

STATE SUPPORT OF SMALL PRIVATE COMPANIES AS THE BASIS FOR SUSTAINABLE RURAL DEVELOPMENT

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Abstract

The development of small private companies in agriculture, both in the Russian Federation and in the Penza region, has had a positive trend in recent years. This was facilitated by a variety of state support for small enterprises, and farms. So, during 2014-2018, the grants for developing agriculture were gained by the 199 of small farms, and the amount of financing was 547.3 million rubles. However, there are also constraining factors for the development of small business in the countryside: a decrease in the share of the rural population in the total population of Russia, an imbalance in the ratio of the average monthly income of the rural and urban population, and the lack of modern infrastructure in rural settlements. Directions of systemic changes in the forms and methods of state support of small businesses in the countryside are proposed, which provide an improvement in the quality of life in the countryside through an outstripping growth in the well-being of rural residents and an improvement in social infrastructure.

Key words: government support, small business forms, sustainable rural development, agriculture, efficiency

INTRODUCTION

The most important task of every state is to improve the quality and level of well-being and prosperity for the population. To achieve this goal is possible in a balanced manner, avoiding a significant gap between the socio-cultural level of development of urban and rural areas. Rural territories have powerful potential and carry out, along with production, cultural, recreational functions, such significant functions as resource, environmental, transport infrastructure and territorial security. In recent years, despite the dynamic economic growth of agricultural production, rural development indicators do not tend to improve. On the contrary, in some rural settlements, the situation continues to deteriorate. We systematized the negative factors of rural development [3].

First, the demographic situation remains tense. The proportion of the rural population in the total number is less than 26% and this indicator is declining every year: the countryside annually loses more than 100 thousand people both due to migration outflow, and due to the natural decline. In rural areas, the birth rate compared to the urban areas since 2015 has

become lower. In 2017 the total rural fertility rate was 11.2%.

Secondly, the real disposable income of rural households over the past six years (2017 to 2011) increased by only 1.1%. Of course, a positive trend is a decrease in the ratio of disposable resources of rural households in relation to the same indicator for urban households, but this is due, first of all, to the decrease in growth rate of income within urban households. In 2016 the share of the poor in rural areas was 53.1%.

Thirdly, the housing conditions and social infrastructure of the village are significantly behind the urban one. In 2017 only a third of the total housing stock in the countryside was equipped with all types of amenities [2].

Entrepreneurship in the agricultural sector is the main driving force that ensures the socio-economic development of rural areas. Rural entrepreneurship largely influences and shapes the socio-economic climate in every region of Russia. Regional and municipal authorities should actively promote and help entrepreneurs in rural areas. The state is pursuing an active policy for the development of the country's agro-industrial complex and in recent years has taken steps to comprehensive development of the rural areas. Thus currently

it is necessary to solve a complex of problems existing in the countryside, and the growth rate of the rural population's well-being and its quality of life should significantly exceed the national average [6].

In this context, the purpose of the paper was to work out recommendations that have been made to improve the system of state support for small business forms that ensure the sustainable development of the rural territories.

MATERIALS AND METHODS

The period analysed in this study was 2014-2019.

The main data was obtained on the official website of the Federal State Statistics Service of the Russian Federation, the Ministry of Agriculture of the Russian Federation, the Ministry of Agriculture of the Penza Region and from other sources.

Among the research methods used to process the data in the current paper we should mention the following: monographic, economic-statistical and abstract-logical methods.

RESULTS AND DISCUSSIONS

The research materials show that according to the 2016 All-Russian Agricultural Census, in Russia there were 36 thousand agricultural enterprises, 24.3 thousand of which are micro and small enterprises, 174.8 thousand peasant (farm) enterprises (K(F)E), including individual entrepreneurs, 23.5 million citizens maintain personal subsidiary plots (PSP), of which 2.3 million produce products for additional or basic cash income. Compared with the 2006 All-Russian Agricultural Census, the number of K(F)E and individual entrepreneurs decreased by 38.7%. The main reasons are the cessation of inefficient K(F)E and the consolidation of farms [4]. According to the Federal State Statistics Service, the total area of farm land increased by 47.5% and reached 43.3 million hectares. The average size of land by farmers increased from 103 to 247.8 hectares, or 2.4 times. The share of agricultural production produced by K(F)E and PSP over the past four years averages about 45% [1]. As of 01.01.2020, the total size of cultivated areas developed by small farms (except for

personal part-time farms) is 47.9 million ha, or 60.2% of the total cultivated area. The share of farms in the overall structure of agricultural production increased from 12% to 13.6% in 2019.

Monitoring of agricultural activity in the regions of the Russian Federation shows that the farming and individual sectors of agricultural production are becoming increasingly independent, developing, and becoming a factor in socio-economic stabilization in the countryside. Consider the development trends of small business in the countryside on the example of the Penza region (Russia) [8].

Currently, one fifth of grains is produced here, a fourth part is sunflower, a ninth part is sugar beets, a seventh part is milk and a sixth part is eggs. In 2019 the Penza region took the 6th place among the regions of the Volga Federal District in the volume of agricultural production in peasant (farmer) enterprises and among individual entrepreneurs. About 1.7 thousand peasant (farm) households with a total land area of more than 400 thousand ha are registered in the region. The average land size currently exceeds 500 hectares. Moreover, almost half of the farms do not have land plots, in every 20 farms the size of the land does not exceed 20 hectares. Over 200 hectares have land plots of more than 20% of farmers, where 92.3% of the total land area allocated for peasant (farm) farming is concentrated. In the Penza region, K(F)E and individual entrepreneurs in 2019 produced agricultural products in the amount of 11.6 billion rubles, or 7.2% more than in 2018. The structure of agricultural production of K(F)E and individual entrepreneurs is dominated by crop production, which in 2019 accounted for 82.3% of the total output.

Moreover, this trend continues throughout the entire period of existence of farms. The development of the farming sector has led to structural shifts in the production of certain types of agricultural products by category of farms in the Penza region. Between 2010 and 2019 the share of small agribusiness represented by peasant (farmer) enterprises and individual entrepreneurs increased from 3.4 to 11.3%, including crop production from 5.2 to 17.8%, livestock production - from 2.4 to 4.2% In 2019, agricultural production amounted

to 18.0 billion rubles, or 17.4% of the total agricultural output in personal households of the population (54.7% in 2010). In 2019 in terms of the rate of change of agricultural production in households, the Penza region among the regions of the Volga Federal District took 4th place. In 2019 households, farmers and individual entrepreneurs produced 28.7% of all agricultural products in the region, and the share of households in comparison with 2010 decreased by 37.3%, while the proportion of peasant (farmer) households and individual entrepreneurs increased by 7.9%, which may indirectly indicate the gradual transformation of small family farms into commodity farms. The reduction in agricultural production in households was mainly due to a decrease in the livestock production.

Within the framework of the state agricultural development program, the Ministry of Agriculture in Russia supports the development of small forms of farming, in particular, solving the problems of small agricultural enterprises, popularizing the best practices of sustainable farms and cooperatives, improving the legal framework governing the conduct of economic activity K(F)E and individual entrepreneurs. Since 2015 the grant support for cooperatives has been provided, and other measures of state support for small agricultural enterprises are provided as part of the State Program for the Development of Agriculture. Since 2017 the

mechanism of preferential lending has been launched. In 2018 the state support was provided to 2,353 novice farmers, 716 family livestock farms and 214 agricultural cooperatives. Moreover, compared with 2017, the average grant size increased. So, for beginner farmers it amounted to 2.06 million rubles (in 2017 - 1.77 million rubles), for family livestock farms - 7.75 million rubles (in 2017 - 6.11 million rubles), and for agricultural consumer cooperatives - 15.51 million rubles (in 2017 - 10.75 million rubles). In 2019, the federal project "Creating a system for supporting farmers and developing rural cooperation" was adopted, according to which promising young people can start their business in agriculture from scratch. In 2018 the regions increased funding for grant support to farmers and cooperatives - up to 11 billion rubles from the federal budget. The total amount of targeted state support for farmers and cooperatives in 2019 was increased by almost 1.5 times and amounted to about 19 billion rubles. In addition, an additional 10.8 billion rubles were received in the framework of a single subsidy and a mechanism for soft loans to farmers and cooperatives. Thus, according to the results of 2019, the share of farmers and cooperatives in the total volume of state support amounted to more than 19%. The share of small farms in the register of organic producers is more than 50% (Fig. 1).

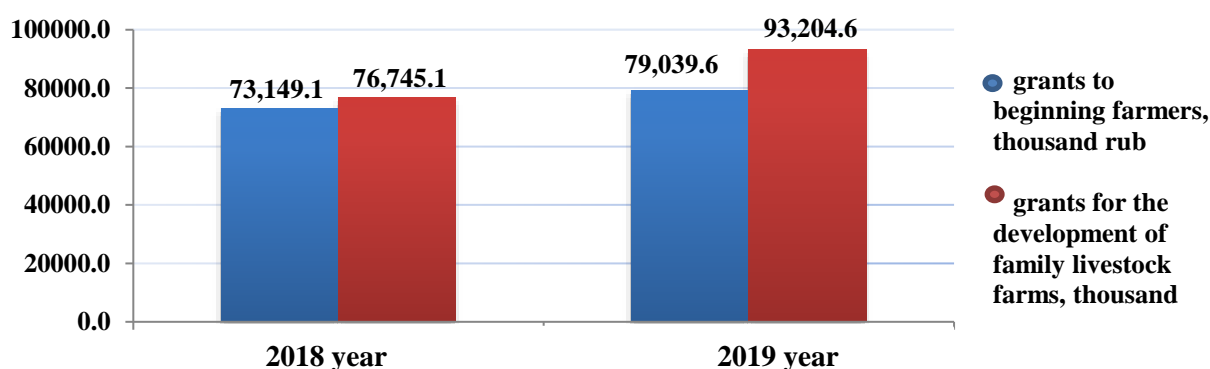


Fig. 1. State budget support for farms in the Penza region in 2018-2019, thousand rubles (Source: Ministry of Agriculture of the Penza Region, <https://mcx.pnzreg.ru>) [7].

Grant support to farmers and cooperatives is aimed at creating new farms and expanding existing industries. So, in rural areas over the

past seven years, more than 48 thousand new permanent jobs have been created. The average salary in K(F)E, according to the Federal State

Statistics Service, in 2018 amounted to 9.7 thousand rubles, while in the enterprises that received grants, the average salary is about 17 thousand rubles. All these measures give a significant incentive, first of all, to the creation of new industries and to the development of small and medium-sized farms.

Due to the increase in the ability of regions to determine support priorities taking into account regional specifics in 2018, funding for grant support to farmers and cooperatives from the total "single subsidy" increased from 9 billion in 2017 to 11 billion rubles (27.7%). In 2019 10.3 billion rubles were allocated for grants to farmers and cooperatives in the regions from the federal funds.

For the development of small business in rural areas in the Penza region, the state budget support is provided, which is provided to farms and agricultural cooperatives in the form of grants and subsidies for the reimbursement of various costs.

The amount of the grants issued to novice farmers in the Penza region in 2018 amounted to 73,149.1 thousand rubles. Funds received 29 peasant (farm) households; the average grant size per farm was 2.5 million rubles. The amount of funding in this area in 2019 was increased by 5.9 million rubles and amounted to 79,039.6 thousand rubles; 37 farms were able to take advantage of grant support.

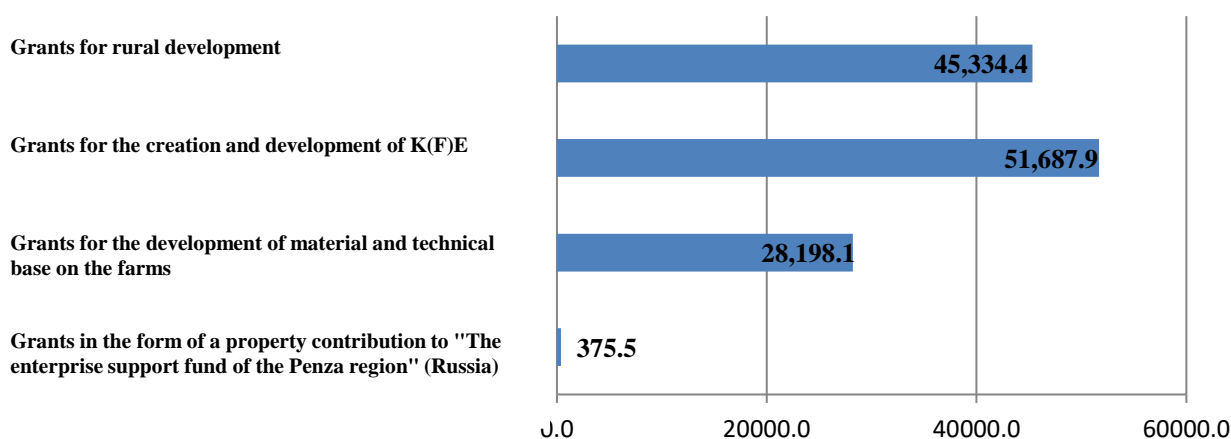


Fig. 2. State budget support for agricultural consumer cooperatives in the Penza region in 2019, thousand rubles (Source: Ministry of Agriculture of the Penza Region, <https://mcx.pnzreg.ru/>)[7].

Another form of the state budget support in the Penza region is the provision of subsidies for the reimbursement of a part of the interest rate on loans received by the small businesses. So in 2018 loans in the amount of 167.4 million rubles were subsidized, the amount of subsidies issued amounted to 3,498 thousand rubles, including 2,343 thousand rubles from the federal budget and the budget of the Penza region - 1,155 thousand rubles. In 2019, the funding for this subprogramme decreased significantly: the volume of subsidized loans amounted to 15.3 million rubles, the volume of subsidies - 760.9 thousand rubles [10].

Along with these forms, state budget support for consumer cooperatives is provided through grant support (Fig. 2). The total amount of financial support for agricultural credit

cooperatives in 2019 amounted to over 125 million rubles.

The system of measures to support small business in rural areas in the Russian Federation is improved annually. So since 2019 the national project "Small and medium-sized enterprises and the support of individual entrepreneurial initiatives" has been implemented, which is designed for the period up to 2024. One of the target indicators of which is the creation of a system of support for farmers, the development of rural cooperation and the increase in the number of entrepreneurs in the field of agriculture to 126.7 thousand people.

Since 2019, in order to create conditions and stimulate the accelerated development of small agribusiness, a federal project "Creating a system for supporting farmers and developing

rural cooperation” has been implemented, which provides for additional state support measures K(F)E and individual entrepreneurs, and the creation of a single effective system of agricultural consumer cooperation. The main goal of the project is to increase the number of people involved in small and medium-sized enterprises in agriculture by 126 thousand by 2024 by creating new K(F)E and cooperatives. The volume of project financing for the entire implementation period is 37.4 billion, including 5.37 billion rubles allocated from the federal budget for 2019. It is necessary to attract more private farms to cooperation, as well as create new jobs [9].

To unite disparate agricultural producers, including smallholders and K(F)E into the cooperatives, under the federal project, there is government support for the development of agricultural consumer cooperatives in two areas:

- to reimburse part of the costs of cooperatives related to the purchase of agricultural products from members of the cooperative at a differentiated rate, which will allow cooperatives to increase the purchase price of agricultural products from their members and create competitive advantages over agricultural producers who turn in their own produce to harvesting points;
- to reimburse up to 50% of the costs of cooperatives for the acquisition of property with the aim of transferring to members of the cooperative or contributing to the indivisible fund of the cooperative [5].

Under the existing grant support mechanisms for beginning farmers, the maximum grant size has been increased from 3 million to 5 million rubles since 2020 for projects for the development of dairy and beef cattle breeding, and for other types of agricultural activities - from 1.5 million to 3 million rubles. A completely new direction in the use of the grant for all categories of recipients is the ability to allocate funds in the amount of up to 20% to pay for part of the cost of the project, which is implemented with the help of a preferential investment loan. Thus, projects for the development of peasant (farmer) enterprises will be implemented on the principles of project financing, which will allow for the

implementation of projects of greater capacity and accelerate the development of farms.

To create a system of information and consulting support for the activities of small business in rural areas in the constituent entities of the Russian Federation, competence centers have been created that provide support for the activities of farmers, owners of private household plots and cooperatives at the stage of their formation, provide assistance in registering farms and cooperatives, prepare business plans and feasibility studies, applications for subsidies from the federal and regional budgets, loans from credit organizations, organize preparation and retraining for small agricultural enterprises, etc. A significant innovation in 2020 is the state program "Integrated Development of Rural Areas" for the period 2020-2025, which is designed to narrow the gap in the quality of life between the rural and urban population, create comfortable living conditions, and reduce the outflow of residents from rural areas. In the period 2020-2025, the state will invest nearly 2.3 trillion rubles in improving the living and working conditions of the villagers. The main directions of the program are aimed at: creating conditions for providing affordable and comfortable housing to the rural population, developing the labor market (human resources), creating and developing infrastructure in rural areas. Since the beginning of 2020, 476 projects on the construction or reconstruction of almost 400 social and engineering infrastructure facilities, including schools, kindergartens, cultural centers and other facilities, have already been implemented in 47 entities. It is planned that in 2020 the state program will affect more than 1 million people [11].

Thus, the implementation of the above measures will ensure an increase in the well-being of the rural population, an increase in real incomes, entrepreneurial activity, and a reduction in the gap between the income ratio of the urban and rural population of Russia.

CONCLUSIONS

The analysis of the state support system for small business forms showed that the existing

financing measures are effective and have a diverse character, including not only the direct financing and compensation of producers expenses, but also information and consulting, organizational support, infrastructure development. However, they do not fully ensure the progressive development of the rural territories.

In order to improve the system of state support for small business forms that ensure the sustainable development of rural areas, it is necessary to implement a set of measures:

- conduct annual monitoring of rural development according to key indicators of the socio-economic development;
- create a list of priority, most significant rural areas that have a negative development scenario and need priority government support measures; identify trends and prospects for their strategic development (20-30 years);
- identify demanded and effective types of production and processing of agricultural products for the grant support; evaluate organizational, economic, infrastructural factors that increase the efficiency of these industries;
- create training and counseling centers on the basis of agricultural universities for those receiving state funding in the form of grants;
- make appropriate changes to the regulatory framework governing the functioning and support of small business forms.

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