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#### INVESTMENT PRIORITIES OF RURAL SETTLEMENTS

The article describes the leaders' priorities and expectations of the rural settlements people. It also determines the level of investment attractiveness of the rural way of life. It assessed the prospects for organic growth and regeneration of rural areas on the basis of self-financing.

**Key words:** rural settlements, investing, investment, development priorities, the mechanism of regeneration.

**Definition of the problem.** There is a great need for villages to be informed and get knowledge of how to run efficient agricultural production to sale on markets and this is due to decline of rural industry and shortage of qualified personnel within agricultural sector. Economic active population together with sufficiently developed market infrastructure constitutes one of the most fundamental conditions that allow market to remain in operation. The more active population and developed infrastructure is, the more effective functioning of domestic economy becomes. Such conditions increase impact of investment- and- information activities on agricultural output. Independent creation and functioning of new economic conditions for rural sector based on organic development are subject either to changes that may occur towards economic entities on behalf of the government, or emerging necessity for market participants to define itself in all economic sectors and social policy, mutual industry assistance and delivery of data that state the results of the output. Thus new system units must adopt management decisions by themselves and run business for its own benefit only. It explains why economic relations within manufacturing process and sale of agricultural products, goods, work and services must be improved through structural changes as the most effective and economically substantiated leverage of market relations.

**Analysis of recent researches and publications.** Socio-economic problems of rural sector, new possible conditions for business, organic development issues and renewal of separate fields and areas within agricultural sector are found in the papers of the following scientists - V.G. Andriuchuk, O.M. Borodina, V.L. Valentinova, T.O. Zinchuk, M.V. Zubtsya, N.O. Kurovska, N.M. Kutsmus, M.M. Lukyanova, A.S. Malinovsky, V.M. Mikitiuk, N.M. Mischenko, O.M. Mogilny, M.K. Orlaty, O.L. Popova, I.V. Prokopa, O.V. Rikovskaya, V.P. Ryabokon, P.T. Sabluk, O.M. Shpichak, V.V. Yurchishyn, V.D. Yarovoi, O.M. Yatsenko and others. Issues focused on agro-industry investments have been studied by I.O. Blank, P.I. Gaidutsky, M.I. Kisil, M.Y. Kodenska, G.V. Kozachenko, O.V. Krisalny, T.I. Lepeiko, T.V. Mairova, M.Y. Malik, A.S. Muzychenko, V.S. Ulanchuk, V.G. Fedorenko, A.V. Cherep and others.

**Highlighting the earlier unsolved parts of the general problem.** Means that ensure steady effectiveness growth of self financed industry has not still found sufficient reflection in the works.

**Objectives of the paper.** The main objective of this paper is to substantiate organizational- and-agricultural conditions that allow to build up and put into operation generic settlements as a mechanism for socio-economic revival of Ukraine.

**Summary of the main data for study.** A complete reconstruction of national domestic economy started in 1990 together with privatization and denationalization found out a change of the government's role against business entity. Structure of legal status of entities within social (shown on Fig. 1) and gross production sectors got modified as the result of market transformations. Emerging necessity of receiving data covering changes in economics and state policy, assistance in production activity and information of research results for producers brought certain alterations as a decision consequences based on fierce market competition. This is the reason for improvement economic relations of production and sale of agricultural products, goods, works and services.

Fig. 1

**Number of EDRPOU facilities following legal statuses, Ukraine  
(close f the year)**

Legal status	2000	2005	2009	2010	2011	2012
Total number of facilities, th.	834,9	1023,4	1258,5	1294,6	1323,8	1341,8
incl. government facilities	9,96	7,75	6,81	6,66	6,51	6,1
JSC	34,94	34,57	30,17	28,75	26,57	25,5
LLC	221,90	302,94	418,14	443,22	467,82	488,8
Private companies	192,17	237,98	283,70	285,82	283,91	280,1
Production cooperatives	—	4,13	3,86	3,81	3,79	3,73
Farms	38,56	47,80	49,76	49,51	49,01	49,1
Others	337,37	388,23	466,06	476,83	486,19	488,5

Source: prepared as show data of State Statistics Committee, Ukraine [4,5].

Agriculture is believed to be a main sector of economy in Ukraine, it reflects progressive modifications within public area and socio-economic status of the government. The sector had been gradually building its capacity from 1990 until 2012 through cut down of governmental facilities and public properties that promoted private funds mostly suitable for top-down markets.

It is worth noting that natural resources potential of the country is exploited rather ineffectively mostly due to aging of equipment, minor investments, misbalancing and break of certain fields on domestic and foreign markets, and decrease of motivation power for permanent growth. Gradual capacity building of products can be mostly achieved by plant production growth that bounds to weather conditions. Positive about this growth is that it upgrades efficiency of labor, land and animals. Gross production had been increasing for the period from 2000 to 2012 on the basis of either annual average

employee or 100 hectares of farm lands up to 39 % and 47% accordingly. Regardless certain improvements of business entities within economics, nevertheless build up of rural sector, of especial importance for socio- economic development of the country, still remains a crucial issue.

Paying attention to specific features of domestic rural sector it should be noted that there is found a tendency for activating the role of infrastructure components of agricultural market and their after-effects that impact entities. On regional level the latter is felt greatly. At the same time domestic producers place an emerging position, obtain new options and qualities, act not very organically that often make obstacles for potential usage in regards with system development.

There are the following basic concepts that give grounds to investment decisions why certain instruments has been put in portfolio: type and basic characteristics of a complete set of investment strategies; general capacity of funds for portfolio; market overall offers that absolutely corresponds to selected portfolio paramount features (under the list prepared as the result of their assessment); definitions of profit rates, risk rates and correlation factors put into the list of separate types of investment instruments. Risks, grounds and possible negative effects, appeared and assessed under three levels, such as operational, investment and financial, are the factors that relate to a possibility of company assets to be devalued.

Aggregated amount of risks of all business types influenced by various factors constitutes an overall risk (economic and business). Operational risk as the result of miscalculations in industrial sector, supply and sale policies may be uprooted through improvement of cash and assets flows of the entity applying logistic analyses and economic- and-mathematic modeling. Investment risk occurred by money contribution and/or project hold by business entity, is evaluated upon export analysis of principal activities run by the company, means for expansion of production, its volume, sales, costs and profit and changes trends in rates, analysis of production level and management of the company, its prestige. The risk is measured through calculations of financial factors and summary of the findings as to the entity's position. Providing an investor with correspondent dividends, periodical payments, voting giving rights to adopt strategy decisions and others will certainly improve its work. Generally financial risks are often bound to operational, investment and capital structure risks; in the narrow sense with financial activity that impacts the content and capital structure (liabilities). Thus financial risks constitute a part of speculative risks group, realization of which may bring either to losses, or to profit. Practice shows that the stated risks are closely intertwined and present a complex set of cause-and-effect relations.

Rapid changes in economics and national market, expansion of entity's social relations, new investment techniques and others caused growth of risk impact on investment profits and in general industrial products. Risks of investing rural sectors are grounded, as there is uncertainty about external environment of the facility. There are found objective economic, social and political conditions in external environment, under which business is run and dynamic changes force facilities to adjust.

Economic policy of any country shall be focused on establishment of process safety, as the reason parliament and government are always interested in the development of domestic agriculture. Due to lack of system approach in national agricultural policy and scarcity in interindustrial exchange agreements there is a shortage of raw materials for processing plants and low productivity of agricultural facilities (shown on Fig.2).

Fig. 2

**Economic productivity of the Ukrainian farm units**

Rates	2009	2010	2011	2012
Gross product value based on :				
100 ha farm lands, UAH ths.	475,7	468,7	562,3	536,8
an annual average employee, UAH ths.	316,6	327,6	416,6	440,0
UAH 100 fixed funds, UAH	332,4	296,7	336,0	256,8
UAH 100 floating funds, UAH	272,2	235,2	232,6	159,4
Net profit based on:				
100 ha farm lands, UAH ths.	18,2	41,6	61,1	65,0
an annual average employee, UAH ths.	12,1	29,0	45,2	53,3
UAH 100 fixed funds, UAH	12,7	26,3	36,5	31,1
UAH 100 floating funds, UAH	10,4	20,9	25,3	19,3
Capital ratio, kop.	30,1	33,7	29,8	38,9
Capital-labor ratio, UAH ths./p.	95,3	110,4	124,0	171,4
Capital-area ratio,UAH/ha	1431,3	1579,8	1673,7	2090,5
Profit margin, %	14,7	23,2	23,6	21,4

Source: prepared as show data of State Statistics Committee, Ukraine [4,5].

Trend of agro-industrial sector development is defined by the need to establish strategic investment policy agreed with current business going with variable external factors. Investing rural sector is attractive either due to investment strategy and management level of independent economic agents, preparedness of owners, or financial status and operating profit (shown on Fig.3). Evaluation results of rural agricultural sectors are shown in the Fig. 2 that is a negative dynamic of profit decrease, cut down of rural output and most of household in gross product structure. At the same time, internal factors upon relatively similar conditions for rural entities to adopt and implement management decisions are considered as second, while external factors holds the first place. The main factors, which affect an investor's decision, are a location of an investment object, settlement level of relations under national and international laws, appearance of competitors either of investors, or optional investment objects and general evaluation of internal economic situation.

Fig.3

**Rural output, Ukraine**

Products	2009	2010	2011	2012
Agriculture output of Ukraine in fixed prices, 2010 – total UAH, bln	197,9	194,9	233,7	223,1
incl. crop products	129,9	124,6	162,4	149,1
namely: grain crops	49,1	41,6	60,5	60,3
industrial crops	29,8	33,0	41,5	41,5
potatoes, vegetables, melon, pumpkin, water-melon	39,0	38,0	46,9	46,9
berries and grapes	6,6	6,9	7,8	7,9
animal produce	68,0	70,3	71,3	74,0
namely: cattle and birds products	28,9	31,2	31,6	33,1
milk produced	29,0	28,5	28,2	29,0
eggs	7,3	7,9	8,7	8,9
Share of rural manufacturing population in agriculture output, %	51,4	51,7	48,2	47,2
incl. crop products	45,1	46,4	43,3	43,1
namely: grain crops	22,1	24,2	22,1	25,0
industrial crops	13,9	12,7	12,2	11,2
potatoes, vegetables, melon, pumpkin, water-melon	97,4	97,4	96,9	96,9
berries and grapes	86,6	88,1	84,3	84,0
animal produce	63,3	61,2	59,4	57,4
namely: cattle and birds products	46,1	44,9	43,3	42,0
milk produced	80,7	80,3	79,7	78,4
eggs	41,8	39,9	37,2	38,5

Source: prepared as show data of State Statistics Committee, Ukraine (4,5).

GMO usage is growing (there barely left natural soy, corn, rise in Ukraine), drinking water, clean air are systematically being destroyed, deforestation is ongoing, swaps “lungs of Europe” are disappearing, fertile soils are getting exhausted due to intensive exploitation, foodstuff is getting more fabricated, nourished with GMO [6,7]. Food and farm industries, mainly rural production, are commercially oriented subareas of chemical industry that have low social responsibility for consequences faced through products. Consumers are forced to seek a solution for current situation due to practical lack of markings on sold products, available utility system, electromagnetic smog exposing modern people to rays, atrophy of bones and muscles as the result of contemporary way of life.

Immigration of farm population and decline of villages are widely recognized. Population of rural sector is 14,2 mln inhabitants, as 1990-2012 censuses show it has been reduced up to 2,6 million people, including from 2000 until 2012 it has been reduced up to 1,8 million people. Number of school age children living in villages has decreased three times and makes 1,2 million people. As statistics data show every fifths Ukrainian village has no six year old children. Death rate in rural sectors is higher 37% than in towns. 15,5% rural people live below the poverty. Lack of economic interest to live on and

work in rural area and motivation to go on with working, unemployment, labor migration, poverty and destruction of social structure still remain as the major problems. Gradually villages become abandoned that entails the end to their existence. Depopulation of rural area exerts impact upon country settlement. From 1990 until 2012 number of countries has been cut down up to 398 incl. from 2000 until 2010 up to 194 units. As demographic data show, if such situation resist to change until 2020, it will cause acute demographic crisis more than 50 % higher its total number of 2008 with reduction three times [4,5,8]. For the last 10 years Ukrainian people leave towns to live in countries, a movement to get closer to the land. More and more Ukrainian people are “waking up” and pondering over the sense of their lives, getting interested in the future. Under the influence of various factors their consciousness starts to work, while intuition (subconsciousness) always persists on changing way of life, relation to the nature, attitude to national urban development. People implement their intentions to buy land lots regardless all problems may arise next to it. So in 2003 three families, arrived from different places, got settled in one of disappearing farms of Ukraine Budda, Cherkasy region. For six years there have been settled 23 farm yards with 9 families living on permanent bases. In 2009 in Zhytomyr region there was found one settlement and now there are four of them. The same examples may be found in Kharkiv, Lugansk, Odessa regions and others. Inhabitants and settlements appearing in far places from metropolises are a matter of irony. Nevertheless number of such settlements is growing and it proves need for a significant support from the government.

Rural people call meetings holding from two to four times a year in different villages of the country and it means that they coordinate actions of members of new settlements, enlarge experience, search solutions for household and get education under certain training program oriented on bringing a new generation in society, an educated person with a high spiritual level. Dreams to build up family farm yard and hand it over as a heritage urge people to carry out all of the above.

In Ukraine there appear such communities of people wishing to build up family estate on their private land. Simultaneously there are found a category of lands in Ukraine that become a problem to it, require big investments, continuous supervision and support (such, as lands occupied by villages disappeared after households had been united in soviet times, as well as villages disappeared due to “market relations” in post-soviet period; lands of current villages with free farms; lands, which may become available once forest strips got improved; lands which won’t be flooded or become boggy after improvement of ponds; lands required application of antierosion means and other lands, which need to get different soil-protective means). These lands occupy about 13 mln ha, among which 9 mln ha are occupied for certain ameliorative operations such, as reforestation, alkalization and so on, and these entail a significant money contribution. Means applied by the government to agriculture do not bring expected fruits, whereupon degradation tends to remain.

It is possible to revive a rural sector by allocation of land lots, at least 1 ha, to all volunteers wishing to build up farm yards and subsequent exploitation of them, bringing up of youth based on free creative work through being



in a tight connection with the nature. Government shall give such a lot free of charge imposing no limits on its usage, without right to sale, but with the right to transfer it into heritage. Products received from this lot shall not undergo taxation, and such lot shall not be imposed with taxes on the land.

The project "Family farm yard" developed by All-Ukrainian Public Community "National protective movement" together with National Research Center "Institute for Agricultural Economy" envisages consolidation of the right of a Ukrainian family to get a lot of 1 ha to carry out building works as required by the state. The project first of all offers to use lands of abandoned villages and free lots in existing settlements. Once this category of lands have been used, either simultaneously exploited, other possible sources may be allocated.

Using 0,5 ha lots for construction, garden and yard allows to produce output amounted to UAH 10 K. 1 mln ha project designed for foodstuff production will bring UAH 10 bln. It is reasonable to keep in mind ecological properties of yield cultivated on family farms for own usage. As shows practice, existence of family farms urges land lots' owners to make extensive contributions into the development of rural areas (more than UAH 300K on ha) that exerts a positive impact upon both infrastructure of rural settlements and health and welfare of country people. The issue around process security, in case of state funds and local budget scarcity, is promoted by farming. The lot guarantees renewal of Ukrainian historical concept "pedigree" due to its inheritable nature.

**Findings and offers.** As there is no system approach to the development of rural sector found, it is necessary to create a new concept for the growth of rural areas. A concept of state targeted program named "Family farm" has been developed to find solutions on how to revive rural areas through building family farm yards. Growth of generic settlements is bound to reduce a socio-economic tension, enhance economic and political stand of Ukraine worldwide, to revive national historic-and-cultural traditions and build economic and process security of the state.

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## **ПРІОРИТЕТИ ІНВЕСТИЦІЙНОГО РОЗВИТКУ СІЛЬСЬКИХ ПОСЕЛЕНЬ**

### **Резюме**

Досліджено пріоритети лідерів та очікування жителів сільських поселень. Визначено рівень інвестиційної привабливості сільського способу життя. Проведено оцінку перспектив органічного розвитку та відродження сільських територій на засадах самофінансування.

**Ключові слова:** сільські поселення, інвестування, інвестиційна діяльність, пріоритети розвитку, механізм відродження.

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## **ПРІОРИТЕТИ ІНВЕСТИЦІЙНОГО РОЗВИТКУ СІЛЬСЬКИХ ПОСЕЛЕНЬ**

### **Резюме**

Исследованы приоритеты лидеров и ожидания жителей сельских поселений. Определен уровень инвестиционной привлекательности сельского образа жизни. Проведена оценка перспектив органического развития и возрождения сельских территорий на основе самофинансирования.

**Ключевые слова:** сельские поселения, инвестирование, инвестиционная деятельность, приоритеты развития, механизм возрождения.