

# Entrepreneurship of Private Subsidiary Farms in the Development of the Region's Rural Areas

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## ABSTRACT

This article examines the essence of entrepreneurship of private subsidiary farms. Such methods as theoretical, general philosophical analysis (system method, synthesis), statistical method were used for the study. To summarise the conclusions on the topic of the study, the works of foreign and domestic researchers and regulatory legal acts were used. For the vast majority of rural residents of the Chuvash Republic (Russia), the main issue in their lives remains the problem of preserving living space and quality of life. If their only source of income is a farmstead with a small amount of land, and entering the market with their products is a forced measure, then the nature of their status in market relations remains open and uncertain today. Conclusions are drawn that in conditions of a low level of development of alternative types of activities in rural areas with a high level of technological efficiency of agricultural production, the management of private subsidiary farms for a significant part of rural residents is the main form of employment and income generation. At the same time, they need a set of measures to stimulate their further development through increased access to resources, active involvement in the orbit of state incentives.

**Keywords:** Rural areas, Agribusiness, Sustainable development, Resources, Entrepreneurship, Rural population, Private subsidiary farms.

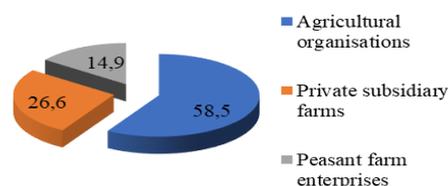
## 1. INTRODUCTION

Entrepreneurship is a citizen's interest in his work for various purposes. Undoubtedly, the defining goal is the desire to earn income. But sometimes, people are driven by other reasons, as the entrepreneurship of private subsidiary farms (PSF). The concept of PSF should be attributed to the specifics of Russian society, where the rural way of life, due to historical transformations, adapted to constant reforms under the sign of the survival of the rural population [1].

Let's consider some figures characterising the situation of agriculture and rural population in Russia. The average monthly accrued salary in the industry is 66% of the national level. Only 5.8% of workers are employed in agricultural organisations out of a quarter of the country's population living in rural areas [2]. In the course of agrarian market reforms over the past 30 years, a multi-layered agricultural economy has been formed in Russia, in which commodity producers are not only

agricultural enterprises (agricultural enterprises), peasant (farmer) farms (farms), individual entrepreneurs, but also private households.

Figure 1 shows the importance of agricultural enterprises in the structure of agricultural producers of the Russian Federation for 2020.



**Figure 1** Structure of production of agricultural products of the Russian Federation by categories of farms for 2020, %.

Source: [2].

As can be seen from the above figure, PSF occupies 26.6%, peasant farm enterprises - 14.9%, and agricultural organisations - 58.5% in the structure of all farms engaged in agricultural production in the Russian Federation.

According to the All-Russian Agricultural Census of 2016 [3] in Russia, as of July 1, 2016, 80% of agricultural enterprises were producing agricultural products. At the same time, for 13% of them, the production of agricultural products is an additional source of money, and for 0.3%, it is the primary source of income. The main part of the products produced by PSF goes for its consumption, and the other part is for further sale to the population or business entities. The analysis of the marketability of PSF agricultural products for 2007-2016 is given in the table.

Table 1 - Marketability of PSF agricultural products for 2007-2016, sold as a percentage of total production.

Thus, PSF sold grains from their total production in 2007 28.2%, and 2016 - 31.4%. sugar beet 84.5% and 97.8%, respectively, potatoes 16.4% and 16.2%, respectively, vegetables 13.7% and 15.7%, respectively, fruits and berries 13.3% and 17.8%, respectively, livestock and poultry in live weight 39.8% and 46.4%, respectively, milk 28.8% and 35.8%, respectively, eggs 17.2 and 22 million pcs. respectively. From the above table, it can be seen that the marketability of products produced by PSF is growing during the analysed period.

An unexpected result of agrarian transformations over the past 30 years in Russia has been preserving the

forms of family farms of the rural population (as PSF). These forms of agricultural production are based on the simplest technologies, do not use hired labour, but demonstrate the low cost of production, high efficiency of agricultural land use and marketability of products. But the economic status of PSF entrepreneurship remains open. They do not have full access to resources to implement entrepreneurial activities. Other agricultural market participants, such as the state, business, and scientific communities, do not take them seriously. Moreover, in some regions of the Russian Federation, the importance of private households in providing the population with food and the income of rural residents varies significantly. This difference is influenced by the socio-economic level of rural areas of the regions.

## 2. METHODOLOGY

The study aims to substantiate the PSF role as a type of entrepreneurship in the regions' agriculture. The study's objectives were to determine the significance and status of private farms in agriculture in Russia and the Chuvash Republic, to substantiate the reasons for their historical survivability and sustainability. The object of the study is an entrepreneurial activity. The subject of the study was selected by the agricultural enterprises of Russia and the Chuvash Republic, whose share in the structure of agricultural production in this region exceeds the average Russian level. In the course of the research, such methods as theoretical, general philosophical analysis (system method, synthesis), statistical methods were used to analyse the situation of private households

**Table 1.** Marketability of PSF agricultural products for 2007-2016, sold as a percentage of total production

No.	Name of agricultural products	2007	2016	Deviation 2016 from 2007 (+,-)
1	Grain of cereals and legumes	28,2	31,4	3,2
2	Sugar beet	84,5	97,8	13,3
3	Potato	16,4	16,2	-0,2
4	Vegetables	13,7	15,7	2
5	Fruits, berries and nuts	13,3	17,8	4,5
6	Livestock and poultry (live weight)	39,8	46,4	6,6
7	cattle	47,2	53,2	6,0
8	pigs	32,0	47,0	15
9	sheep and goats	38,5	44,5	6,0
10	poultry of all kinds	19,4	28,8	9,4
11	Milk from all types of animals (in terms of milk of the established fat content)	28,8	35,8	7,0
12	Eggs, million pieces	17,2	22,0	4,8

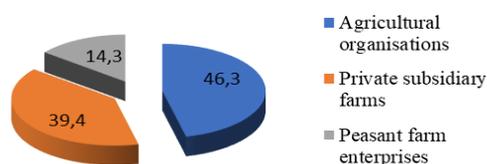
A source: [3]

in the economy of the country and the region. To summarise the conclusions on the topic of the study, the works of foreign and domestic researchers were used [1, 4] and regulatory legal acts on PSF [5, 6].

As of January 1, 2021, municipalities and settlements of the Chuvash Republic comprised 5 urban districts, 21 municipal districts, a total of 291 settlements, of which 7 urban and 284 rural settlements and rural settlements amounted to 1,720 [7]. Most of the municipal districts of the Chuvash Republic are agricultural territories. The share of agriculture in the economy of the Chuvash Republic is about 10%. Therefore, for the development of the region's economy, it is necessary to choose such strategic directions that would contribute to the development of entrepreneurial qualities and the growth of the well-being of the rural population. The republic's population as of the beginning of 2021 is 1.2 million people. The Chuvash Republic is a region with a high population density, namely 65.85 people/km<sup>2</sup>. According to the structure, 64% of the population lives in the city, and 36% live in rural areas [7].

Income from entrepreneurial activity in the total income structure of the population of the Chuvash Republic occupies about 9% [8]. Wages occupy the largest share in the income structure for hire (55%) and social benefits (27%). In 2020 business income decreased (up to 7%) and increased social benefits (up to 29%). The population's average per capita monetary income in 2019 amounted to 20161.6 rubles per month. 20% of the unemployed, according to the Ministry of Labour and Social Protection of the Chuvash Republic [8], live in rural areas. And according to sample surveys of the labour force by Chuvashstat, 30% of the unemployed are people living in rural areas [7]. Investments in agriculture in 2019 amounted to 11.9% of the total investment, and in 2020 - only 4.4% [7].

Next, as per Fig. 2, we will analyse which farms categories are available in agriculture of the Chuvash Republic for 2020.



**Figure 2** Structure of agricultural production of the Chuvash Republic by categories of farms for 2020, %.

Source: [7].

As can be seen from the above figure, PSF occupies 39.4%, peasant farm enterprises - 14.3%, and agricultural organisations - 46.3% in the structure of all farms engaged in agricultural production of the Chuvash

Republic. This indicates the unique role of private farms in the rural economy of this region, which are characterised by high stability in historical terms and high marketability and productivity in economic terms. They also perform an important social function by providing work and income to rural residents, involving all family members in social work. Private farms are also the place of permanent residence of the rural population.

For 43.7% of households of the population of the Chuvash Republic, the introduction of PSF is an additional source of income. Most of the peasant (farmer) farms in the region are also former private farms that have expanded their economic activities towards the marketability of products. Thus, small categories of farms play a leading role in the rural economy of the Chuvash Republic. They account for 60-75% of meat and milk produced in the republic. For comparison, in Russia, they account for about 50% of meat and dairy products [2]. About 70-80% of potatoes and vegetables of the Chuvash Republic are produced in small categories of farms. Grain production in these farms accounts for 30% of the production in the region [7].

Thus, the independent economic activity of private households is very similar to entrepreneurship for the rural population, plays a significant role in the economy of rural areas of the region.

### 3. RESULTS

Among academic economists [4], the opinion has been confirmed that the initial forms of entrepreneurship began to form from the moment of the division of labour and the appearance and approval in the society of individuals showing their initiative. This statement can be considered as a PSF typical sign in Russian reality. At the same time, the federal law "On Private Subsidiary Farming" [6] gives the concept of PSF as a form of non-entrepreneurial activity for the production and processing of agricultural products. The sale of PSF products is also not an entrepreneurial activity. At the same time, the federal law "On the Development of Agriculture" [5] defines PSF as an agricultural commodity producer.

PSF entrepreneurship is of great importance in the socio-economic development of rural areas of the regions of the Russian Federation. Thus, about the socio-economic importance of PSF in the food supply system, about the role of PSF in increasing the efficiency of using the natural and economic potential of the agro-industrial complex of the Republic of Tatarstan, noted by A.R. Nabieva [9]. At the same time, a unique role is assigned to consumer cooperatives in rural areas in the organisation of procurement, storage, processing and delivery of products to consumers through their cooperative trading network. Thus, O.L. Bryanskaya notes the potential employment opportunities of the rural

population of the Republic of Buryatia through the development of private housing [10].

The issues of entrepreneurial activity of private farms are also relevant for other foreign countries belonging to the former socialist camp. Thus, G.A. Asanova, M.B. Saginbayeva, S.K. Aitkhozhin, D.N. Nurpeisov note the basics of motivation and goal-setting of private households towards entrepreneurship for the rural population of Kazakhstan [11]. The article [12] also explores Uzbekistan's PSF importance in the development of the agricultural economy and the life of rural society as a whole.

Under these conditions, realising the importance of the development of private farms, the Government of the Chuvash Republic identified the prospects and strategic advantages of rural development as the creation of a bioecopolis [13]. The practical implementation of the pilot project is carried out in the Kanashsky district of the Chuvash Republic based on Atalanu LLC from 2016 to 2021 based on a public-private partnership. Within the framework of this project, such types of work are envisaged as the construction of engineering and transport infrastructure facilities of rural settlements, the construction of low-rise energy-efficient eco-houses of residential areas, agro engineering for the production of environmentally safe agricultural products of rural farmsteads, an innovative complex for in-depth processing of environmentally safe agricultural products of rural farms, the construction of a recreational centre for year-round spiritual and physical development and cultural and mass leisure. The results of scientific and development work, the experience of operating a residential building and outbuildings, the established mode of operation of the innovation provide the basis for its subsequent replication [14].

Thus, PSF entrepreneurship plays a significant role in the economy of rural areas of the region. To run a PSF, it is necessary to have relevant knowledge in agricultural production, entrepreneurial skills, and access to resources.

#### **4. DISCUSSION**

Understanding the importance of the functioning of private farms for the growth of the well-being of the rural population, the scientific community actively discusses the issues of their continued existence.

Thus, E.M. Kot [15] suggests directing the activities of private households to an organised market through their registration as self-employed. I.A. Vladimirov, R.A. Iksanov [16] substantiate the idea of combining private farms on a territorial basis into "social agricultural cooperatives" to enter the organised market. L.Z. Buranbayeva, R.A. Gilmutdinova, E.V. Dubinina, E.V. Zhilina [17] consider the relationship between consumer

cooperation and private enterprises in the organisation of their purchasing and marketing activities.

Yu.V. Pavlova, T.M. Vorozheikina in [14] identified the main directions of involvement of private households in the production and commodity turnover of agricultural products, the principles of their participation in state programs for rural development and agriculture, the possibility of the involvement in the formation of social security through the development of rural areas on the principles of balanced rural settlements.

H.M. Musayeva [18] notes that private farms represent a particular industrial and labour niche for the population; they play a significant role in the production of most types of agricultural products while often acting as a social need and economic necessity that allows solving the problem of income, allowing existing and developing specific categories of the population. Also Sh.I. Sharipov [19] notes that in conditions of a low level of development of alternative types of activities in rural areas with a high level of technological improvement of agricultural production, the management of private households for a significant part of rural residents is the main form of employment and income generation. At the same time, it is necessary to develop a set of systemic measures to stimulate their development, active involvement in the orbit of state incentives. It is essential to study the practice of individual regions to encourage the support of private households at the expense of regional budgets, including their involvement in the implementation at the municipal level of programs and activities to support local initiatives.

Thus, the relevance of small business is beyond doubt. There may be different ways for households to enter the organised market. At the same time, it is necessary to expand the possibilities of access of PSF to all business resources.

#### **5. CONCLUSIONS**

Summarising the work carried out, we came to the following conclusion about PSF entrepreneurship.

For the vast majority of rural residents, the main issue in their lives remains the problem of preserving living space and quality of life. If the only source of income they have is a farmstead with a small amount of land, and entering the market with their products is a forced measure, then the question of the status of PSF in market relations remains open.

Historically, the rural population of Russia managed PSF. The reasons are the low socio-economic situation of rural areas. PSF for rural residents is a sphere of application of entrepreneurial skills and a source of survival and permanent residence.

All studies on the entrepreneurship of private households bypass the issues of their access to resources.

There are publications in this part, but they mainly refer to consumer cooperation organisations. For the further development of rural areas, the efforts of all economic entities are necessary: the state, business, science.

Thus, the materials presented in the article are of practical interest to public authorities of different levels, scientific organisations and private stakeholders.

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