

# Theoretical and methodological fundamentals of organizational-economic mechanism in agrarian sector of economy

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**The purpose.** Development of theoretical and methodological rules of organizational-economic mechanism in agrarian sector of economy. **Methods.** Dialectic method of scientific knowledge, analysis and synthesis, system generalization. **Results.** Important methodological significance for perfecting economic mechanism of agrarian sector of economy has consideration of the fact that absence of those or other structural divisions in agrarian and industrial complex of conforming regional level does not eliminate inter-branch relations in more total storage on the basis of economic ratios which contents is manifested at the level of primary link of the complex and which is ensured by availability of uniform reproduction mechanism. **Conclusions.** Practical measures on gradual softening and overcoming strains, security of proportionality in agriculture can be effective only from the point of reproduction positions which provide combination of macroeconomic, branch, and regional approaches as well as approach on the micro level. In this connection the role of the state during reproduction, first of all, consists in regulation of ratios of reproduction process. That should become an axiom at implementation of administrative solutions in the branch.

**Key words:** *agrarian sector, state, market, mechanism, regulation.*

Problem statement. Under the current conditions of the development of market relations in Ukraine, the primary goals of the strategic development of the national economy should not only be the achievement of economic growth but also the improvement of the quality of life of the population, in particular, the improvement of the structure of consumption of food products, increase of welfare of the population, etc. At the same time, an important factor in the realization of these goals is a combination of market self-regulation and state regulation of the agrarian market.

Analyzing the effects of market reforms in the agrarian sector, we can state that the development of market relations was carried out without properly developed and economically sound strategy, as well as appropriate mechanisms for the formation of new industrial and economic relations, which negatively affected the results of agricultural production, the interests of commodity producers and the standard of living of the overwhelming part rural population of the country.

Material and methods of research. The dialectical method of scientific knowledge, analysis and synthesis is used to solve the problems posed in the work; system generalization.

Formulating the goals of the article. The purpose of the study is to develop theoretical and methodological provisions of the functioning of the organizational and economic mechanism in the agricultural sector of the economy.

Presentation of the main research material. The state and the market position themselves as mechanisms of harmonization of individual and group interests that always interact in the economic sphere. Obviously, any economic theory in a particular way addresses the issue of such interaction. So, one can agree with the fact that in the 70's there was a Keynesian crisis that led to a collapse, after which a period of neoliberalism came. However, as most economists determine, the neoliberal economic model is based on the crisis of 2008-2009 [1]. Thus, prominent scholars, including Stiglitz, [2], P. Krugman [3], call for the strengthening of state regulation in general and progressive taxation in particular.

At the same time, Crouch [4] skeptically assesses the prospects for returning to "Keynesian demand management" and "welfare economics", highlighting the so-called model of "privatized Keynesianism", based on the growth of credit markets available to the poor and moderately secured segments of the population, and the emergence of derivatives and futures. The formula of the "privatized Keynesianism" introduced by this author explains the totality of the Keynesian macroeconomic regulation methods that use monetary expansion and the neoliberal macroeconomic "market liberalization." Keynesianism, as an ideology, is badly combined with neoliberalism, and "privatized Keynesianism" forms the necessary condition for the stability of the model. Accordingly, "market liberation" means, in the first place, the removal of restrictions on mergers and acquisitions, as well as the relaxation of anti-monopoly regulation, as the Chicago school insisted. Therefore, the slogan of "more market", in essence, means "more large corporations", which leads to the division of traditional liberalism and neo-liberalism. However, according to Crouch, the most important consequence of the "liberation of the market" was the merger of economic and political power. In this case, the advantage of the "view from the side" is considered, for economists, there are only two opposing mechanisms for the allocation of resources - the state and the market.

The central problem in the study of a market economy is the definition of proportions in the economy of the country. This is the most general proportion between production and consumption, the proportion between means of production and consumer goods and services created during the year as part of a public product. An important general reproductive ratio between reimbursement and accumulation, which is characterized by the proportion of product share, aimed at the purpose of reimbursement of consumed fixed assets, home property and accumulation in various forms [5].

Secondly, these are the proportions between sectors and sectors of the economy. The expression of this proportion between the production of goods and the production of services. An important aspect is the relationship between the social sphere, which includes education, culture, health care and housing and communal services, as well as other spheres and branches of the national economy that do not directly provide social living conditions for the country's population.

Taking into account the above, it should be noted that agriculture occupies a central place in the agrarian sector, the state and level of development of which depends on the balanced and proportional functioning of the whole complex, and as a result the production of the final product to meet the public needs. Such development of the agrarian sector of the economy is ensured by the improvement of inter-branch relations not only at the state but also at the regional level.

The reproductive structure of the agrarian sector of the economy is considered as a set of its inter-branch and regional industrial-economic ties, the basis of which is the interaction of social and individual reproduction in the decisive role of the first. The structure of the agricultural sector of the regional economy is significantly different, mainly due to the functioning of the subdivisions of the first and third areas of the agroindustrial complex: the primary link is represented by agriculture and partly by its own production and technical maintenance on its own, as well as by the primary processing of agricultural products; rayon and oblast levels - agriculture, structures for its production and technical maintenance and processing of agricultural products; Interregional level - agriculture, organizations for its production and technical maintenance, processing of agricultural raw materials and partially production of means of production for agriculture, as well as objects of industrial and social infrastructure [6].

At the same time, the important methodological importance for improving the economic mechanism of the agricultural sector of the economy is to take into account the fact that the absence of certain structural subdivisions in the agroindustrial complex of the relevant regional level does not exclude cross-sectoral links in a more complete manner on the basis of economic relations, the content of which is manifested both on levels of the primary link of the complex, which is ensured by the presence of a single reproductive mechanism.

In the broadest sense, the concept of "mechanism" means the internal composition of any apparatus, which leads it into action [7]. Regarding the economy, the mechanism can be represented as a specific set of elements, states and processes, which are in certain relationships, relations and determine the order of any kind of activity. One can agree with the authors who believe that the economic mechanism of

the reproduction process in agriculture should be understood as the interconnected set of organizational and economic forms, methods and levers of influence on the development and functioning of the reproductive process in order to achieve sustainability of reproduction, increase in the pace of development and increase efficiency agricultural production. The mechanism is implemented through a complex system of functions, the main of which is the creation of equal economic conditions for the implementation of the socio-economic potential of each form of ownership and management and their competition, as well as favorable internal and external economic environment necessary for the effective functioning of agriculture and economic entities . In this case, the main task of the economic mechanism is to ensure the consistent functioning of all its subsystems.

The interests of the state consist in ensuring economic growth of agro-industrial production, functioning of the saturated agro-food market, and increasing the competitiveness of domestic products on the domestic and world markets. Interests of commodity producers in the agrarian sector of the economy are reduced to profit and to ensure the level of profitability necessary for production on an expanded basis and addressing the objectives of social development [8].

Economic regulation is carried out at different stages of the reproduction process on the basis of the complex interaction between elements of the economic mechanism, which is used by economic entities in the process of activity. Playback control elements act on the micro and macro levels. Macroeconomic factors include the general economic proportions that have developed at the level of the economy as a whole: the relation between consumption and accumulation, inflation processes, credit policy, budget financing, taxes, price and investment policy of the state. The microeconomic factors that operate at the level of individual organizations include the question of determining the volume of production and sales of products, development strategies, financial management, policy of production costs.

Individual reproduction within a separate economic entity is a part of social reproduction. In market conditions, macroeconomic factors prevail, but the importance of individual reproduction increases significantly, and its links with the macroeconomic level become mediated by prices and other economic regulators. In this case, the elements of the economic mechanism interact through the unification of their functions, which is a manifestation of the internal content of economic categories that reflect the nature of these elements.

At the micro level, the elements of the economic mechanism show stimulus and control functions. Prices also carry out the function of accounting and measuring costs, and insurance - a warning function and the function of compensation for damage [9].

The reproductive function of loans and taxes is manifestation at various levels of the economy. When lending, this function provides the production process at the level of organization of additional funds to the extent necessary. When taxing it, it manifests itself in the target financial support for the reproduction of natural resources and the development of a certain area of the economy, that is, at the macro level.

At the macro level, the following functions are common to the regulated elements analyzed: distributive, redistributive, regulatory, balancing, with which the state can influence the development of the economy.

The distribution function of the price contributes to the distribution and redistribution of money resources of the population in order to ensure the social policy of the state through the distribution and redistribution of national income between different sectors of the economy and social groups. The equilibrium function of prices informs about the occurrence of imbalances in the spheres of production and circulation with the view of the state adopting the necessary measures to eliminate them.

The redistributive function of a loan significantly affects structural changes in the economy, leads to concentration of capital in the most profitable industries and types of activities. Regulatory function of the loan is that the state, changing rates, volumes, terms and other terms of lending, affects the process of production and accumulation.

The control function at the macro level relies on elements such as insurance and taxes, which enables the efficient use of financial resources.

Consequently, in order to create conditions for improving the efficiency of agricultural production, it is necessary to use a systematic approach in the economic mechanism of reproduction regulation, based on the consideration of functions that characterize the connection of subsystems that form its structure.

Business entities operate in a dynamic market environment, resulting in problems of financing and ensuring financial sustainability of their activities. It is necessary to agree with the authors, who believe that the basis of the systematization of relations with the external environment of disparate elements and channels of replenishment, reproduction and concentration of capital is a financial and credit mechanism for the reproduction of capital [10].

It is based on two components - the financial and credit mechanisms. The first of them is considered as an integral part of the economic mechanism, represented by a set of types and forms of organization of financial relations, conditions and methods used in the formation of financial resources, education and the use of funds of intended purpose. On the one hand, it affects the economy and the social sphere through the structure of the financial mechanism and the targeting of various parts of it for solving specific problems, and, on the other hand, because of the size of financial resources redistributed between economic entities to meet economic and social needs.

The financial mechanism that drives financial resources influences public production through financial support and financial regulation. Moreover, the higher the level of development of society and its economy, the more important the role of financial regulation. Financial support is realized through self-financing, self-financing and non-repayable financing. The problem of the practical use of these forms is to establish the relationship between them optimally for this stage of development of society.

The economic purpose of the credit mechanism is practically consistent with the financial and is the redistribution of resources between the links and areas of the reproduction process in order to ensure its continuous functioning with the only difference that it is carried out on a temporary, paid and turning basis.

Managing financial and credit resources in a single financial and credit mechanism will eliminate the contradiction between the needs in additional funds and their absence, so as not to disturb the continuity of the reproduction process. From this position, the financial and credit mechanism is considered as a regulator built into the reproduction process of a cumulative social product, which sets the direction of their movement and the proportion of distribution and consumption. It creates the financial basis for the continuity of reproduction of the main factors of agro-industrial production. The financial and credit mechanism is an integral part of the economic mechanism, as a combination of economic structures, institutions, forms and methods of management, through which the communication and coordination of social, group and private interests are carried out, the functioning and development of the economy is ensured.

The most relevant issue is the economic role of the state in agriculture, given the specificity of reproduction in this area. In the financial and credit mechanism of reproduction in agriculture the state is assigned the role of active regulation, since the market mechanism of self-regulation can not provide not only extended, but also simple reproduction in the industry. The state, creating a certain financial and economic environment, regulates the reproduction process by optimal formation of funds of funds at different stages and stages of production, distribution, exchange and consumption. State regulation is necessary because of low profitability of investments in the industry, to support soil fertility and to solve environmental problems, to create and develop rural infrastructure and to support the social balance between the city and the countryside.

As practice shows, agriculture is most prone to the impact of negative factors, the manifestation of the instability of the external and internal environment. In view of this, the strengthening of the regulatory influence of state and regional authorities on its development is an objective condition and a need for a modern market economy.

State regulation of agriculture is a process of its direct and (or) indirect influence on the allocation of resources and the formation of production proportions in order to stabilize and ensure sustainable development of the industry through the implementation of organizational, administrative, legislative and

economic measures. At the same time, in the market relations, the leading role is assigned to economic methods of regulation, which includes such economic levers as planning (strategic, indicative, current, prospective) and forecasting, stimulation, pricing, financial and credit system, taxes, insurance, leasing.

Summarizing theoretical and practical experience, one can substantiate the conclusion that the formation of the system of state regulation of agriculture should be based on the following principles of its organization:

1. The unity of economic and social goals: measures of state regulation should be guided not only to solve economic problems, but also to take into account the established values of the rural population, patterns of behavior of its various groups, socio-psychological and national peculiarities;

2. The combination of indicative and policy-making regulation of agriculture: policy-making methods for regulation in a market economy should be used, if necessary, to prevent and eliminate the effects of hazardous natural phenomena (drought, flood, ecological catastrophe);

3. Agrarian protectionism: the internal economic aspect concerns the relationship between agriculture and other sectors, the external economic aspect is related to the export and import of agricultural products, raw materials and foodstuffs within the framework of tariff-and-customs regulation;

4. Program regulation: programs in agriculture allow for the coordination of interests, mechanisms and instruments of regulation, as well as mitigate the impact of factors market conditions;

5. Differentiated Approach: when providing state currency support, it is necessary to take into account the form of ownership, the efficiency of management, as well as the competitiveness of products;

6. Effectiveness: financial support of business entities should be accompanied by increased profitability and efficiency of agricultural production, the development of social and industrial infrastructure of rural areas, as well as the welfare of rural residents;

7. Ensuring sustainability of reproduction: state regulation should aim at eliminating disproportions in the development of the industry and business entities, which is a prerequisite for achieving sustainability of reproduction, increasing the pace of development and improving the efficiency of agricultural production.

The condition of expanded reproduction is the observance of proportionality in the development of industries and business entities, because violation of proportionality slows down development. The general proportions are at the macro level: the ratio between the mass of money and the mass of goods, between the sub-sectors and the sectors of production. In agriculture, the proportions between plant growing and livestock production, as well as the proportions of the main sub-sectors, including the production of the main types of agricultural products, are important. The current state of economic relations in domestic agriculture is characterized by the presence of two groups of interrelated disproportions: sectoral and functional. Branch (intersectoral) disproportions defined:

- the ratio of prices for agricultural and industrial products and services used in agriculture, as well as prices for agricultural raw materials and final agricultural products and foodstuffs;
- disproportions between the limitations of the raw material base and the use of the production potential of the food and processing industry;
- disproportions in agriculture, caused both by the interaction of external factors, including disparity in economic relations with other branches of the economy, and the decrease in the efficiency of agricultural production.

The development of reproduction in agriculture plays a significant role in price relations. Thus, the incomes of the economic entities of the sector depend on the incomes of individual workers, as well as the opportunities for the development of production, including on an investment-innovative basis, using modern advances in science and technology. The inequality of exchange originates in the relationship between agriculture and processing industry, which sets the price level under which agricultural producers sell their products for further processing, but it manifests itself (inequality) between the first and second spheres of the agroindustrial complex, when, due to low incomes, agricultural commodity producers can not to buy the necessary means of production. In turn, the level of prices formed in the

processing industry is affected by trade, the subjects of which allocate a significant part of the profit from the sale of the final product to the consumer. The share of raw materials in wholesale and retail prices for goods (especially foodstuffs) produced from it decreases.

The main forms of functional imbalances are: the deviation of the nominal amounts of accumulation and consumption from their actual values due to inflationary processes and the limited investment by the state and private companies; disproportion between changes in income and increase in arrears of economic entities; disproportion between the opportunities for agricultural production growth and the limited solvent demand for products of industrial and technical purpose and consumer goods.

The proportions between the consumption fund and the accumulation fund are essential in the reproduction process and, in each particular period, are set according to the tasks set. The optimal for each period is the proportion that provides the highest rates of production development and social sustainability in society, taking into account existing opportunities. It is necessary to take into account the influence of inflation processes, which lead to a deviation of nominal sizes of accumulation and consumption from their real value, which is also a disproportionate, restraining development of the industry.

If there is virtually no accumulation in the industry, the growth of agricultural production can be ensured by increasing the consumption of the population of the country. At the same time, the intensification of crisis phenomena in the economy led to a decrease in the standard of living of the population and, as a result, to reduce solvent demand, including food. In agriculture, wages practically do not perform reproductive functions, because its low level limits the expenditures of rural residents, which are mainly aimed at purchasing food products. This leads to another disproportion - between solvent demand and supply on the agro-food market.

The factor of imbalance of the relationship of material-real and cost proportions is manifested in lending to business entities in the industry. The current practice of agricultural commodity producers makes it possible to conclude that lending as a method of replenishing working capital and financial support for agricultural production can only be effective in solvent farms, while low-efficient farms are practically immune to investment resources, although they most need them.

### **Conclusions**

Practical steps to gradually mitigate and overcome these deformations and ensure proportionality in agriculture can only be effective with reproductive positions that combine macroeconomic, sectoral, regional approaches and micro-level approaches. In this regard, the role of the state in the process of reproduction is primarily to regulate the proportions of the reproduction process, which should become an axiom when implementing managerial decisions in the industry.

The mechanism of redistribution of financial sources in favor of the reproduction process in agriculture can be activated through protectionist policies and import substitution of food, control and regulation of prices for services of natural monopolies, the formation and development of vertically integrated structures that will create conditions for investment in agriculture at the expense of formation of its investment attractiveness, the most important condition is the profitability of agricultural production, the receipt of after income workers in the industry.

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