

## TRENDS IN THE DEVELOPMENT OF RURAL ENTREPRENEURSHIP IN RUSSIA AND BELARUS: CRITICAL VIEWS AND CREATIVITY IN MANAGEMENT

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### Abstract

The article raises questions of the ultimate effectiveness of the regulatory measures taken by the state to support small businesses in rural areas of Belarus and Russia. The final indicators of the effectiveness of public policy in rural areas are traditionally the employment of the rural population, the relative level of income, the profitability of rural entrepreneurship. In this regard, we conducted a long-term retrospective analysis of the dynamics of individual indicators, identified trends, and evaluated the effectiveness of public policy. However, the article notes that the sustainability of the agro-food ecosystem is ensured by creative approaches to the organization of interaction between all subjects of the system, including small rural businesses.

**Keywords:** Employment analysis, income level, efficiency of state support, agri-food system, rural entrepreneurship, creativity and innovation of the agri-food ecosystem.

### Introduction

The development of rural entrepreneurship and the entire agro-food system, its stable functioning and development plays a huge role in creating a new architecture of the rural entrepreneurial ecosystem, which has civilizational significance. Therefore, it is so important to find creative solutions for the structured interaction of large, medium, small and small rural enterprises (SMEs), understanding the importance of state management institutions of innovative agro-food ecosystems. As creative views on solving problems in rural areas, options for the introduction and development of innovative agro-industrial ecosystems are proposed, as well as individual creative proposals for the use of empty rural housing stock in the interests of private business development are substantiated.

The economies of Russia and Belarus are closely linked and continue to build a socially oriented development model in cooperation. In a difficult political situation, the governments of Russia and Belarus pay special attention to the development of rural areas and the creation of agro-industrial ecosystems capable of meeting the needs of the population with agricultural products. Creative management is considered as a determining factor in the economic development of the agro-industrial sector of the economy.

The uniqueness of the creative management model and the relevance of the appropriate approach to changing the socio-economic impact on the flourishing of rural entrepreneurship are due, firstly, to the difficult demographic situation in rural areas, the low proportion of rural youth, the insignificance of financial savings of local residents, the priority of food security in connection with the Ukrainian conflict.

Despite the long-term unflagging attention of the states of Russia and Belarus to the development of rural areas, many problems have remained acute and have not been solved radically: the creation of stable jobs in rural areas, socio-cultural infrastructure for securing young people there, the spread of small businesses (SMEs), improving social conditions and improving the quality of life. In modern management theories, various definitions of creative management are given. So, in the works of Anisimov A.L. creative management is considered as an interconnected system of creative methods, solutions and actions aimed at achieving or maintaining an optimal level of functioning and development of the economy, increasing its competitiveness and efficiency [10]. The ability to generate non-standard ideas, deviate from traditional patterns of thinking, quickly and effectively carry out an intellectual breakthrough in solving problem situations [11], characterizes creative management in the best way. The process of identifying hidden opportunities in agriculture and the creative use of the potential of these opportunities [12] is an important aspect of the management system, which can be described as creative management. In the context of a significant decline in the rural population, finding creative solutions for the development of rural entrepreneurship seems to be a very urgent task.

### **Problem Statement**

The main problem of the weak effectiveness of the policy of the governments of these countries on the development of entrepreneurship lies in the fact that for young people, who should become the successor of traditions and economic activity in rural areas, social living conditions and decent material well-being are not fully provided. The problem is caused by the following challenges:

- growing shortage of qualified hired labor in the expansion of business and its technical and technological modernization,
- lack of well-paid work in rural areas and stable earnings or limited employment opportunities,
- low availability of comfortable housing in rural areas,
- poor quality and reduced availability of medical care.

### **Purpose of the study**

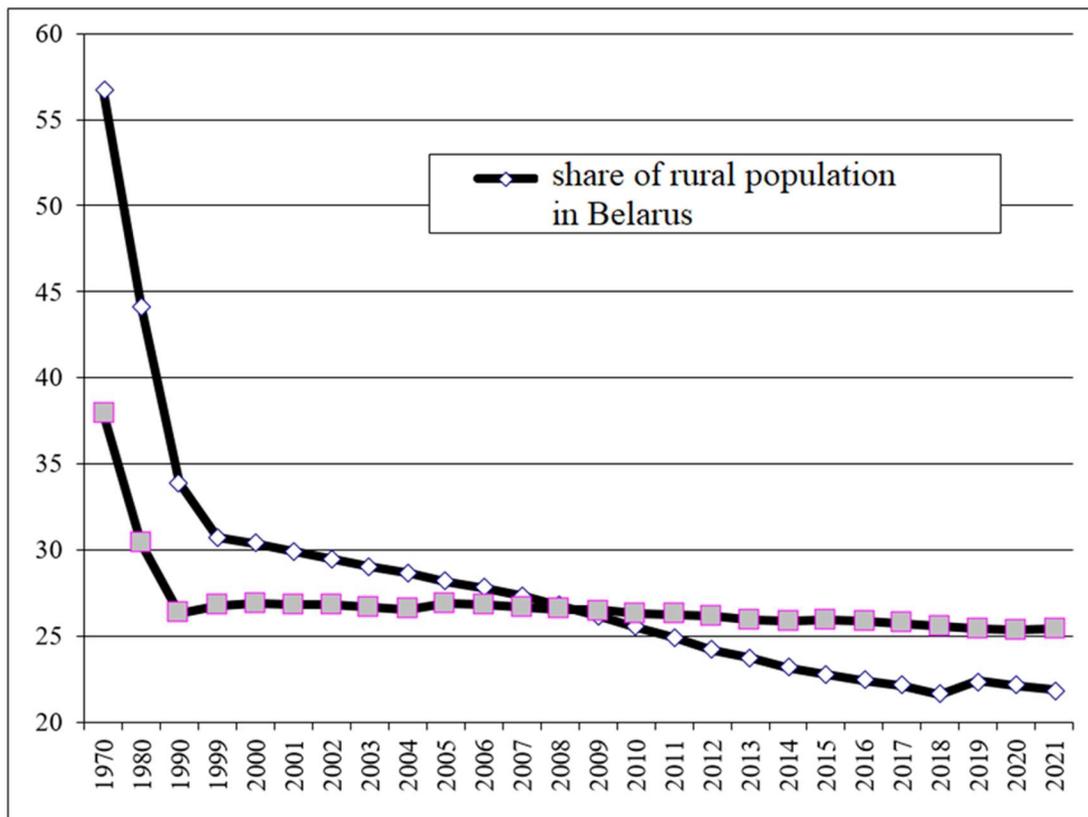
The purpose of the study is to identify sustainable macroeconomic trends in rural development, and on their basis to form creative proposals to improve the policy of the Russian and Belarusian governments to activate entrepreneurship in the agricultural sector. To achieve this goal of the study, a creative approach was applied in the formation of the statistical base of research: a prolonged, long-term period of studying the object was chosen, capable of reflecting well-established structural shifts, social imbalances that are not caught at first glance; comprehensive

indicators of the final effectiveness of policy in rural areas are identified in comparison with government programs and key regulations adopted in similar periods, and they are evaluated.

### Materials and Methods

The team of authors relied on statistical methods of studying the so-called time series of long-term indicators spanning several decades, as well as expert assessments of the effectiveness of government decisions on the development of private business in rural areas. The method of historical and logical comparison is also used.

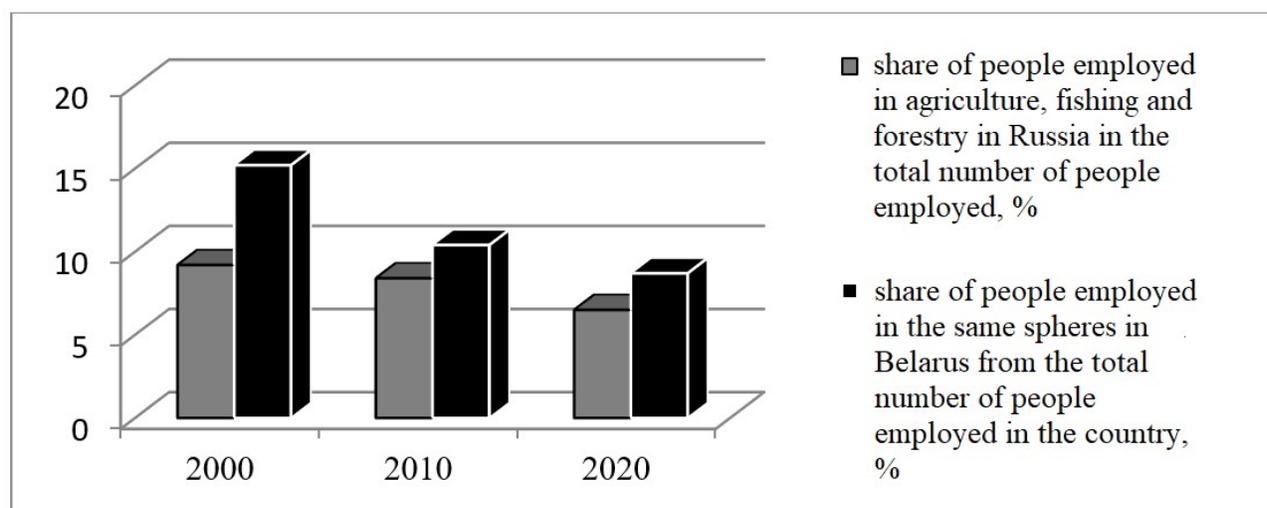
The reduction of the rural population is a characteristic feature of all developed countries, which forces small businesses in the agricultural sector to develop on the basis of highly mechanized production technologies. Among the priority areas of the economies of Russia and Belarus at the end of the last century and the beginning of the current one, there is a concentration of resources on large construction projects and financing of advanced industrial technologies [26]. The sector of the agro-industrial complex developed and was financed on a residual basis, as a result, the share of the rural population was rapidly decreasing, reorienting to the production in demand. Figure 1 shows the dynamics of the share of the rural population in the total population of Belarus and Russia over the past 50 years, %, conducted by the authors on the basis of statistical data for Russia [2, p. 15] and Belarus [1, p. 54].



**Figure 1.** Dynamics of the share of the rural population in the total population of Belarus and Russia for the period 1970-2021, % (authors' calculations based on [1, p. 54], [2, p. 15])

Over the past decade, Russia and Belarus have changed their policy towards rural areas, and much attention has been paid to the development of rural entrepreneurship. In order to ensure employment and secure qualified personnel in rural areas, the governments adopted comprehensive documents aimed at the development of agricultural business, agriculture and regulation of agricultural products, raw materials and food markets.

By 2020, it has become possible to objectively summarize the results of the implementation of these programs for rural employment. It is possible to state the fact of a fairly rapid reduction in employment in this and related areas in rural areas. If in 2000 15.2% of all employed were registered in agriculture, forestry and fishing in Belarus, then in 2005 it was already 11.9%, in 2010 – 10.4%, in 2020 – 8.7%, that is, in 20 years the economy of these industries has lost almost half of the workforce [1, p. 60]. In Russia, respectively: in 2000 – 9.2%, in 2010 – 8.4%, in 2020 – 6.5% [3, p. 119]; [4, p.10]. Figure 2 clearly shows the comparative dynamics of employment in agriculture, forestry and fishing in Russia and Belarus for the period 2000-2020.



**Figure 2.** Comparative dynamics of employment in agriculture, forestry and fishing in Russia and Belarus for the period 2000-2020.

Source: authors' research based on [3, p. 119]; [4, p.10]

A comparative analysis of the share of the rural population among the officially registered unemployed and among the available job vacancies shows that state rural development programs have had a positive result. Thus, the gap between the share of the rural population among the unemployed and among vacancies has been decreasing over the years until the economic crisis. Since the beginning of the 2014-2015 crisis, the trend has changed dramatically. For example, in Belarus, the growth rate of vacancies in rural areas is sharply decreasing, and unemployment in rural areas tends to increase [1, p. 66].

The Governments of both countries are taking urgent measures to change social policies aimed at expanding employment and securing young people in rural areas. A number of measures were taken to benefit rural entrepreneurship in order to expand employment conditions in rural areas, in particular, in paragraph 13 of the State Program "Belarusian Forest" for 2016-2020. (adopted on

March 18, 2016, No. 215) allocated "Creation of new jobs, ensuring employment of the population living in small towns and rural areas", similarly – in the Russian program "Development of Forestry" (Decree of the Government of the Russian Federation of April 15, 2014 No. 318).

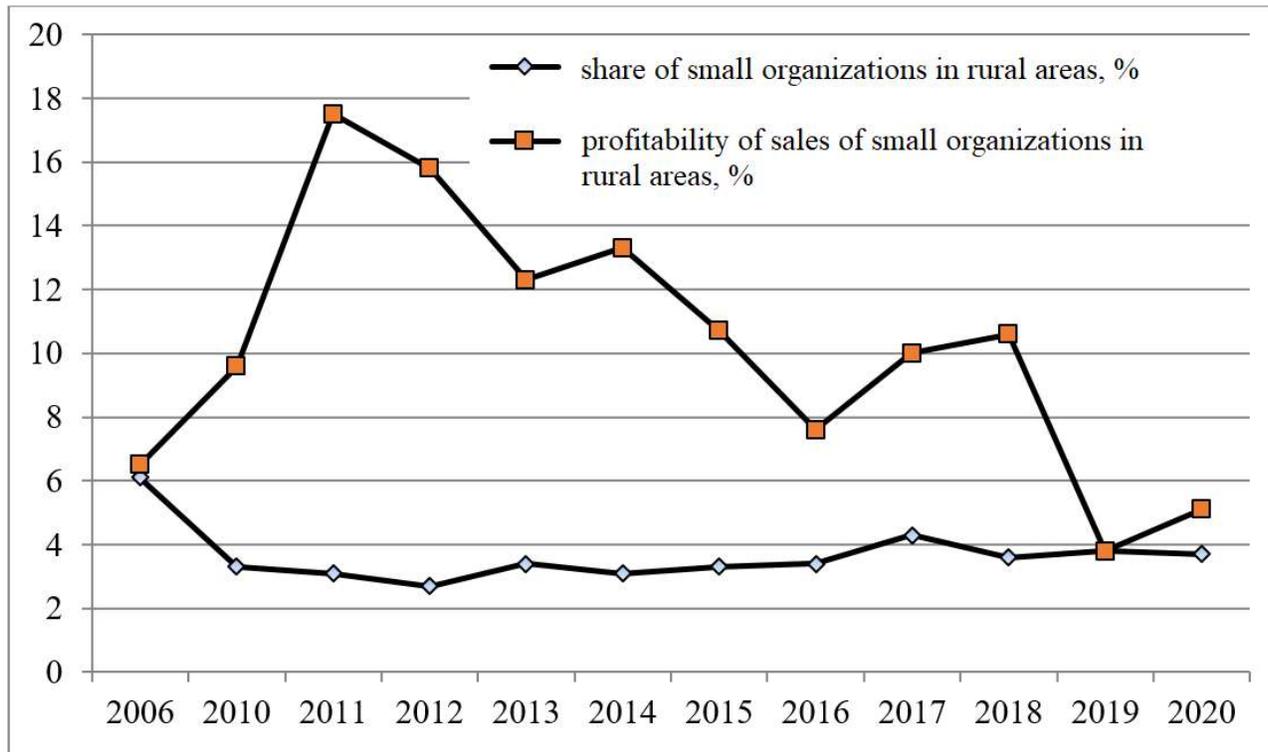
However, the analysis of statistical data characterizing the activation of small business in rural areas revealed insufficient effectiveness of the state measures applied. In particular, during the period 2006-2020 in Russia, the proportion of small organizations registered in rural areas fluctuated slightly around the value of 3.5% [5, p. 12], in Belarus – around the value of 3% ( $\pm 0.3\%$ ), a positive deviation of 0.9% compared to the previous year was observed only in 2017.

In the period under review, the profitability of enterprises and organizations of rural entrepreneurship directly depended on the next phase of the economic crisis. By 2019, the profitability of rural business structures in Russia was 14.2% [5, p. 56]. In Belarus, the crisis phenomena kept the profitability of small businesses in rural areas at a low level, constantly decreasing from 17.5% in 2011 [6, p. 443] to 7.6% in 2016 [7, p.239], and by 2019 the profitability decreased to 3.8% [1, p. 192], with a small increase – up to 5.1% by 2020 [1, p. 129].

Problem overdue loans in agriculture in Russia by 2020 reached 53% [3, p. 351], in Belarus – 36.5% of the total amount of accounts payable [9, p. 372].

At the same time, in Russia for the period 2017-2019, there is a positive dynamics of the efficiency of small businesses in rural areas: compared with the average industry profitability of small and medium-sized enterprises (in 2017 – 5.9%, and in 2018 – 6.8%), agricultural small companies had a higher value - 12.8 and 14.2%, respectively. The introduction of new, industrialized agricultural production technologies has significantly changed the state of this sector of the Russian economy. The development of new fertilizers and pesticides, the introduction of innovative technologies for growing agricultural products in combination with creative approaches to conducting economic interactions, has significantly increased the yield and profitability of rural business structures. In Russia, the agri-food complex has been replaced by the concept of an agri-food system, which provides creative approaches to the system of interactions between business entities, including commercial marketing, transport and logistics structures, which can significantly change the situation in the industry and the quality of life of the rural population [13]. However, the technologically built vertical integration of agricultural organizations and enterprises has another side. It generates large agro-industrial holdings, which do not provide space for small and small farms. In comparison with the average republican profitability of Belarusian enterprises (6.0% in 2010, 9.6% in 2012 and 7.5% in 2018) [9, p. 357] the level of profitability of small rural enterprises is 20-30% higher, which is explained by the correctly constructed vector of fiscal policy for rural areas. Figure 3 shows the results of the analysis for Belarus.

Figure 3. Dynamics of the share of small rural organizations in the total number in Belarus in



comparison with their profitability of sales for the period 2014-2020, %.

Source: authors' calculations based on [9, p. 232, 239], [6, p. 429, 435, 443], [8, p. 514], [1, p. 192].

However, it should be noted that the aging of the rural population has slowed down the growth rate of the labor force in the organizations under consideration. This phenomenon is objectively expected, since as a result of the mortality of elderly rural residents, the departure of young people to cities and to work abroad, the number of settlements in Belarus, for example, decreased in 7 years from 23,389 in 2012 [5, p. 55] to 23,078 in 2018 [2, p. 31].

To characterize the level of income stability in rural areas, it is not enough to analyze the structure of employment, unemployment and vacancies, it is necessary to consider the relative level of real incomes and the structure of expenditures. A positive trend in the development of rural entrepreneurship can be noted a steady tendency to reduce the gap between the average republican and rural salary levels: in Russia – by 14% [3, p. 153], in Belarus between the average republican and rural salary levels – by 10%, available resources – by 4% [1, p. 134], [5, pp.157, 159-160], [6, p. 142, 152, 155]. This trend is ensured by establishing benefits for small businesses and stimulating rural labor with high tariff rates.

On the other hand, the level of wages in rural areas in both Russia and Belarus is 30% lower compared to the national average and 40% behind the level of wages in the urban environment. This is one of the main reasons for the outflow of young people from rural areas.

## Discussion

In addition, rural areas are traditionally characterized by a lower quality of life of the population, compared with the urban population, less developed infrastructure, low availability of vital services, significantly lower level of economic activity of the population. The quality of life of the population living in rural areas, in many respects, loses to the living conditions of urban residents [14]. Scientists have proved that from among rural entrepreneurs in the category of "middle class" it is possible to include individual farms that meet the requirements and characteristics [15].

Based on the analysis, it is possible to draw conclusions about the growing problems of agricultural farms that do not allow creating an effective agro-industrial ecosystem. First of all, these are problems related to the outflow of young people and the shortage of highly qualified labor in specific market areas.

In this regard, it is worth highlighting several factors that have a decisive impact on the development of rural entrepreneurship, and consequently, the development of rural areas in both Russia and Belarus.

Firstly, it is necessary to develop a list of creative state programs, without which it is impossible to solve problematic issues of rural development and rural entrepreneurship. Particularly significant problems include:

1. the decline in the rural population, its natural aging;
2. reducing the need for the organization of rural innovative business structures, reducing the potential base of their staffing, which is primarily due to the internal migration of young people to cities, and the natural aging of the rural population;
3. access to new technologies within the agro-industrial ecosystem is difficult due to a number of circumstances;
4. Weak opportunities to receive grants and subsidies, since the preparation of tender documentation and skills to participate in such programs are either absent or insufficient, which explains the inaccessibility of own and external sources of financing for entrepreneurship.
5. High level of start-up capital for the purchase of premises for small businesses in rural areas;
6. Rural entrepreneurship lacks the advantages of large urban agglomerations associated with a developed infrastructure and a cardinal turn of the entire economy towards digitalization. In rural areas, there is a lack of a critical number of business structures of various types of economic activity, which would allow for a synergetic effect from their joint interaction, expressed in active business development [16].
7. Problems of forming an agro-food ecosystem of small agricultural business structures, which complicates the sale of products;
8. Lack of accessibility of information and communication technologies in rural areas and specialists with skills to work with these technologies and software products.

Solving urgent issues of transformation of the ecosystem of rural areas requires creative solutions at the state level. One of such creative approaches may be an emphasis on the availability of environmental benefits inherent in rural areas, for example, free access to vital resources and much

more. In this case, the operation of sources of clean drinking and medicinal water within the framework of business, the formation of recreational zones for the restoration and maintenance of public health can become quite profitable in rural areas for private business.

At first glance, the idea of organizing unified complex meetings seems unbelievable, at which highly qualified specialists, together with the author of a creative idea, bring it to a well-developed business plan, including organizational, marketing, technical, informational, accounting, etc. types of support and jointly implement within the framework of the district agri-food system. Such creative ideas at the state level will provide opportunities for development and self-realization higher and better than in the city.

Secondly, it is particularly worth noting that for the introduction of creative ideas for the development of rural entrepreneurship, we need initiative entrepreneurs of a new type from among the rural population, bold in their ambitious goals, capable of implementing flexible strategies, non-standard production methods, creative management solutions at the level of organizations. At the same time, the role of personal factors, including creative thinking, is the basis for creating innovative models embedded in a single agro-food ecosystem [17].

Such characteristic features are inherent in young, desperate and, at the same time, intelligent and educated people. The opinion of both Russian and foreign scientists boils down to the postulate that the role of state program measures for the creation and support of rural entrepreneurship should be based on the principles of creative management of agro-food ecosystems [18-21], but, most importantly, the creation of conditions for the possibility of obtaining a synergetic effect from the implementation of creative ideas in combination with the energy of youth, wisdom experienced business professionals and a great desire to change something.

Currently, Russia and Belarus have completed the implementation of state programs for the development of agricultural business for 2016-2020, but similar programs have been adopted for the period 2021-2025 [27]. How effective they will ultimately be depends on the complexity of the measures taken in the labor market, in the fields of entrepreneurship, culture and recreation in rural areas. However, we share the point of view of Prof. Polbitsina S.N. [22]. The fact is that the study of rural entrepreneurship and its potential opportunities in the framework of comparing its efficiency and profitability with other types of economic activity, as well as the study of the conditions for the development and functioning of entrepreneurial structures, is not enough. The role of small and medium-sized enterprises in the economy of both Russia and Belarus is incredibly large [23] and fundamentally new, creative approaches are needed for the development of rural entrepreneurship, which should fit into the ecosystem along with large agro-industrial complexes, not only regional, but also the global agro-food system [24].

## Conclusion

Thus, it is necessary to connect additional serious incentives to expand employment and increase earnings in rural areas, which means improving the system of tax benefits, lending and subsidizing rural entrepreneurship initiatives.

It also makes sense to amend the legislation concerning the use of empty residential buildings in rural areas (Resolutions of the Council of Ministers of Belarus No. 100 of February 23, 2012 "On measures to improve accounting and reduce the number of empty and dilapidated houses in rural areas", as well as No. 663 of September 13, 2018). The decision on the transfer of vacant houses, in the absence of heirs, for rural business will allow to radically and flexibly resolve the issue of premises. Subject to the payment (on the terms of a subsidy) to this entrepreneur of a proportional amount of money that the village Council in the previous conditions spent on paying for the demolition of the house to employees. The implementation of such a creative legislative solution will achieve several goals at once: motivation to realize the potential opportunities for youth development, assistance in providing rural businesses with cheap premises and stimulating creative entrepreneurial activity. At the same time, the state saves budgetary and additional funds. However, the creative activity of rural entrepreneurs does not make sense without creative achievements [25], therefore, it must be supported, motivated and developed. The creation of agricultural entrepreneurial ecosystems that ensure the interaction of economic, social, political, cultural elements, taking into account creative approaches at the state and regional levels, will ensure the growth of creative, and therefore high-risk startups so important for the development of rural areas.

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