Economic essence of the concept of stable development of a farm enterprise

Scientific problem. The issue of ensuring sustainable development is of global significance and varies in peculiarities of its solving in different spheres and segments of social relations. The future wellbeing of mankind and safeguarding the conditions for its development is based on wider attention to the world ecosystem, namely, in agro-sphere.

The role of agriculture in the context of globalization and sustainable development is difficult to overestimate as it produces not only farm products but also has a specific nature which differs from other sectors of economy and requires running farm business in harmony with nature. The research of different aspects of building the mentioned above relations at both individual enterprise or sphere and interindustry levels should be regarded taking into the economic essence of the concept of “sustainable development of an enterprise”, namely, the enterprise which produces farm products.

Analysis of recent researches and publications. Theoretical, methodological and practical aspects of sustainable development were researched by Ye.Borshuk, [2], B.Burkynskyi [3], I.Vakhovsky [4], Z.Heryszych [4], V.Danilov-Danilian [7], P.Sabluk [17], V.Trehochuk [18], L.Hostak [6], V.Stepanov [3], L.Melnyk [9], O.Shubrasva [20] and others.

The objective of the article is generalization of theoretical viewpoints in reference to the essence of “sustainable development” and defining peculiarities of its application for farm enterprises.

Statement of the main results of the study. The first official definition of the concept of sustainable development was given in the Draft of the concept of sustainable development which was worked out in 1997. In the Draft “sustainable development” refers to “the process of harmonization of productive forces, satisfaction of necessary needs of all members of society under condition of conservation and gradual restoring environmental integrity, creating the opportunities for the balance between its potential and needs of people of different generations”.

The concept of sustainable development was adopted by Ukraine in 2001. Its main objective was the enforcement of human rights for favorable for people’s health and wellbeing environment through the formation of the open civil society, creation of the state governed by the rule by law, maintenance of balanced socioeconomic development, conservation of quality of environment and sustainable use of natural resource potential

More than 60 definitions of general concept of “sustainable development” were used in the world literature in early 90s of XX century. [13]. At present their quantity increased several times though standard definition has not been given yet.

Vladimir Dahl in his Explanatory Dictionary of the Living Great Russian Language defines the term “sustainable” as steady, firm, well-established. [5].

The Ukrainian explanatory dictionary describes the term “stable” as permanent, sustained, unchanged; “sustainable does not know rises and falls, does not undergo any changes, constant”. A.V.Rusnak [16] does not consider these concepts to be equivalent and thinks that on the contrary to “stability” “sustainability” means more flexible respond to both external and internal factors of influence. Any economic system is constantly developing that is why its state is constantly changing even if there are unfavorable conditions.

A number of scholars think it to be unreasonable to identify concepts of sustainability
and stability as equal ones. Sustainability means constant change (not only rise, growth but reduction, decrease as well) of the achieved levels according to changes of needs, while stability assumes keeping (conservation) the achieved levels.

As an economic category sustainability determines the ability of an economic system to keep the stated performance in balance in spite of different influences. The system as a general idea is a means of achieving the goal.

Development from the economic point of view should be regarded as a process which results in changes of quality of things, transition from one qualitative state to the other one. Thus, S.Mochernyi defines the economic development as “irreversible, natural changes of technological method of production” [10].

According to the point of view of V.I.Danylov-Danylian, “sustainable development” is such public development under which its natural foundation is not ruined, living conditions do not lead to degradation of man and social-destructive processes do not reach the level which would threaten the security of the society[7].

Under “balanced sustainable development” B.H.Danylyshyn and L.B.Shostak understand the system of public production where optimal balance between economic development, normalization of the qualitative state of natural environment, growth of material and spiritual needs of population is achieved [6].

According to Z.V.Herasymchuk and I.M.Vakhovych the concept of “sustainable development” characterizes the process of social-economic development under the condition of ensuring the ecological balance of social-environmental-economic system of a particular social structure [4].

B.V.Burkynskyi, V.N.Stepanov, S.K.Kharichkiv suggested considering “sustainable development” through the prism of dynamical equilibrium. In particular, sustainable development of ecological-economic system, in their opinion, is the ability of this system to survive in changes caused by internal and external influences of economic and ecological subsystems as well as the ability of conservation of the mentioned above dynamical equilibrium [3].

The concept “sustainable development” is explained by L.H.Melnyk as a permanent reproduction of so called homeostasis (dynamic equilibrium) with a periodic change of its level under which constant solution of contradictions between internal components of the system would take place and changes of biosphere parameters would not exceed the margins of disastrous (fatal) for the system transformations [9].

Analyzing the use of concept “sustainable development” in scientific literature Ye.M.Borshuk makes a conclusion that sustainable development should be understood as bio-harmonious or steadfast development of the society acceptable for preservation of an environmental niche for man [2].

The concept “sustainable development” has been also investigated in reference to the agrarian sphere and rural territories. Generalizing the approaches to defining the concept of “economic sustainability or sustainability of economic development” O.V.Shubravska concludes that this concept is defined as “ability of economic systems to keep sustained balanced growth. Herewith, the equilibrium should fall within elements of economic system as well as in relations of the system with its mega-systems (for example, macro-mega-levels) and the rest of competing systems, in particular, ecological and social ones. [20].

According to the data presented by M.Adamovych [21], agriculture of every country in the course of its development passes through certain stages one of which is “sustainable development of farm enterprises and rural territories”. The issue of sustainable development should be reflected in regional and local policies. To solve this problem in agriculture and rural territories measures should be directed at conservation of natural resources and environment, efficient transformation and use of resources, ensuring fair and equitable access of different generations to resources etc.

In K.O.Prokopenko’s opinion [15], economic theory explains sustainability and efficiency of a family farm enterprise by higher owner’s motivation to work in comparison with the motivation of an employee, his orientation not at the profit but at family’s needs, higher esthetic and moral value of working on his own
farm, the unities of work and family life, environmental friendliness.

The issue of sustainable development of modern agro-industrial complex in comparison with other spheres of economy is more actual and important especially in the domain of mutual interaction of economic and environmental interests of the society. First of all, it is connected with a higher dependence of the agrarian sphere on natural, organizational, economic, political, juridical and other conditions, as well as with the use of the main means of production – land. These circumstances predetermine the irregular product supply, uncertain productive and financial results. Agrarian sector determines one of the main components of the nation’s wealth and health as the people’s balanced and valuable diet greatly depends on the successful work of enterprises and this factor influences guaranteeing the national food security. In this system the role of farm enterprises is of great significance in terms of provision of population with food products.

Sustainability of the development of global planetary and state processes can be reached through facilitating this process in all its components. Taking into account the fact that enterprises dominate in economic activity, guaranteeing sustainability of the majority of these enterprises helps solve the problem of sustainable development of the society. That is why it is reasonable to use the concept of “sustainable development of an enterprise”.

Economic literature uses different classifications of sustainability of an enterprise. Thus, M.A.Fedotova [19] differentiates statistical sustainability which is defined as “smooth, passive” development, and dynamic sustainability which is stable development of an enterprise. The author defines stable resistance as keeping the balance in spite of the impact of external and internal factors.

Economic sustainability of an enterprise is divided into organizational, productive and financial ones. N.I.Oksanych [11] defines organizational sustainability as availability and rational use of the organization’s resources which secures continuous growth of profit and capital keeping the financial stability. Productive sustainability is achieved through supplying highly intensive production technologies with necessary resources in optimal proportion and in optimal time. Financial sustainability is described as availability of financial resources for fulfillment of obligations.

A farm enterprise is one of the types of enterprises in agriculture. Achieving the level of sustainable development of farm enterprises is an important task, the solution of which will make it possible to increase production, supply markets with food products and make a great contribution into the solution of the national food problem.

The evaluation of the performance of farm enterprises shows that sustainability of their development in other countries is secured by the adequate state support. However, actual situation with such support in Ukraine, namely, through the State Fund for the Support of Farm Enterprises, parcellation to farm enterprises from land reserves, organizational measures for institutional support of farm lifestyle and other measures are insufficient for their development. At present farm enterprises face certain difficulties connected with the absence of modern system of product distribution, credit, financial and technical support, consulting services, efficient mechanism for protection of prices for the main food products, counter measures against unfair competition etc. These and other difficulties result in decreasing efficiency of farm enterprises performance as well as lead to their unstable functioning. Overcoming the mentioned above difficulties is vital for securing constant sustainable development of farm enterprises.

As agriculture does not assure constantly high rates of extended reproduction it needs an impact which was first realized on the stage of formation of farm enterprises, and then with the creation of the state support system. Now the potential of this system is only partially realized which leads to slower development, closing down of some enterprises and transition to simple and restricted types of reproduction of economic activity and capital.

Extended reproduction of the mentioned above and other processes at farm enterprises can be secured only basing on the investment-innovation model of their development. This model is supposed to facilitate remodeling of enterprises which is a key factor of the impact for development (fig. 1).
Innovative processes at farm enterprises are wave-like. An impact takes place within one wave of their development.

The advantages received as a result of the farmer’s innovative package are used on the stage of sustainable development.

Now it is time for the formation of the sixth technological mode that is why the following impact stage in the sustainable development of farm enterprises is expected to be based on nanotechnologies, biotechnologies, gene engineering and molecular biology, which will facilitate considerable increase of the efficiency of agricultural production.

According to the level of development sustainability farm enterprises should be divided into stable and unstable.

Stable farm enterprises may include those which are stable in the impact period; middle level of stability; relatively stable. Stable in the impact period farm enterprises are characterized by the active reproduction processes of production and product distribution, resources, capital and economic relations, which in long term period will guarantee the competitiveness of their produce, their active operational, investment and other activities and recoupment of investments. The farm enterprises with the middle level of stability have the mentioned above advantages of stable in the impact period farm enterprises but not to their full extent. Relatively stable farm enterprises do not suffer losses but their incomes do not dynamically change.

Unstable farm enterprises can be divided into: relatively unstable; moderately unstable; noticeably unstable. Relatively unstable enterprises are characterized by lower efficiency of the farm performance, which can be seen in relatively lower return on capital, longer operational cycle of the farm and average cost of liabilities. Relatively unstable enterprises can include those which experience financial instability and cash problems. Markedly unstable farm enterprises are those which can not pay their debts that can be seen in inconsistency of cash flow where the expenses growth rate exceeds cash receipts growth rate.

The type of reproduction of the produce production and distribution, resources, capital and economic relations is an important characteristic of the farm enterprise sustainability. The research results substantiated the expediency of defining the types of reproduction which characterize the level of stability, growth and instability of farm enterprises (fig. 2).
Therefore, farm enterprises sustainability is generally characterized by the processes of reproduction and depending on its type at the enterprise it is necessary to define sustainable or, on the contrary, unsustainable state of its development.

Conclusions. 1. The economic literature does not have the standard concept of “sustainable development” as yet, though at the beginning of 90s of the past century more than 60 definitions of the concept were spread.

2. Sustainable development of farm enterprises should be regarded as the development when processes of reproduction of production and distribution of products, resources, capital and economic relations take place, which in the long term period secures the competitiveness of products, active operational, investment and other activities and recoupment of expenses.

3. Farm enterprises have wave-like cyclical character of development. Due to the fact that the problems of agriculture do not make it possible to maintain constantly high rates of extended reproduction it needs an impact which can be received on the basis of investment-innovation model of their development. The second stage of the impact is secured on the basis of the sixth technological mode.

4. The most important characteristic of sustainability of farm enterprises is the type of reproduction where it is reasonable to differentiate growth, simple reproduction and restricted reproduction type depending on which it is possible to define the level of sustainability, growth or instability of farm enterprises.

Reference


*The article has been received 27.09.2013*