

Conceptual models of competitiveness improvement and rural area development

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Abstract— Contemporary trends in Russia's economy call for the necessity of model selection for the transition to the sustainable development of rural areas. Starting from the late 20th century, many advanced countries devise strategies and programmes for rural development. In Russia, this process is of great importance, due to the relative share of rural areas and their social and economic poverty and depopulation. With a view to this, we analysed international conceptual development models for rural areas and evaluated the chances of their employment in Russia. A number of methods were used in order to achieve this goal, including abstract-logical, structural-functional, systemic, expert and institutional approaches. As a result, a framework for the implementation of society and innovation-oriented development model for the rural areas in Russia. A key direction for a rural area development strategy was defined, including procedural and institutional, sociodemographic, economic and informational aspects.

Keywords— *development models; rural areas; agriculture; conceptual model structure; key directions.*

I. INTRODUCTION

The problems of sustainable development in rural areas appeared in the international agenda between the 60es-70es of the 20th century, when the humanity faced a number of negative factors, threatening the lives of the current and the future generations, such as the aggravating shortage of mineral resources and food supplies, environment deterioration, the demographic downturn in the advanced countries, the growth of poverty and income difference between city-dwellers and rural population [1].

Originally, the term "rural development" was widely spread in social and economic literature, and then it got to be used in the implementation of support policies in underdeveloped regions. Rural area development in the 21st century is a problem that has been well theoretically justified both in Russia [2], and abroad [3].

The subject-matter of the rural development concept has dynamic nature because it changes in both time (along with the changes in theoretical approaches), and in space (influenced by the trends of agricultural development in a specific country or even a specific region). The main criterion for differentiating the approaches is the

relationship between agricultural business development and rural territory development. Herewith, the solution of the sustainable development of a rural area depends on the selection of the best model, taking into consideration the regional features of production force distribution, climate and natural conditions, geographic location, the differences in infrastructure [4].

II. MATERIALS AND METHODS (MODEL)

Let us consider the main international concepts of agricultural areas, their specific feature and application chances in Russia.

A. *Industrial model: rural development based on agricultural development.*

This model focuses on agriculture. The main objective of government's agrifood policy is the support of agriculture, improving the competitive edge of farm produce, in particular through the effect of "production scale". The impetus of this model is the "professional" agricultural organisation and a big agricultural producer, procuring goods using labor resources. The increase in competitiveness is achieved through the intensification of business processes (often in conjunction with a large-scale expansion of the production). Market penetration is the main target for such organisations. They are highly specialized and dependent on market environment drivers, which often leads to an increase in loan debt. These conditions call for poorer flexibility in terms of adjusting economic scenarios and agricultural policy, and the vulnerability of the companies also increases in the long run [5]. This approach, based on the modernist paradigm and dominant in the early 1980es [6], addresses the problem of rural area development through the upgrade of farming and agricultural industry. It must be noted that with this approach the quality of life of the rural population depends on the modernization of agricultural business industry because without powerful and competitive agricultural companies, rural areas have no opportunities to develop. As a result, the governmental support measures applied within this approach are only aimed at satisfying the needs of agribusiness upgrade.

Rural areas are seen as an aggregate of agricultural resources and a place to develop agricultural business

processes. However, agricultural production does not dominate all of the rural territories. The diversification of rural economy based on non-agricultural activities is still a pressing issue, because it allows improving the welfare of the population through preserving the existing workplaces and creating new ones [7]. It must be understood that there are no unsustainable villages, and low agricultural capacities can be compensated by other productive activities.

Industrial development model in its various forms was typical of most areas of Russia's agricultural policies, initially as a framework policy and then as "rural development policies." Different documents, following each other within recent years, focus on agricultural development, which was justified by various arguments, including the following:

1. Agriculture must be the center of attention because it uses up most of the physical space;
2. Agriculture is not just production industry, since it also helps to form social and labor environment, use landscape resources, preserve historical and cultural traditions, etc;
3. Agriculture is one of the industries that experience significant pressure due to international trends (such as new trade agreements in WTO, food sanctions, quota, embargoes) and therefore requires structural adaptation and governmental support.

Industrial model uses "classic" policies: they are a "solid base" of all approaches, but they are aimed at the structural adaptation of agricultural and agrifood businesses, and not at rural development. Politically, this development model is supported mostly by industrial associations and agricultural producer associations on both regional and federal level. Within the industrial development concept, the authorities play the key role in designing development programmes, taking strategic decisions, concerning the support of agricultural producers and distributing the funds among different branches of agriculture.

B. Redistributive model: rural development as a means of narrowing the gap between the underdeveloped rural areas.

In this model, rural area development is characterized by two main points:

Rural areas are seen as underdeveloped districts, falling significantly behind urban districts due to a number of negative social and economic factors, which calls for a specific attention of governmental policies. This model thus focuses on the development needs of the more backward areas and on the preparation of a target policy for them. The main goal of this model is to use the redistribution effect through both direct compensation of negative impact and structural support tools.

In order to help develop rural areas, it is necessary to diversify the income of agribusinesses, because agriculture is their main production industry. This model accepts the fact that agriculture cannot be the only means of narrowing the gap between rural areas and the rest of the economy.

By and large, this rural development concept is mostly tailored for territories that are underused in agriculture and it

is aimed at changing social and economic disbalance from the more resourceful and rich suburban territories where there are various production industries, infrastructure and services to the underdeveloped ones. This approach is not based on the opposition of rural and urban territories (where rural means agricultural), as in the previous model, but on the opposition between the underdeveloped rural areas and the rest of the country's territory. The redistributive rural area development model was introduced in Russia by the early 90es, as a result of summarizing of research dealing with natural, economic and geographic zoning for agriculture, which led to the detection of significant differences in the zoning system. A. N. Rakitnikov defined 12 large geographic area groups, depending on their agricultural specialization: from underused territories to intensive agriculture areas near urban sprawls [8].

The benefits the agricultural producers working in these areas get to compensate for negative natural, social and economic factors are of special importance in this approach. While the industrial model translates the rural area development problem into the problem of structural upgrade of agriculture, the redistributive model is based on the opposing idea. It starts from the need of the balance between underdeveloped and rich areas and is aimed at concentrating financial resources and governmental support tools to support unsustainable rural areas.

C. Territorial model: rural development as the networking in local economy

Within this model, agriculture is not considered the only or the main source of development for rural areas, and the production upgrade for underused territories is not the main target of the framework policy. The elements, on which this model is built, deal with the other role that agriculture and other industries play in the development strategy and with the other role of the rural territories themselves.

Binding rural development with agricultural development today is unfeasible, because the goal of equal income with other industries and economic sectors is virtually impossible to reach. Wider diversification of incomes and production activities of agricultural businesses is an alternative for farm upgrade strategy, based on the expansion and/or intensification of the production, which is typical of the industrial model. Alongside with overcoming the limitations of the upgrading, diversification enables agribusinesses to find proper solutions for the problem of the growing gap between the prices of agricultural produce and the long-term costs [5].

The following can become new products/markets, and help diversify and reduce costs in agriculture: landscape management, agritourism, the conversion of farms into bio agriculture, farm produce processing, and game and trade production [5]. Diversification leads to the spread of multifunctional activities in villages and farms, significantly influencing rural development in the following respects:

- strengthening the connections between agriculture and other branches of local economy;
- preserving human resources and growing social capital in the rural area;

- the inflow of funds from non-agricultural production and the restoration of agricultural companies.

That being said, the further diversification of rural areas according to their social and economic development contradicts a number of axioms of the first two models:

- they define rural areas as “non-urban” with predominant agricultural activities;
- anything “rural” is considered a “weak point” of the economy, and its purpose is just providing resources for urban centres and industrial districts, i.e. rural areas cannot compete with those in the long term.

Both of these points were falsified by the research conducted in different countries, especially after the classification of rural areas by OECD, dividing them into economically integrated areas near economic centres, transition areas with medium development, and remote areas distant from economic centres [9; 10; 11].

III. RESULTS AND DISCUSSION

The Concept of Sustainable Development of Rural Territories of the Russian Federation for the Period up to 2020 states the following: “Due to dramatic downfall of rural demographic and labor resources, it is necessary to upgrade the existing inefficient industrial and territorial structure of rural economy to a new society and innovation oriented development model” [12].

This model can be divided into two different conceptual aspects.

The first aspect focuses on the development of farming and agriculture as the drivers of development for rural areas. It is based on the following principles [5]:

- agricultural and agrifood businesses can generate renovation processes in rural areas;
- agriculture can compete for resources with other industries, because it has a lower level of transaction and transformation costs;
- modern business owners have to transfer from “economy of scale” to the “economy of cooperation”, they also need to pay more attention to the flows of internal resources and diversify their production towards new markets.

The second aspect is focused on economic diversification of local economy, and therefore on non-agricultural industries as drivers of development for rural areas. In other words, the ability of rural areas to attract people and resources in order to stop the outwards migration largely depends on their ability to create alternative sources of income [13; 11].

It is clear that these aspects are based on different mechanisms of governmental policies: while the first option relies on the “inner” capacities of rural development, the second one cannot deny the significance of all aspects of development policy that can be required for a specific rural territory.

The modern rural area development model in Russia typically sees rural areas as an aggregate of social relations,

institutions and management levels, denoting the geographical space. Thus, it is not only the space where farming and forestry occupy a significant proportion of land, but it is also a place with great economic, social, natural and cultural capacities. Rural development has to be a process including a vast number of participants [14; 15]. Agriculture shall definitely be present there, but it must not be the only one [5].

IV. CONCLUSION

The implementation of society and innovation-oriented development model for rural areas is mostly conducted through programme actions at federal and regional levels [16; 17]. Figure 1 shows the structure of conceptual development model for rural areas in the context of the implementation of governmental programmes. Key aspects of the development strategy for agriculture and rural areas can be grouped in the following main blocks:

- procedural and institutional block: developing local governance and its financial support, harmonizing agricultural relations and forms of property (with special support of the most efficient forms), and improving the legislation and organizational structure of the management;
- sociodemographic: providing employment and decent income, improving healthcare system and the quality of life, developing utility services, road network and modern communications;
- economic: diversifying production and economic structure, including engineering and technological support of production, developing ecology-efficient farming systems and producing ecologically safe goods that has a higher demand on the market, developing modern production infrastructure and non-agricultural activities;
- creating a modern database for management decision making and promoting public awareness, recording and monitoring the changes in social and economic situation in rural areas.

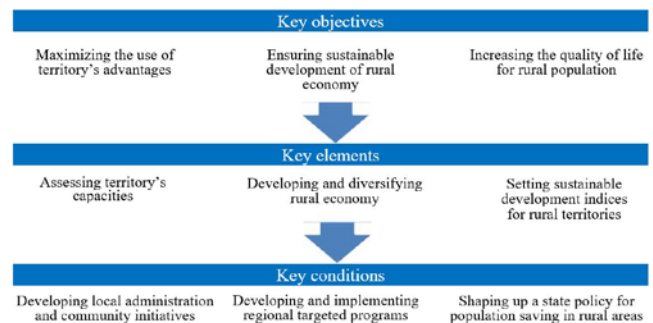


Fig. 1. The structure of rural area development model.

The selection of rural area development model needs to be based on a comprehensive assessment of the development of rural municipal formations in the regions of the Russian Federation, and on the differentiated approach to governmental support, taking into consideration the situation with comparative benefits and specific

development features of certain regions, as well as the cooperation in implementing high-priority actions to specialize rural areas and raise their competitive edge.

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