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ENTREPRENEURSHIP DEVELOPMENT IN COMPLETION OF ADMINISTRATIVE-TERRITORIAL AND LAND REFORMS: SUSTAINABILITY OF RURAL AREAS AND INVESTMENT COMPETITIVENESS

ABSTRACT

This paper analyzes the features of business development in the context of the completion of administrative-territorial and land reforms. It is demonstrated that entrepreneurship is a necessary condition for economic development of territorial communities, formed as a result of administrative-territorial reform in the context of market reform of the national economy, which involves the implementation of public policy, forming a new format of relations between public authorities and business, accelerates economic growth, improves the quality of public services. The priority directions of improvement of this process are revealed. Although administrative-territorial reform in Ukraine is in the final stages, it is concluded that it is ineffective, which leads to low efficiency of the business environment and small and medium business, which are the main sources of filling local budgets based on the current tax system. It was noted that the development of entrepreneurship in Ukraine should have its own implementation strategy, which can identify the main aspects, reveal current issues and provide solutions to these pressing issues. The key provisions of such a strategy will be: institutional business environment, improving the quality of counseling, establishing communication channels and close relations between local authorities and the population, improving mechanisms for cooperation and clusters, developing recommendation business packages for potential entrepreneurs, analysis of rural resource potential, development of tools for state support of small and medium business, formation of accessible and open geographic information systems for business development, improvement of public-private partnership models for community development, organization of distance learning for interested residents to effectively conduct their own business taking into account climate change, stimulating local authorities to increase of own budgetary potential, transparency and accessibility to information on introduction of separate kinds of business activity in the territory of community, disclosure of resource provided and investment attractiveness of the territory.

Keywords: entrepreneurship, reform, decentralization, territory, budget, government

JEL Classification: M21, O10, Q15

INTRODUCTION

In many countries of the world and in Europe, administrative-territorial reform has been carried out, which provides for the transfer of powers to local governments to find a balance between control of public authorities and management by local governments of territorial communities. Following the example of countries with developed market economies, Ukraine is actively implementing government reform from a centralized to a decentralized basis. Therefore, this process is multifaceted, covering territorial, natural, land, financial, administrative, political, economic and other aspects. At the same time, any decentralization in a concrete country has certain features that affect the development of business and the functioning of the business environment as a whole. As you know, entrepreneurship depends on political and territorial communities. In

addition, the formation of economic development of the community is impossible without transparency and efficiency of self-government in the country and vice versa, it is impossible to create a new system of economic governance in the country without improving the territorial structure of the country. In addition, the implementation of administrative-territorial reform is a necessary transformational condition for our country, which directly affects the creation and implementation of national and regional economic development programs, establishing mutually beneficial cooperation between state and local authorities, stabilization and sustainability of business in Ukraine, improving the quality of public services to the population, will promote economic growth.

LITERATURE REVIEW

Issues of business development and decentralization of power are covered in many theoretical and empirical studies of modern foreign and domestic scholars. Decentralization is considered in terms of the impact on the socio-economic development of territorial communities (Storonyanska, Patytska, Hrynchyshyn, & Chemerys, 2020 [1]), the reasons for the lack of capacity of the created rural and urban united territorial communities (Kolosov, Glinkowska-Krauze, Chebotarov, Savchenko, & Chebotarov, 2020 [2]), studying the experience of organizing the business environment through the mechanism of inclusion of community residents (Shvets, Plotnikova, Prysiazhniuk, & Kostyuk, 2019 [3]), substantiation of the business model of rural development in Ukraine (Chemerys, Dushka, Maksym, & Solomonko, 2019 [4]), the importance of balanced development of the region as an autonomous system (Kovarda, 2020 [5]), increasing interregional disparities and tax competition for mobile tax bases (Bellofatto, Besfamille, 2021 [6]), the impact of political risks on the use of resources in the context of financial decentralization (Wang, Liu, Adebayo, Lobon, Claudia, 2021 [7]), the impact on business and the efficiency of decentralized government investment (Chen S., Gao Q., Peng Q., Yang H., 2021 [8]), the relationship between regional competition, environmental decentralization and the choice of local government goals (Li G., Guo F., Di D., 2021 [9]), decentralization of firms in a country with weak institutions (Levina I., 2020 [10]). However, establishing the impact of decentralization on the economic development of the territory based on stimulating business activities and creating a favorable business environment, taking into account the peculiarities of the implementation of this process remains insufficiently studied and therefore is of great actual importance.

The purpose of the article is to research development of entrepreneurship in terms of administrative-territorial and land reform with the definition of the impact and features on the economic development of communities. This goal was achieved through the task of analyzing the current state of business in the decentralization of power, highlighting financial stability and identifying prospects for investment competitiveness.

RESULTS

1. Development of entrepreneurship as a basis for the formation of economic potential of the community in the context of decentralization of power.

In the developed countries of the world, the activity of entrepreneurship and cooperation is intensified based on the introduction into production of innovative products, profitable activities and mutually beneficial cooperative relations. Thus, agricultural entrepreneurship becomes the leading lever for creating food security of the state. At the same time, small and medium-sized businesses need government support. In turn, entrepreneurship is based on the concept of social responsibility to create a socially oriented market economy. In addition, institutional threats, which include the shadow economy, price disparities, the presence of unemployed people, the outflow of financial resources, etc., suspend the intensification of entrepreneurial activity. Moreover, the development of entrepreneurship is significantly influenced by globalization and European integration processes. Indeed, the project «Local investment and national competitiveness creates the basis for sustainable economic growth in Ukraine, which is based on broad interaction between the executive and local authorities, potential investors and businesses. Finally, Ukrainian entrepreneurship must become competitive not only in the domestic but also in the foreign market.

In the countries of the European Union, small and medium-sized businesses account for about 50—70% of gross domestic product, while this figure is four times lower for our country. In the developed world (Japan, USA, Germany, France, Italy, Great Britain) small and medium enterprises occupy 95%. A similar trend is observed in Ukraine, which generally reaches the level of developed countries. During the study period 2010—2019, the total number of entities decreased by 11 %, of which large — by 12 %, medium — by 15 %, small and micro-enterprises — by 11 %. At the same time, small businesses and micro-enterprises account for the largest share, 50.53 % and 48.98 %, respectively (*Table 1*).

Year	Total number	Large	Medium	Small	Micro-entrepre neurship
		Quanti	ty, units		
2010	4277616	586	21343	2161999	2093688
2015	3885148	423	15510	1958385	1910830
2016	3666266	383	15113	1850034	1800736
2017	3542141	399	15254	1789406	1737082
2018	3604330	446	16476	1822671	1764737
2019	3805638	518	18129	1922978	1864013
2019/2010	89	88	85	89	89
	· · ·	Ratio to t	he total, %	·	·
2010	100	0,01	0,50	50,54	48,95
2015	100	0,01	0,40	50,41	49,18
2016	100	0,01	0,41	50,46	49,12
2017	100	0,01	0,43	50,52	49,04
2018	100	0,01	0,46	50,57	48,96
2019	100	0,01	0,48	50,53	48,98

Source: calculated and filled in by the authors according to the data [11].

Analysis of the development of entrepreneurship in the world gives grounds to conclude that it is the driving force of the national economy, and in many countries, including Ukraine, agricultural entrepreneurship provides food security, taking into account not only the customs and traditions of agriculture, but also the development of rural areas in general. However, the problems of peasant poverty, the expansion of employment and integration into general socio-economic development have prompted international organizations to promote rural development through support for entrepreneurship. Today, the need to expand the territory of entrepreneurship is obvious, and this has led primarily to the development of effective management of communities.

2. Entrepreneurship as a basis for sustainable development of rural areas in the context of decentralization of power.

The current state of business development, especially small and medium business and its impact on the development of rural areas is actively studied in the scientific works of modern foreign scientists. Achieving scientific and technological progress is widely used in urban areas, which are centers of entrepreneurship. At the same time, entrepreneurship is gaining social significance as a source of rural development. Thus, the sustainable development of rural areas involves an increase in territorial and other community resources, diversification of individual and cooperative entrepreneurial activity in rural areas, the development of economic relations. In addition, local authorities should be interested in organizing and coordinating rural development in order to intensify the entrepreneurial activities of the community, which will be a reliable basis for filling the budget of the local community. Economically active peasants should be attracted by the benefits of doing business in a certain community. We emphasize that under such conditions there is an entrepreneurial model of rural development, which aims to strengthen the economic interest of peasants to promote rural development, strengthen competition for resources, diversify economic activities. The authors of the article emphasize that local authorities should ensure accessibility and transparency for small and medium-sized businesses to territorial and other community resources.

Globally, during the period of work of the UN Summit on sustainable development has identified seventeen global goals for sustainable development by 2030, which include: overcoming poverty, hunger, health strengthening, quality education, gender equality, clean water and good sanitation conditions, renewable energy, decent work and economic growth, innovation and infrastructure, reducing inequality, sustainable urban and community development, responsible consumption, combating climate change, conserving marine ecosystems, peace and justice, partnership for sustainable development [12]. Adapting these goals to Ukrainian practice, it was proposed to move to sustainable development based on changes in the value orientations of members of society. Development vectors, security vectors, responsibility vectors and pride vectors should be displayed in the strategy. The combination of international and national interests includes: overcoming imbalances in the economic, social and environmental spheres, transformation of economic activity, building a peaceful society, ensuring partnership, full employment, high level of science, education and health, environmental protection, decentralization and implementation regional policy, preservation of national culture and traditions [13].

A rating was compiled for comparing of the sustainable development of different countries. It is based on the combined Sustainable Society Index, which consists of social, environmental and economic aspects. Among of the154 studied countries, the highest welfare index in Finland is 9.0 and the lowest in the Democratic Republic of the Congo (2.5). In European countries it is amounted: Poland — 8.4, Hungary — 8.3, Bulgaria — 8.2, Belarus — 8.1, Ukraine — 7.8, Russia — 7.6, Moldova — 5.6 [14]. Analyzing the impact of business development on the formation of sustainability of communities, it is necessary to note the territorial context, which takes into account spatial factors. Indeed, opportunities for business development attract not only the villagers, but also people living in other regions based on promoting the benefits and advantages of the territorial product, creating its brand.

3. The role of cooperation in the development of entrepreneurial activity in the process of decentralization of power.

Modern world trends indicate an increase in cooperation in the agricultural sector, especially in the provision of services for the sale and processing of products, maintenance of machinery and tractor park. We emphasize the importance of cooperation, based on the provisions of a special resolution «Cooperatives in the process of social development», adopted by the UN General Assembly [15]. We also note that the United Nations Economic and Social Council (ECOSOC) provides a coherent policy in support of cooperation and influences relevant UN agencies: the Organization for Education, Science and Culture (UNESCO), the Food and Agriculture Organization (FAO), Development Program of United Nations (UNDP), Capital Development Fund (UNCDF), Industrial Development Organization (UNIDO), etc. Developing its priorities, a new institution has been created in the European Union — the General Confederation of EU Agricultural Cooperatives (CORA-COGECA), which is the main representative of agricultural and fisheries enterprises. At the global level, there is a similar organization — the International Cooperative Alliance, which advises the UN. It aims to develop cooperation in every country in the world and coordinate the activities of the cooperative movement. The Ukrainian Union of Consumer Societies has been established in our country and is a part of it. Modern economists of the world divide cooperatives into consumer, credit and agricultural, consisting of production and service. Therefore, evaluating the creation of agricultural service cooperatives in our country, we come to the conclusion that they are low or suspended in general. The opposite trend is typical for the EU countries, where they sell 70% of products, in the United States, Canada — 60% [16]. We note the fact that farmers in developed countries on a cooperative basis have been able to solve the issue of sales of products based on the transparency of the infrastructure system of supply, procurement, marketing and its connection with trade establishments and other processing and food industries.

Thus, the analysis of the world and European institutional base shows the development of all areas of cooperation, support for the cooperative movement and its implementation in practice. At the same time, evidence of the development of cooperation is the increase in their number and importance in the world and European space, the scale of economic activity of cooperatives, cooperation between cooperatives at the global, European and national levels. Although today cooperation covers all new areas of the national economy at the global and continental levels, the key center of world cooperation is the International Cooperative Alliance, which promotes the development of cooperation. Its member is the Central Union of Consumer Societies. At the same time, in our country there is an insufficient level of development of the cooperative movement, which slows down the processes of sale and marketing of manufactured products of small and medium-sized businesses in the agricultural sector. Promising areas of cooperation are the formation of credit unions within the functioning of service cooperatives.

4. Directions for intensifying investment policy in the process of decentralization of power.

World practice shows globalization and integration processes in the economy, which provide international capital movements in the form of foreign direct investment, contributing to the economic growth of both developed countries and those seeking this level. At the same time, such institutional structures as the European Commission, the European Council of Ministers, and the European Parliament develop solutions and implement EU investment policy. According to the Lisbon Treaty (2009), foreign direct investment has become an integral part of EU trade, investment protection and investment policy have become the prerogatives of the EU, investment decision-making procedures have been established by European agencies, and investment agreements are concluded by the European Parliament. Thus, the horizontal level of the EU is united by a common policy for making and implementing investment policy decisions. At the same time, the International Center for the Settlement of Investment Disputes (ICSID) and the UN Commission on International Trade Law were established to resolve and settle disputes. In Ukrainian practice, during the period of decentralization of power, local governments must combine three important elements, which consist of business, local communities and investment projects. At the local level, local governments must determine the investment attractiveness of their territories, establish a balance between the vectors of development of the united territorial community and investment projects, monitor the balanced distribution of investment resources throughout the community, participate in public investment programs, prevent investment risks and regulate economic relationships. Therefore, local authorities must have knowledge of the economic development of the local community and take into account the characteristics of a potential investor. Decentralization of power has enabled local governments to independently determine the priorities for the use of their own budget funds, to approve their budgets. The state has identified a list of sources of local budget revenues that are the basis for community capacity. Activation the types of economic activities with the involvement of profitable investment projects will ensure not only the economic development of the community, but also additional revenues to local budgets. In addition, local communities need to identify key investment-attractive industries based on the preferences and needs of the community, form a utility in their community that would deal with economic development as a regular agency, find successful projects, and develop an investment strategy proceeding from an analysis of available resources, labor potential, logistics and related business. Effective investment tools should be an investment passport, web portal of the territory, to prepare land plots and houses with relevant documents, to organize an industrial park with benefits, to establish communication channels for training skilled workers for small and medium businesses, to establish transport links, to develop work standards with investors based on surveys, online meetings, web resources. Finally, create your own investment portal.

CONCLUSIONS

Globalization and European integration are taking place around the world, prompting regions to compete for resources and investment. In the context of administrative-territorial and land reform, the transfer of powers to local authorities took place. As a result, the united territorial communities acquired a new quality: they were transformed from objects of government into subjects of government. From now on, they have to provide their own capacity. As a result, new challenges arose for modern local government: taking into account the spatial factor of management, economic development of territories, development of entrepreneurship and cooperation, the formation of the local budget and investment attractiveness of the territory. First, the community needs to know the resource potential of its own territory to plan further investment activities. Secondly, the economic development of the community is possible if the common interests of local authorities and business are combined through a strategy of increasing competitiveness and introducing high-performance investments. Third, the development of entrepreneurship should provide activities in the community of highly profitable firms with high productivity, high added value. As a result, a community with a diversified economy loses its monopoly and stability develops. To support small and medium-sized businesses, it is necessary to encourage entrepreneurs to cooperate, explaining the benefits and support from both colleagues and the state. Fourth, the state has identified a set of income items that remain in the community and form the local budget. That is, from now on the local government independently takes care of the issues of formation, expenditures, approval of the budget of the territorial community. At the same time, the successful formation of an attractive territorial product, its skillful presentation to economically active residents and business people outside the community will lead to significant investment income and business development. Thus, an attractive environment will create conditions for creating a business environment and form the potential for community development, which will ensure its competitiveness at the regional and national levels and economic development.

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РОЗВИТОК ПІДПРИЄМНИЦТВА В УМОВАХ ЗАВЕРШЕННЯ АДМІНІСТРАТИВНО-ТЕРИ-ТОРІАЛЬНОЇ ТА ЗЕМЕЛЬНОЇ РЕФОРМ: СТАЛІСТЬ СІЛЬСЬКИХ ТЕРИТОРІЙ ТА ІНВЕ-СТИЦІЙНА КОНКУРЕНТОСПРОМОЖНІСТЬ

Проаналізовано особливості розвитку підприємництва в умовах завершення адміністративно-територіальної та земельної реформ. Продемонстровано, що підприємництво є необхідною умовою економічного розвитку територіальних громад, які утворилися в результаті проведення адміністративно-територіальної реформи в контексті ринкового реформування національної економіки, яке передбачає реалізацію державної політики, формуючи новий формат взаємовідносин між публічною владою і бізнесом, урегульовує економічні процеси у приватному секторі економіки, прискорює економічне зростання, підвищує якість надання державних послуг. Виявлено пріоритетні напрями вдосконалення цього процесу. Хоча адміністративно-територіальна реформа в Україні перебуває на завершальній стадії, зроблено висновок про її неефективність, що призводить до низької ефективності функціонування і розвитку бізнессередовища та підприємництва малого і середнього бізнесу, які є основними джерелами наповнення місцевих бюджетів на основі чинної податкової системи. Було зазначено, що розвиток підприємництва в Україні повинен мати свою стратегію впровадження, яка може визначати головні аспекти, розкривати актуальну проблематику і надавати варіанти рішень цих гострих питань. Ключовими положеннями подібної стратегії стануть: інституціональне бізнессередовище, покращення якості дорадництва, налагодження комунікаційних каналів та тісних взаємовідносин між місцевою владою і населенням, удосконалення механізмів розвитку кооперації та кластерів, розроблення рекомендаційних бізнес-пакетів для потенційних підприємців, проведення аналізу ресурсного потенціалу сільської території, розроблення інструментів державної підтримки малого і середнього бізнесу, формування доступних і відкритих геоінформаційних систем з розвитку підприємництва, удосконалення моделей державно-приватного партнерства для розвитку територій громад, організація дистанційного навчання зацікавлених жителів для ефективного ведення власної справи з урахуванням змін клімату, стимулювання місцевих органів влади до нарощування власного бюджетного потенціалу, прозорість і доступність до інформації з упровадження окремих видів підприємницької діяльності на території громади, розкриття ресурсного забезпечення та інвестиційної привабливості території.

Ключові слова: підприємництво, реформа, децентралізація, територія, бюджет, влада

JEL Класифікація: M21, O10, Q15