



MULTIFUNCTIONALITY OF RUSSIAN FEDERATION RURAL TERRITORIES WITHIN THE CONDITION OF DIVERSIFIED RURAL ECONOMY DEVELOPMENT

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ABSTRACT

The transition to market relations, the departure from the planned economy destroyed the economic entities of Russian Federation rural territories, and also caused new socio-ecological and economic problems. This is despite the fact that agriculture is a life-supporting sector of the national economy by its nature and the country food security depends on it. Today, one of the priority strategic tasks aimed at an unacceptable differentiation of rural settlement reduction is their diversification. It is carried out through the involvement of unused internal reserves in the turnover and sustainable development AIC branches on this basis, whose products always have an increased market demand. Under these conditions, the transition of rural areas to the rails of diversified development is of paramount importance, which will create the maximum possible diversity of economic forms and activities in the countryside, use the resources of the territories comprehensively, ensure rural employment and reduce social tensions.

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1. INTRODUCTION

The protracted general structural crisis of Russian Federation (RF) led to the collapse of job number, not only in industry, but also in agriculture, the service sector, etc. However, agriculture is still the backbone sector of the rural economy. All this is coupled with the peculiarities and the lifestyle of the rural population mentality, who used to live for many years in the absence of favorable conditions for the discovery of alternative activities in the

countryside.

All this actualizes the significance of rural territory transition to the path of diversified development and the creation of all sorts of various economic forms and activities in villages, the integrated use of territory resources and the employment of a rural settlement.

2. LITERATURE REVIEW

The goal set before the society - the provision of economy sustainable development - requires not only large-scale investments and innovative technologies, but also applied innovations that will improve the methodological and the social approaches to the processes of the necessary change of priorities and national economy development goals, i.e. diversified development focus. Such an approach requires the solution of a set of practical problems interlinking the analysis of diversification conditions and factors and the dynamics of socio-ecological-economic development, the identification and the systematization of advantages, and the resource capabilities of Russian regions.

This, first of all, is very significant for regional agro-industrial complexes, which have large unused resources, although their products are characterized by steady and high market demand.

Moreover, all this is accompanied by negative processes in labor, demographic and other spheres of rural areas, which actualized the need to create a new, socially oriented, diversified model of sustainable rural development, that will ensure the integrated use of resources and will improve the living conditions of villagers [7,11,12].

Before delving into the research, it is necessary to explain the meaning of the term “diversification”.

The etymology of this word has a double meaning in the translation from Latin and means, on the one hand, “change, diversity”, and the performance of different things, on the other. If we omit the philosophical interpretation, then this concept can be reduced to the following - in general, it means “going beyond the ordinary”, into a certain form of improvement and development. As can be seen, such an approach suggests that it is closer to the concept of “comprehensive development”, which is common both in classical political economy and in modern economic theory [3,15,16].

From the practical position, diversification is the whole range of economic activities, starting from product range expansion to the activity type change.

There are the following types of diversification in special economic literature:

- the diversification of loans by the distribution of capital contributed to the economy in order to reduce risks and ensure higher incomes;

- production diversification through the development of new types of production and product range expansion. The goals can be completely different, ranging from bankruptcy avoidance to the competitive advantage development;

- material diversification in order to master new forms and fields of activity [7].

In our opinion, any diversification should pursue two goals at least – the improvement of competitiveness and an economic entity sustainable development provision. Only this will allow to create new jobs, to develop all types of entrepreneurial activities, and to implement state support for small and medium-sized businesses on a large scale. It is clear that all of this in total will ensure the stability of societies.

3. RESEARCH METHODOLOGY

The object of the research is the economic relations formed in the process of diversification formation and development in rural areas.

In the process of research, they used general scientific methods of theoretical and empirical cognition: the dialectical method to analyze the socio-economic processes, deduction, decomposition, systemic and comparative analysis.

4. RESEARCH RESULTS

It is necessary to distinguish between the diversification at the enterprise level and at the regional level. The diversification at the level of an economic entity is implemented through the strategy of sales market increase by expanding the product range, clientele and markets. At the same time, entrepreneurs can create a new vector of production and marketing activities through the development of new production structures, etc. [5,10].

The regional aspect of diversification is aimed at the development of various branches of territories. The main difference between the diversification of the regional economic system and the diversification of enterprises is in the fact that this process affects the entire set of business structures in the region, changes the employment structure of the population and product totality, which is clearly associated with the need for socio-ecological-economic, organizational, financial and other relationship state regulation [9].

They have the following in common: these types of diversification are the response to the socio-economic and environmental problems of territorial development.

All of the above allows us to interpret diversification as the combination of various processes and phenomena that focus on the potential implementation to achieve the set goals.

Now, let's turn to the consideration of rural area diversification concept. Although there is no specific scientific substantiation of this term in special domestic economic literature, nevertheless, it can be generalized in the following interpretation. The diversification of rural areas is the use of competitive advantages (labor, natural and other resources), the technological modernization of production and economy, and the self-development of these territories.

This process is characterized by agrocentricity, and on the development of non-agricultural activities at the same time, which, however, is characteristic of the current

evolution stage for socio-economic relations in rural areas.

In the conditions of increasing competition agriculture remains not only the most priority sector of rural areas, but also the most problematic one, which negatively affects the budgeting of municipalities.

The diversification in rural areas is carried out by joining inefficient agricultural enterprises to more sustainable enterprises of the agro-industrial complex, usually processing ones, the creation of new agricultural enterprises (by investors), the transfer of land shares to the authorized capital of an enterprise investor, etc. [3,13].

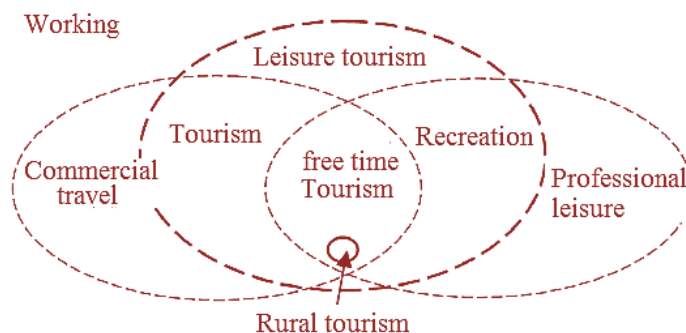


Figure 1: The place of rural tourism in leisure activities

The analysis of foreign experience shows that the greatest synergistic effect with other sectors in rural areas is achieved by optimizing the pace and the nature of the agricultural sector development. This is a natural process, because in the opposite case the imbalance takes place necessarily, leading to economic crises, social tensions and the economic situation worsening. Agriculture, as a rule, is not competitive in comparison with other sectors of the rural economy in the case of its separate development. However, when it informally interacts with tourism (Figure 1), processing, trade and other industries, there is a high probability of its sustainable development.

In Western countries, diversification is a powerful tool for the competitive development of rural areas, which determines and forms the diverse structure of economy.

It should also be noted that much attention is paid to the development and the implementation of highly effective approaches in the countries of the European Union, to the development of rural areas. It is noteworthy that all these directional processes are actively stimulated by new conditions of the reforms carried out by the Single Agrarian Party of the EU.

The analysis of the ongoing diversification processes in Europe rural economy suggests that

- one third of farmers is not focused on agriculture while ensuring their income;
- more than 85% of rural population is engaged in other (non-agricultural) activities, where 95% of the additional product value is created [14].

During the consideration of farm structure in EU countries with alternative sources of income, it is possible to note the variation from 18% in Belgium to 60% in Sweden (32% on the average). The different share of diversified farms in their overall structure indicates

various possibilities for diversification [15].

Now there is a new trend in the world practice of rural economy restructuring - agrotourism. Its activation makes it possible to transfer labor resources to another industry and thus open new rural jobs.

For reference, the number of agrotourists is growing and, for example, in Austria it reached 16%, and 15% in France of the total number of rural tourists in the EU [15].

It should be noted that there is no common understanding on the problem under study among foreign scientists. Thus, in the studies of the European Parliament, diversification is considered at the level of small-scale production at diversified farms [8]. At the same time, all types of activities (except agricultural one) that have an economic impact on the household are considered from the point of view of income-generating opportunities.

The abovementioned allows to define the definition of “rural area diversification” as a continuous process contributing to their development through the engagement of their labor and natural resources, aimed at meeting the needs of rural population in goods and services through the formation of a multi-industry production and the organization of a socially oriented territorial economic complex. This approach to the diversification of rural areas is based on an integrated and interrelated basis, which involves the development of this process in three aspects:

- resource base development;
- development (change);
- (capacity) use.

The main objective of rural area diversified development is to ensure their socio-economic sustainability and stability and to improve the living standards of villagers.

It should be noted that the depressed agro-oriented republics of the North Caucasus are characterized by a catastrophic decline of rural population, the decrease in their incomes, the worsening of demographic situation, the rise of unemployment, an unacceptably low level of security and social and market infrastructure development, an uncontrolled consumption of territory natural resources, the impoverishment and the desertion of rural areas.

Partially, this situation in the republics of the North Caucasus, especially in mountainous areas, can be explained by the peculiarities of rural mentality and the way of highlander life. But for the sake of objectivity, it is necessary to note the imperfection of the relevant legislation, the acute lack of working capital for investments, the underdevelopment of the market environment, the unsatisfactory development of small business, the underdevelopment of engineering and social infrastructure, weak management activities of municipalities, the lack of personnel with market thinking, etc. [12].

Such a situation may violate the territorial integrity of Russia. A serious situation remains in a complex geopolitical region, which is aggravated by an acute shortage of land,

water and other resources, and a large labor surplus in the border areas, which requires an immediate solution.

A key factor for the implementation of multifunctional rural development principle is the multifunctionality of agriculture, which is a village-forming sector.

This is natural, because agriculture is a complex natural-socio-economic system, the functions of which are differentiated in accordance with various options for its interaction with the environment and other systems.

Scientists have studied the complex of agriculture functions in detail, incl. basic, agrofood, socio-ecological-economic, cultural and others [13].

The basic function of the industry in question is the provision of food independence, the sustainable development of rural areas and national economy, the preservation of rural community national identity. It should be noted that despite the similarity and direct connection of rural area and agriculture functions, they can't be identical. Also, it is impossible to identify the workers of agricultural enterprises with rural residents.

At the same time, as diversification processes are popularized in rural areas and despite the fact that agriculture and forestry are the basic sectors of the economy and the main users of land resources, the “agrocentric” understanding of the rural economy has become illegal.

This phenomenon can be explained by the agrarian sphere role decrease, and this is natural, because it ceases to be the leading sphere of villager employment and income. Other sectors of rural economy have an undoubted higher profitability, better working conditions, are more attractive and are more positioned towards the rapid introduction of innovations, etc.

It is well known that social and economic development increases the demand for industrial products and services much faster than for agricultural products and food. This contributes to the intensification of basic resource transfer from the agricultural sector to other sectors and hinders the growth of agricultural production. Together with this, there is a significant increase in labor productivity in the agricultural sector. Thus, the need for them is developed in other sectors ...

The analysis of rural area multifunctionality (as a complex natural-socio-economic system of rural society life activity) allows to detail the polystructural rural economy, consisting of a number of important subsystems: the national economy, rural society, the natural system, etc. [6,13].

Together with polystructural nature, the importance of the rural economy polysystem increases, which entails a complex relationship and a relative independence of all its functions, as well as the need to comply with the requirement of their functional completeness and inevitability.

Such an integrated approach to the sustainable development of the village causes the duality of rural area multifunctional content. Thus, multifunctionality, on the one hand,

implies the implementation of many diverse functions in rural areas, and, on the other hand, the diversified development of rural areas [6].

In other words, the multifunctionality of rural settlements is the ability to perform many functions, whereas the multifunctionality of a rural territory implies the mission that requires the implementation of many functions.

In the course of the special literature analysis, we were convinced that the issues of rural economy basic function development are not worked out still. It seems to us that, if we mean the purpose associated with the implementation of socio-ecological-economic component needs in rural areas by function, the functions of the rural economy should be formed during the emergence of "object-environment" relations.

For the environment, the environmental-natural component characterizes a set of multidirectional factors, processes and phenomena affecting the course of the rural economy development, and the socio-economic component is focused on the interests of economic relation subjects at all levels ...

All mentioned above allows us to generalize the diversity of modern views on the problem of the rural economy multifunctionality and reduce it to two points of view:

- The rural economy is monofunctional;
- The rural economy is multifunctional.

As can be seen, the proponents of the first point of view focus on the development of a single industry in the rural economy, usually agriculture. At the same time, they substantiate that the sustainability of rural development is significantly dependent on the situation of agriculture, which is not only the main "supplier" of rural jobs, but also has a unique and significant economic sector that ensures the preservation of natural landscapes and cultural heritage [11,13].

The supporters of the second approach argue that the rural economy is multifunctional, justifying the inevitability of rural economy "agrocentricity" reduction, primarily due to the inability of agricultural producers to provide the rural population with the necessary level, since at present both agriculture and forestry are no longer the main sources of employment and income for the rural population.

In this context, it is advisable to point out rather significant non-agricultural potential of the rural economy, which consists of a significant number of industrial population, as well as of those working in traditional rural and non-core industries...

We propose to diversify the rural economy as the transition from one exclusively agricultural activity to a diverse non-agricultural sector of the rural economy. In other words, the increase of non-agricultural sector share in the production structure of rural areas.

Indeed, today we clearly see that the sustainability of rural development has a significant dependence on the multifunctionality of the rural economy due to the fullest implementation and an effective use of village resource potential, which makes it possible to change the

traditional production orientation of the agricultural sector to new activity areas.

5. CONCLUSION

Thus, the following can be noted:

- further development of rural settlements cannot be carried out monofunctionally;
- complex balancing of village; along with agricultural production, it requires the mandatory development of infrastructure and non-agricultural business;
- polyfunctionality of the village has gained a special significance. At the same time, the multiplicity of rural area functions is a kind of indicator of the country socio-ecological and economic development level.

During the implementation of diversification process, its main areas should be those industries that will provide:

- economic effect (increased contributions to the municipal budget);
- social effect (the growth of employment and incomes for peasants, the improvement of life quality);
- environmental impact (the improvement of environmental safety, the production of environmentally friendly products).

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