

**ECONOMY AND MANAGEMENT
OF NATIONAL ECONOMY,
MODERNIZATION OF NATIONAL MODELS
OF ECONOMIC SYSTEMS**

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**DIVERSIFICATION OF THE RURAL ECONOMY
IN THE DECENTRALIZATION AND COVID CRISIS
CONDITIONS: A NEW METHODOLOGICAL VIEW
ON THE SOCIOECONOMIC DEVELOPMENT
«GENERATOR» INSTITUTION**

In the contemporary world, the development of the rural economy, in general, and its agrarian sector, in particular, is paid great attention both by the business and state and local authorities. It is important for the business that agroindustrial production grows and, consequently, the rate of profit grows that makes this sector of the economy of Ukraine investment-attractive even in the conditions of the unabated COVID crisis, energy crisis, which for the first several months of the heating season alone has made every second enterprise processing agricultural raw material unprofitable [1]. For the authorities, agroindustrial institutes of the rural economy form the basis of ensuing its food security, development of rural territories aimed at the progress of the

implementation of the decentralization reform and Sustainable Development Goals [2]. Therefore, a special place in the Ukrainian economic system is held by the territories, which, having a quite low level of natural resource reserves and not falling into high-technology entities with the powerful potential of branch structures, have agroindustrial specialization enabling to achieve local food sovereignty. Said features of the economy of these rural territories determine the availability of the whole spectrum of problems in their development. In addition, a risky character of the agricultural production, unpredictable world economy fluctuations create, to rural territories, real difficulties caused by product competitiveness worsening, a low living standards of the population and an increase in socioeconomic development risks. In this connection, diversification of the economy of agroindustrial regions is one of the key tools of neutralization and minimization of said risks, which, among other things, can become a catalyst of attraction of investments in the rural economy.

A neoorthodox path of development of the rural economy is built on the agroindustrial enterprises activity diversification, which, when properly used, is an important tool of their development and creation of competitive advantages. However, the matters of diversification of the rural economy have been poorly explored both from the theoretical-methodological and practical viewpoints. In particular, a matter of the use of diversification of the economy of rural territories as a tool of their socioeconomic development has been left beyond scientific research so far. From the scientific viewpoint, the diversification involves the spread of the spheres of activities for the enhancement of the efficiency of an economic entity. From the practical viewpoint, the diversification serves as some tool enabling to redistribute resources within the socioeconomic

system in the required direction, in other words – to provide their concentration to achieve priority goals [3]. In this connection, for agroindustrial territories, the diversification acts as a specific economic tool of their development oriented towards formation of the multiagroindustrial production. However, the diversification has natural limits, which exceedance can lead to an increase in expenses and a decrease in the production efficiency. It should be remembered that, in the globalization conditions, agroindustrial regions – to be competitive – cannot longer rely on local resources only, they must become a part of the global network.

In other words, carrying out the diversification requires that both an agroindustrial enterprise and rural territories have available required resources and capabilities. A great role in the diversification implementation is played by specialists who should know how to manage technical systems at agroindustrial enterprises and fully understand how to combine all this within an enterprise to achieve a synergy effect. In addition, the maximum limit of multifunctionality implies the concurrent use of all possible spatial capabilities proposed by this rural territory while a limit of poor multifunctionality, on the contrary, is characterized by the opposite.

Diversification of the rural economy also consists in the diversification of the sales market of agroindustrial enterprises. One of possible directions of sales market diversification is the development of exports. In most agrarian territories of Ukraine, food product exports are currently an important item of their income [4]. It appears from this that, in these regions, it is important now to deal with exports of food products specially influencing the rural economy development. To estimate the export increase capabilities, it is proposed to use a relatively new indicator – the export potential index. The accuracy of the export

potential index calculation depends on the disaggregation scale. The larger the disaggregation scale is the more accurate the export potential index or concentration estimate is. As applied to agroindustrial products, a calculation of the export potential index as a dependent variable is carried out based on the calculation of gross regional product per capita as an explanatory variable, subject to a whole number of relative indicators.

Diversification is predominantly carried out by medium agroindustrial enterprises and, therefore, it is very important that held measures would provide minimization of risks of their development adjusted for already available and possible COVID problems. For these purposes, it is possible to implement a model of management of profit obtained from product exports. However, many agroindustrial enterprises see applying profit management models problematic because most agroindustrial productions being a part of agroprocessing holdings fail to carry out calculations by all indicators [5]. This circumstance complicates carrying out the diversification of their activities. It is impossible to conduct the diversification assessment until accounting of results of the performance of each agroindustrial production included in the holding and full accounting of results of the performance of each structural subdivision being at the level of the head office of the agroprocessing holding is established.

This gave us an idea to set the growth centers that involves redistribution of the resource base in favor of formation of mechanisms of independent development of the rural territory by selecting maximally promising economic activity branches and types distinguished by increased values of indicators of infrastructural development, private entrepreneurial activity, the level of quality of the labor capital and the scientific-educational potential concentrated in it. Such centers – economic

development generators – are essential to the development of the rural economy, interacting with key components and being interlinked with each other.

An economic prerequisite of the use of the «economic development generators» concept is the maximally possible concentration of limited resources within the boundaries of specific territories where such resources can afford to achieve the most efficient and long-lasting economic synergy effect. Finally, the formation of the mechanism of independent development of the business environment is strengthened by synergy partnership and elements of other economic development generators.

A rural economy development generator consists in a certain driving force of development of the economic system of the territory on the basis of the prevailing branch or type of economic activities combined with other branches. For efficient development of such cores, certain protectionism is needed from the local authorities as well. This enables to actively develop science-intensive initiatives as well as transfer the economic potential from already quite competitive branches and types of economic activities to those branches that have still not achieved, to a sufficient extent, the same degree of competitiveness.

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