

Money, Finance and Loans

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RESERVES TO INCREASE COMPETITIVENESS OF AGRICULTURAL BUSINESS ENTITIES

The integration of Ukraine into the global community was aimed not only at cultural and traditional exchange but, first of all, at the desire to become a part of the economic sphere. One of the ways to achieve it is taking a certain niche in the export and import operations. It is the export potential of the agricultural branch that enabled our country to become well-known in the global economic market.

However, despite the significant agricultural prospects, the export potential of this sector of the Ukrainian economy is being implemented quite poorly as it mostly concerns raw material export. The reason for this is low competitiveness of agricultural business entities.

The basic components of a successful activity and high competitiveness of any company, an agrarian business in particular, is financial stability, i.e. the ability to carry out business activity on the basis of self-repayment and self-financing, as well

as facilitation and support of development by the State and regional governmental authorities.

The research concerning matters of searching for reserves aimed at competitive growth of agricultural businesses demonstrated that it was based on the strategy of stable development of social, economic and environmental system of each individual region. Based on this statement, it is understood that the potential capabilities of agricultural businesses are concealed among the aggregate of administrative hierarchies and stipulate usage of the regional potential within the state and interstate innovative and investment development programs.

Special attention should be paid to the factors directly and indirectly affecting the activities of agricultural businesses. These include tools and levers of the governmental policy in various spheres and administration sectors as well as legislative approaches and solutions in regulating the agricultural activity both in the domestic and foreign markets.

Rational interaction of the governmental and regional components should result in facilitation of economic and environmental condition of the region and the country in whole, employment and welfare growth, resolution of integration and investment issues and increase of the food security level of the country.

Thus, the suggested methodological approaches to the search of available reserves of resource potential and food security of agricultural businesses, based on the detected factors of formation and development of competitive advantages of such businesses, shall be aimed at the expansion of marketing activity and available assessment system for agricultural business competitiveness. This shall facilitate their financial stability and solvency, growth of operation rates on conditions of self-financing and self-repayment, and, as a result of the above-said, growth of their competitive ability level.

Key words: *competitiveness, reserves, marketing, self-repayment, self-financing, food security, competition.*

Target setting. The development of domestic agriculture mostly depends on competitive ability and efficient activities of its business entities. The orientation of the State at international standards of the life level and quality cannot exist without stable development of competitive agricultural businesses the operation of which is based on expanded reproduction, investment attraction and introduction of new progressive production technologies able to affect their financial results and thus ensure due level of self-repayment and self-financing.

The economic growth of agricultural businesses, their competitive ability and financial stability are possible provided there is growth of activity efficiency of its individual entities whose contribution to the general economic growth differs depending on the economic and social development. Meanwhile, the majority of conceptual issues related to the effect of competitiveness upon the financial results of agricultural businesses remains outstanding and requires further research due to the lack of mechanism to resolve the tasks set before them. This is explained by the fact that the methods available and used in modern conditions have certain deficiencies. Resolution of the given problem requires elaboration of respective methodological approaches adapted to the market business terms, on the basis of detecting reserves of effective activities to be carried out by agricultural business bodies, the search for the factors of formation and development of their competitive advantages and reserves to ensure food security of the State, introduction of accessible marketing activity and an assessment system for the level of competitive ability both across the country in whole and, in particular, on a regional level.

Latest research and publications analysis. The search for reserves to increase competitive ability of agricultural businesses has always been the center of attention of the leading domestic and foreign scientists. Theoretical and practical issues in this area have been investigated in the scientific works by M. Demianenko, O. Hudz [4], M. Malik [6], M. Kysil, M. Kodenska, P. Sabluk [8], P. Stetsiuk and many others. However, despite the numerous achievements of scientists in resolving this problem, there is still no approach to work out a uniform strategy and tactical methods to resolve it.

Formulation of article goals. The modern approaches to running a business require high efficiency and production quality indices from the process participants as such indices guarantee competitive ability of such businesses in the market.

The agricultural branch is currently one of the most promising branches and takes leading positions in product export, but the problem is that the major export concerns raw materials only, mostly grain crops, while export of derivative products would be much more beneficial for the State and the businesses. This is where the matter of quality and competitiveness becomes extremely relevant.

That is why, in the context of increasing the agricultural competitiveness level, the matters of efficiency of agricultural business activity should be considered more thoroughly by distinguishing the reserves to increase their financial stability and solvency as well as by researching the drivers of formation and development of competitive advantages.

Statement of basic material. The economic development of agricultural businesses, their competitive ability, financial stability and solvency are conditioned by business efficiency growth, which is common knowledge. The transition of domestic economy to market conditions is accompanied by growing intensification of production, innovative and stable development of competitive processes in the agricultural sphere.

World-level globalization trends resulted in competition and stable development becoming an integral component of economic relations which is manifested on not only microeconomic but also macroeconomic level. This is why, when forming the strategy of agricultural branch development, an important precondition is to determine the differentiation degree of the branch structure balance level by regions and their economic independence able to affect the efficiency of competitive relations in a rational manner.

The development of market relations facilitates the appearance of interconnected problems of competitiveness, food security, stable development, financial stability, self-repayment and self-financing. That's why the economic content of agricultural business operation is defined by complex inter-branch

relations based on direct and reverse connections of the inter-economic integration of organizational structures. At that, the conceptual principles of the theory of agricultural business competitive and stable development include not only systematization of the theory and methodology to form such business entities' competitiveness, but also the paradigms and substantiation of the competitive development strategy, substantiation and system implementation of reserves for production growth, innovative and investment development.

The basis of theoretical substantiation for competitiveness of the agricultural industry in the modern business conditions is built on conceptual approaches regarding the essence of the strategy of stable development of social, economic and environmental systems of an individual region. At that, its definitive components include guarantees to ensure complex and system usage of reserves, factors to increase their efficiency and competitive ability as well as establishment of preconditions, based on the established principles, for stable and long-term growth and development of regional economy, provision for the food security of the State, maximal growth of real profits and improvement of the population welfare.

The implementation of the specified strategy is possible provided the following requirements are observed:

- firstly, it should be based on innovative and investment principles, and oriented at maximal mobilization of internal reserves of agricultural businesses in an individual region;
- secondly, an important requirement of the regional agriculture development strategy is stable growth of competitive ability, and, based on that, improvement of efficiency and financial stability of business entities. To resolve this problem, one of the main preconditions is to use the advantages of an individual region concerning agricultural production, well-balanced development of its resource potential with the use of social and economic, and social and environmental, mechanisms;
- thirdly, the development and implementation of the regional agriculture development strategy should stipulate a fundamental combination of

governmental regulation of the economy and establishment of preconditions for independent management of the administrative component in private business and entrepreneurship;

- fourthly, one of the demands regarding regional development of the regional agricultural branch in a complex and system solution of scientific, technical, economic, social and environmental problems of the regional agricultural businesses able to ensure the food security and independence.

The reserves for the growth of competitive ability, efficiency, financial stability and solvency of the agricultural businesses shall serve as one of the main preconditions for not only expanded reproduction but also their operation upon the terms of self-repayment and self-financing. The exploration and usage of reserves facilitates savings in labor, material and financial resources and enables business entities to grow their production rates and product sales instead, ensuring food security at the expense of saving all resource types.

Generalization of the reserves exploration and their practical implementation for the agricultural businesses are the main purpose and methods to intensify the innovative and investment development implemented in two mutually coordinated directions:

- economic usage of available resource potential;
- economy resulting from detected options of qualitative, competitive and economic usage of available resource potential.

This should result in the development of a program to mobilize the available reserves on the regional level which would enable regulation and management of the regional strategy of economic, social and innovative development with the application of the priority resource concentration method to resolve immediate tasks aimed to increase the agricultural product manufacturing rates and also its competitive level.

The performed classification of reserves and factors of competitiveness and stable economy development for the regional agricultural businesses will allow distinguishing of their individual criteria, in particular: validity term, type and kind of

the origin source, and possibility of implementation. The following reserves are assigned to a separate classification group (Figures 1 and 2):

- short-term, middle-term and long-term reserves;
- reserves that may be used in a local, regional, national and global markets;
- resources based on fundamental and specific advantages of the regional economy;
- resources of internal and external competitiveness and stable development;
- resources of economic and strategic competitiveness and stability.

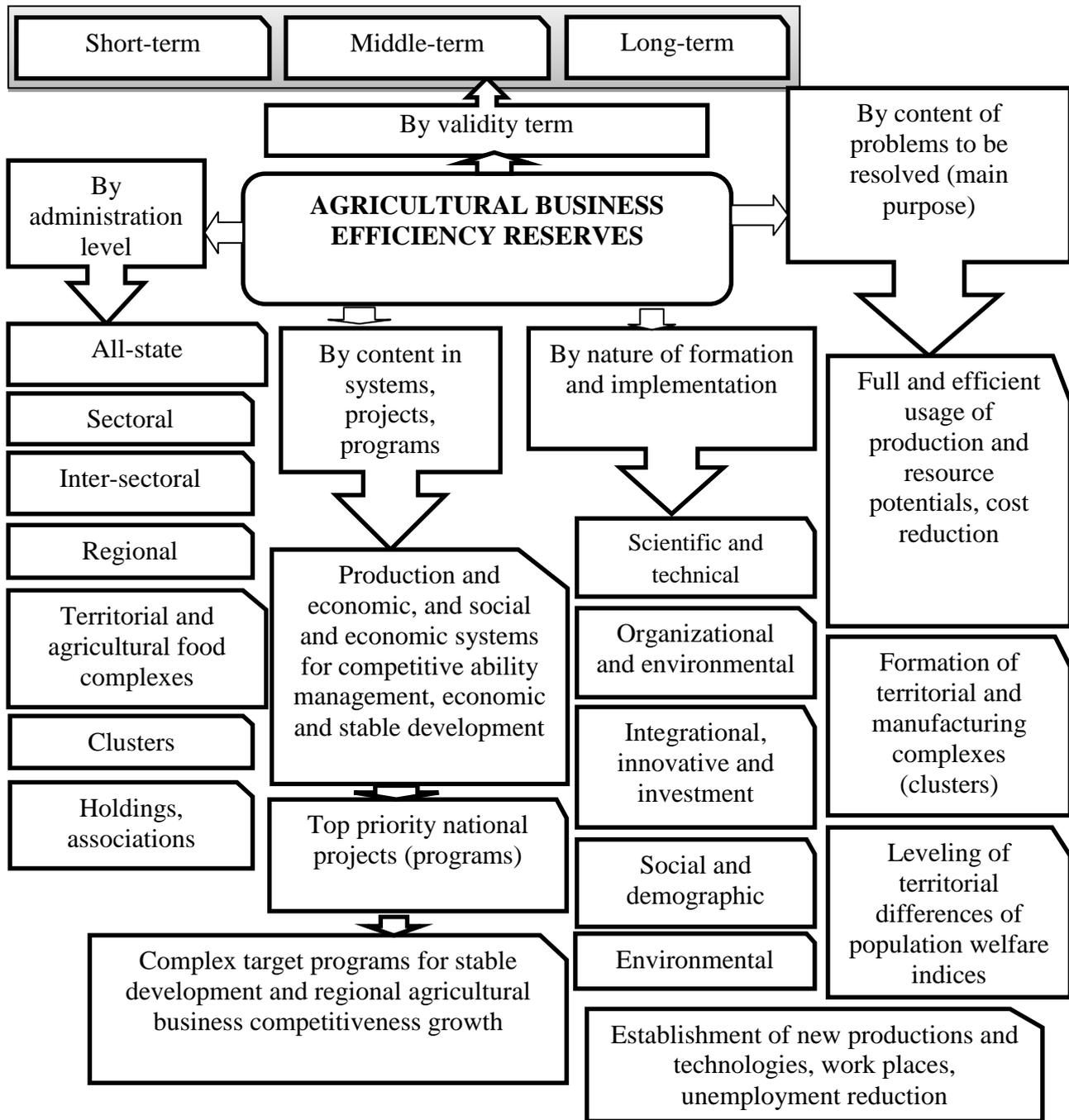


Figure 1. Classification of reserves to increase agricultural business efficiency
(developed by authors)

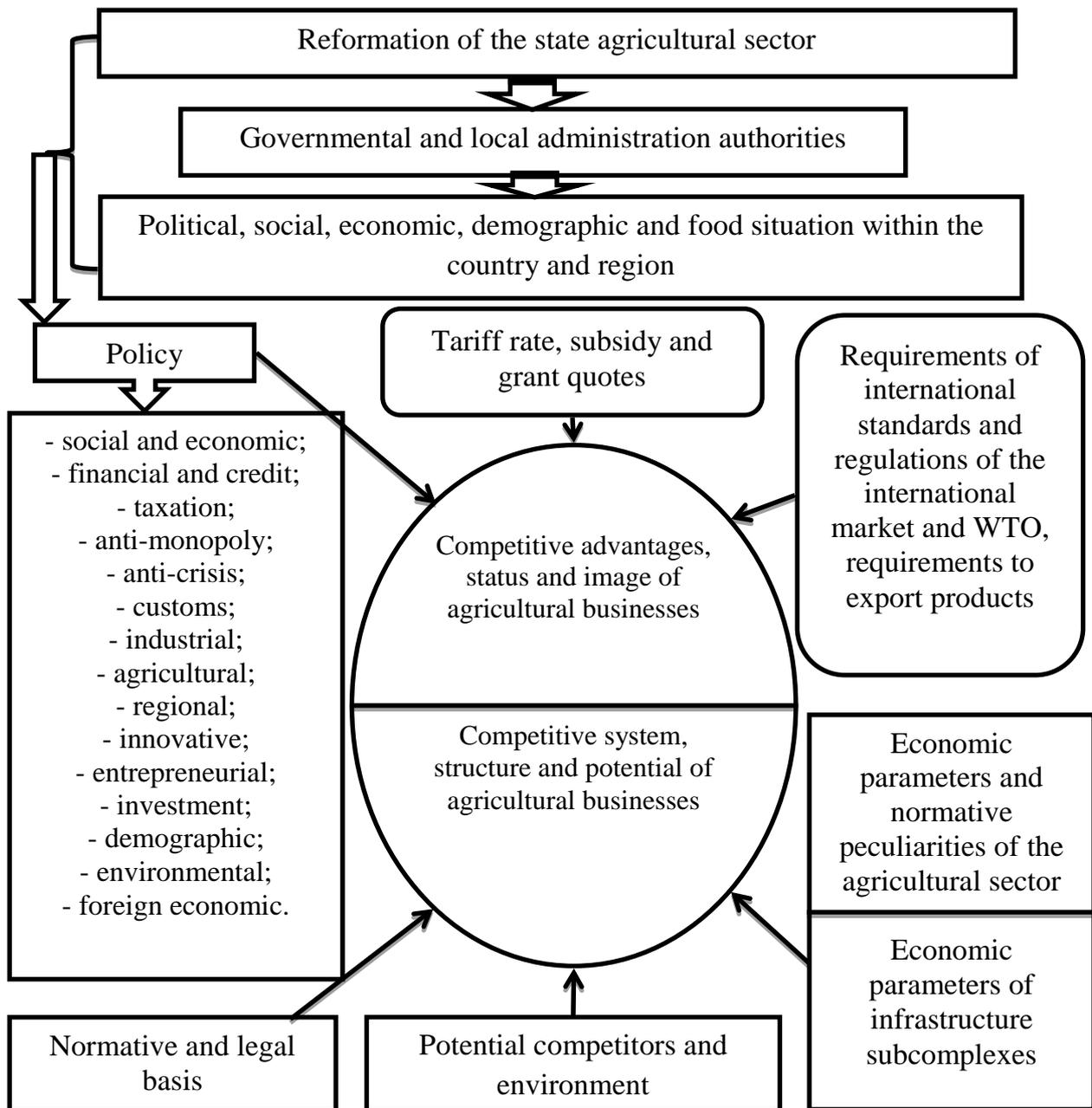


Figure 2. Factors of formation and development of agricultural sector competitive advantages (generalized by authors based on [1; 2; 5; 6])

The analysis of undertaken research proves that the elimination of conceptual differentiation between the internal and external sources of competitive advantages of businesses from an individual region is of utmost importance for the purposes of implementation of strategic competitiveness; this will enable leveling of the peculiarities of their business processes in terms of global and innovative economy. The growth of economic independence of the agricultural businesses has a significant

effect not only upon the social and economic development but also on the factors and mechanisms ensuring their competitive ability and their social and economic stability.

It is possible to improve the competitive ability of the agricultural businesses on condition of observance of a number of preconditions related to product quality improvement and reduction of product prices, as well as on condition of saving material, labor and financial resources. Compliance with the specified criteria shall essentially affect the improvement of production efficiency, financial stability and solvency growth for the business entities, and their operation under self-finance and self-repayment.

Economy of live labor able to facilitate reduction of production losses (figure 3) is an important component and an integral element of development of inter-sectoral relations of the agricultural business entities and the process of formation of the necessary labor expenses. That's why, taking into account this important aspect of agricultural business competitiveness growth, attention should be focused not on the qualitative growth of the agricultural production rates but the reduction of losses related to harvesting, processing, storage and transportation of such products. This will enable resolution of the food issue without additional engagement of resources at the production stage.

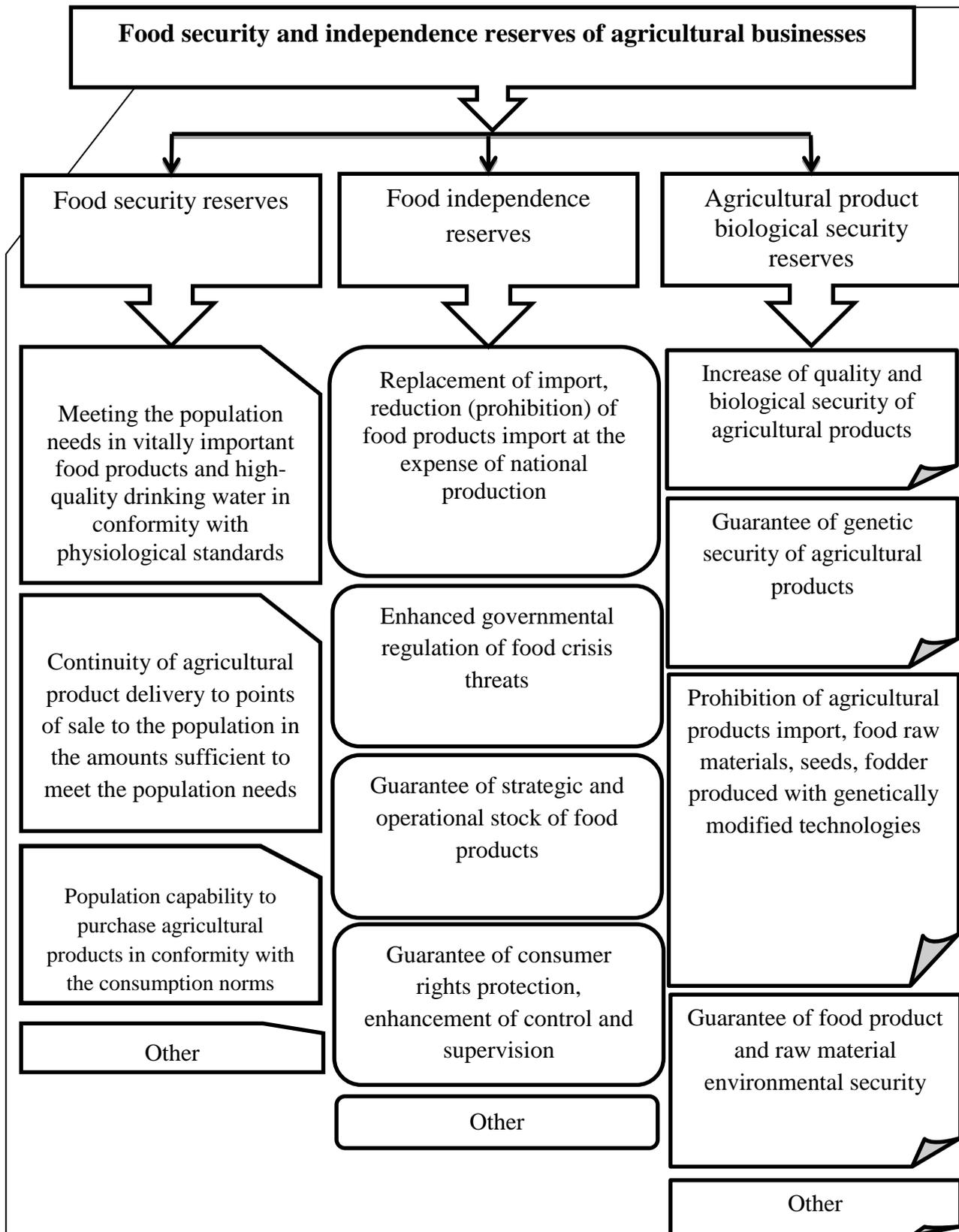


Figure 3. Classification of food security reserves (composed by the authors with reference to [7])

The integrational development of agricultural production competitiveness able to activate vertical ties within regional agricultural product systems shall become

extremely important in terms of securing such competitiveness as it will result in the reduction of production rates and simultaneous growth of agricultural product quality. For instance, 1% growth in sugar beet saccharinity will lead to economy of significant sugar beet crop areas. Meanwhile, excessively long storage of sugar beet affects its saccharinity negatively. It is possible to minimize these losses by means of growing processing capacities, improvement of harvest machinery and production technologies, as well as the technologies concerning raw material storage and transportation. Strict observance of these requirements has important benefits compared to measures aimed at crop capacity growth and quantitative increase of agricultural crop amounts.

Thus, the food problem resolution may be efficient only on condition of integrational and cooperative interaction between all branches and secondary complexes of regional agricultural product systems, as well as the search for the reserves to increase competitive ability of the agricultural businesses. In its turn, it shall require building and maintenance of currently operating warehouses and bases to enable agricultural product storage.

Conclusions of this research and prospects of further research in this area.

In the years of the Ukrainian independence, the agricultural branch has become one of the main branches in both providing for the national food security and being the leaders of national export. However, there are certain cautions regarding the latter as the agricultural product export mostly includes raw materials, while selling derivative products abroad would be much more profitable. Yet, there is a significant deficiency in this sphere – the agricultural businesses mostly cannot compete against their foreign associates.

This is why the use of available reserves to increase efficiency of agricultural businesses becomes so important, taking into account the effect of objective and subjective factors of formation and development of competitive advantages in this sphere. The aggregate of the mentioned components will be especially important as it will enable agricultural manufacturers to increase their competitive ability and take the respective niche in the global market.

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