannot solve all the problems of financing. One of the alternative ways of raising debt capital for these entities is to create a system of credit cooperatives. The best forms for it on a practical level are cooperative banks and credit unions, the activity of which is being regulated by the Law of Ukraine "On Credit Unions" [21]. For the operation of credit unions must be considered the experience of other countries that have been creating an effective system of credit cooperatives over the centuries. According to current trends in these countries has been widely spread mixed system of credit support of agricultural producers, which contains efficient methods of deregulation and reducing the direct influence of the state in the credit of agricultural sector.

We cannot ignore such a fundamentally new tool in credit relations as agricultural receipts, that opens new sources of funding for small farmers: suppliers of inputs, traders, brokers and others. The Law of Ukraine "On Agricultural Receipts" defines this tool as a "document of title that captures the unconditional obligation of the debtor that is secured by mortgage, to deliver agricultural products or to pay cash

on the defined conditions" [22]. That's mean that manufacturer may use a future crop production as a guarantee. This mechanism of raising additional financial resources is particularly effective for small enterprises through their limited access to bank loans and the availability of land as a source of future crops. Analysis of the functioning of the regulatory basis of agricultural receipts, allowed us to identify potential additional incentive to spread the practice of credit, which involves reducing the interest rate on the loan to 5% as an effective practical measure of motivation rural land owners for business activities.

Another way of the attraction of an additional capital for small agricultural entities is mortgage lending – the kind of relationships that is governed by the Law of Ukraine "On Mortgage Lending Operations with Consolidated Mortgage Debt and Mortgage Certificates" [23]. The advantages of this option at present time are quite good. There is no need to remove additional funds from the turnover of the enterprise and there is the possibility of obtaining long-term loan under small interest rate.

Conclusions. Development of small agricultural entrepreneurship largely depends on the regulatory institutional environment that is

characterized by effective changes from informal institutions to stable and formalized, which would ensure the elimination of uncertainty relations between interacting economic subjects. The proposed measures of improvement of institutional support for small businesses, particu-

larly in rural areas, are called to increase the effectiveness of the relevant entities, to facilitate their access to additional resources with creating a framework for solving problems of rural unemployment, social and cultural revival of rural areas and food security.

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