

THE STRATEGIC COMPONENTS OF THE INSTITUTIONAL MECHANISM OF THE AGRICULTURAL SECTOR OF THE ECONOMY OF UKRAINE

Viktoriya Ivanivna KYFYAK

Chernivtsi Yuriy Fed'kovich National University, Ukraine
VikaShkrobanets@mail.ru

Abstract

The strategic components of the institutional mechanism of the agricultural sector should be: an institution of government regulation; institution of property; institution of employment; institution of entrepreneurship; institution of contracting; institution of pricing; institution of infrastructure; informal institutions are proposed. Directions of improving each component based on the principle of subsidiarity and solidarity of interaction in the same mechanism of agricultural development are identified. The integration of parts of the institutional strategy towards to achieving system of priorities of agricultural development will improve the institutional mechanism of the development of the agricultural sector towards the formation of "automated" market institutions. Synergistic effect of the realizing of strategic components of the institutional mechanism of the development of agricultural sector of the national economy are outlined.

Key words: *institutional mechanism, agricultural development, strategy, strategic components, institution.*

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I. INTRODUCTION

The national economy of Ukraine is on the way of profound transformation of the institutional mechanism of it functioning at the national, regional and sectoral levels simultaneously. It creates a new structure of relations during crisis periods. Adapting to complex social and political conditions requires the formulation of strategy development of the agricultural sector on the basis of deep institutional transformations and deformations of institutional structure of interaction of agricultural agents.

In a variety programs and analytical reports related to the development of the agricultural sector, more attention is paid to institutional aspects. It demonstrates the actuality and the necessity to improve the system of the agricultural sector just – right on the institutional area.

II. II. ANALYSIS OF RECENT RESEARCHES AND PUBLICATIONS

Effective solution of outlined problem requires the formation of appropriate scientific and methodological framework. In the area of the institutional researches the achievements of foreign scientists such as T. Veblen [9], J. Galbraith [3], W. Hamilton [4], J. Commons [2], R. Coase [1], D. North [13], B. Polterovych [15], O. Williamson [19], J. Hodgson [5] and others are available. The fundamental principles and basic provisions of institutional mechanism are defined in the works of these authors. The importance of institutional transformation of economic structures is justified in their works.

The necessity to develop a strategy for the activation of agricultural development by instruments of institutional mechanism, which should maximally combine the interests of the state, society and businesses are confirmed by many studies of such scientist as O. Borodina [8], Y. Lopatynskyi [11; 12], Y. Lupenko [10; 17], M. Malik [10; 20], V. Mesel-Veselyak [21], B. Paskhaver [7; 14], J. Prokopa [8], P. Sabluk [18], A. Shpykulyak [10; 22], V. Yurchyshyn [23] and other researchers [7], including and ours [6; 11].

The complexity and interdependence of the problems of functioning of the elements of the institutional mechanism require the formation of such strategy of development of the agricultural sector, which should be based on the principles of a systematic approach and position of the basic principles of the institutional mechanism of the agricultural sector of the economy.

III. STATEMENT OF THE MAIN RESULTS OF THE STUDY

The methodological value of formation the strategy of institutional mechanism of development of the agricultural sector reveals in the process of developing a plan for creating a favorable institutional environment of the implementation of the priorities of the agricultural sector. Strategy of institutional mechanism of the agricultural sector should include priorities, institutional forms and methods of activizing, improving the components of the institutional mechanism of the agricultural sector.

Cooperative interaction of state, agricultural businesses and professional associations should be done at the micro, meso- and macrolevels. It should be directed to the solution of problem of some level based on causal relationships with other levels. Because the main barriers for creating an enabling institutional environment of agrarian relations in Ukraine is the lack of relationship between government and society and the mechanism of the objectives realization of formulation of enabling institutional environment.

We think that the strategy of improving of institutional mechanism of agricultural development should be formed in terms of institutions as an integral component of the complex of influence to the agricultural development. The formal structuring of institutional mechanism will help to understand it more clearly from the systematic approach, firstly, and to share responsibility between managers for the implementation of a coherent strategy, secondly.

Thus, the structure of a strategy for improving the institutional mechanism of the development of agricultural sector is proposed as follows.

IV. STRUCTURE OF THE INSTITUTIONAL MECHANISM OF THE AGRICULTURAL SECTOR

THE INSTITUTION OF GOVERNMENT REGULATION

Under the proposed model the state's role in the institutional mechanism of the agricultural sector is specific, but minimized. The state takes responsibility as a guarantor of food security maintaining fair terms and conditions of business.

Improving institutions of government regulation as a "core" of the institutional mechanism of agricultural development should be formed by the following directions: improving legal security and system of planning of development of the agricultural sector, forming an effective mechanism of state support for farmers, overcoming institutional traps of state regulation of the agricultural sector of Ukraine and creating the multiple structure of institutions of government regulation.

We think that the improvement of state regulation of the agricultural sector should be carried out in the context of relations "state authorities - professional associations of agricultural entities" on the national and regional levels. Forming a viable system of coordination of agricultural interests is defined as a top priority of the state agricultural policy. That is, the goverment should create an institutional mechanism that will promote the greatest degree of self-organization of the agricultural sector of the national economy as a system of interconnected components.

Formation of a balanced system of regulation of the agricultural sector can be activated through the conclusion of agreements on institutional level the multiple structure wherever cited criteria for state intervention, mutual responsibility organizations managing agricultural development and limits the interdependence of the actions of state and public mechanisms.

The conclusion of the proposed institutional agreement should precede a series of measures aimed at building self-sufficient organizations - participants of the multiple structure:

- 1) activation of self-development entities;
- 2) improvement of legislation in terms of liberalization of self-governing organizations, associations of agricultural subjects in particular;
- 3) development of organizational structure of agrarian development, which would be owned by farmers associations.

Conclusion of institutional agreements are an important step towards improving the institutional mechanism of the agricultural sector, which most will take into account the interests of all of agrarian relations. This institutional compromise will promote:

- increase social and economic responsibility of the state and agricultural entities;
- creation of institutional relations (feedback link formal and informal institutions interaction) in the system of state regulation of the agricultural sector;
- avoiding institutional traps generated by the opportunistic behavior of agricultural management;
- consolidation of efforts towards achieving the priorities of the agricultural sector.

THE INSTITUTION OF PROPERTY

Improving institutions of property requires such institutional changes as:

1. Amending the legal interpretation and social understanding of category of "property" (except the triad powers of possession, use and disposal) by elements of obligations. It is important to specify the constitutional provision that requires relatively development of the agricultural sector in terms of social responsibility of business ownership.

2. Specification of the powers of ownership by subjects of agrarian relations requires recognition at the micro level, i.e. fixing the limits of specifications by informal institutions and encouraging the responsible using of agricultural resources through the implementation of economic and administrative methods of influence.

3. The improvement of mechanism of protection of property rights to landholders in the elimination of institutional traps such as raiding and unfair terms of justice in Ukraine.

4. Ensuring transparency and accessment of information about ownership and economic activity through the completeness of formation of the electronic system of quantitative and qualitative characteristics of land and other real estates.

5. The development of social responsibility of business ownership through the popularization of non-financial reporting of agricultural firms (reporting of social and environmental aspects of their activities).

6. The development and adoption of the Code of sustainable development of the agricultural sector, which should suppose the balance of priorities of economic development and environmental safety by improving using the efficiency of resource potential of the agricultural sector.

THE INSTITUTION OF EMPLOYMENT

To ensure market principles of agrarian labor market it is necessary, above all, to improve the core of the market – conjuncture. Working upon its improvements should be made towards balancing between government and market. In this aspect of the functioning of the institutional mechanism the fairly clear scheme must act: the state promotes the labor supply on the one hand, and the enterprises provide the demand for it – on the other. But it is important to provide both quantitative and qualitative performance characteristics of both sides of the market.

So, in the direction of a formulation of supply it is needful not only to provide the necessary number of employees, but also their qualification. It is necessary to carry out the formation of state orders for training of professionals of agricultural production from the "bottom to the top", i.e. taking into account demand and apply policies to increase the prestige of agricultural employment.

Prestige of agricultural occupations can be lifted by two traditional tools: material and moral. Material is a decent level of wage, and the moral is the formation of a favorable psychological climate in the team, employment of farmers during the working period as well as during the holidays or suspension period related to seasonality. The second tool may be realized by the organization of various conferences in such periods, workshops, training courses, trips abroad to exchange experience etc.

Appropriate organization of raising of the moral level of prestige of agricultural profession will promote the achievement of the goal no less effectively than material component. The agent of microlevel (managers) and mesolevel (business associations) must be involved in such activities as much as possible. As for the material benefit of such measures, it will form the alternative wage cost in the future. In addition, these measures will change the fundamental role and importance of this as it is.

For increasing the prestige of the agrarian professions it is necessary to implement proposals of the realization of reimbursement for the agribusinesses for construction and maintenance the objects of social and cultural infrastructures [23]. Those objects should serve the needs of workers of agrarian enterprises. Also important to attract workers of the agricultural sector enterprises to management of the company as well as to participate in targeted programs in rural communities through the creation of appropriate action groups.

THE INSTITUTION OF ENTREPRENEURSHIP

Improving of the institutions of entrepreneurship should be carried out in the aspects of the environment of functioning of the agrarian enterprises in general.

Improve the efficiency of business institutions in the agricultural sector will promote the use of institutional measures:

- Implementation of practices to encourage businesses to the system of economic management of agricultural sector in the regions level as much as in the state level;

- Formation of professional agrarian associations which will promote the social responsibility of business and increase professionalism and rationality of management;

- Improving the functioning of licensing centers and offices of registration of business activity in the agricultural sector;

- Legislation defining the powers and scope of inspections with replacement of the bureaucratic system of implementation of supervising functions to declarative system by government.

THE INSTITUTION OF CONTRACTING

For improving institution of contracting the following measures should be implemented:

1. To make sectoral agreement about regulation of contractual relationships in agricultural sector, which would determine the forms of software execution and penalties that would be taken to unscrupulous agents in the agricultural sector, and the legal regulation of the activity of authorities monitoring the performance of the contracts to be concluded.

2. To improve the mechanism of resolving disputes through speeding up the investigation of cases of non-compliance agreements.

3. To establish registration of agreements concluded in the agricultural sector by the using the declaratory principle and simplify or even eliminate the complex and expensive requirements to formalize agreements. These measures will ensure fulfillment of registering agreements, reduction of "shadow" agreements and ability to control the situation in the agricultural market.

4. To establish the centers of qualified consultations for agrarian contracts in the agricultural extension services.

5. To limit the "shady" schemes of agreements and strengthening the monitoring of the implementation of contractual terms.

Implementation of action to improve the institution of contracting will facilitate the formation of the such parameters of this institution that match the capacities and needs of agrarian relations, because due to the number of agrarian agreements Ukraine is far behind the developed countries. Accordingly, the clear and reliable mechanism of the ensure implementation conditions of agriments will be adjusted.

THE INSTITUTION OF PRICING

Major institutional changes in pricing should apply to:

1. The improvement of the Law of Ukraine "About Prices and Pricing" in accordance with global standards and principles of processes of formation of prices in the agricultural sector and its contractors.

2. The establishing fair pricing scheme for the links "farmers – distributors – consumer" through enhanced monitoring and combating against monopolistic behavior in the field of logistics of facilities of agribusinesses, purchase of agricultural raw materials, wholesale and retail trade.

3. The improvement and stimulation of stock trading through the widespread use of futures contracts. It will help to avoid speculative pricing schemes.

4. The formation of transparent and clear mechanism of government regulation of prices for agricultural products, which would balance such purposes of institutional mechanism as food security and market self-regulation of the agricultural market.

5. The formation system of transaction costs referring to the structure of price of agricultural production.

The result of improvements institution of pricing in the agricultural sector should be the implementation of the basic principles of objective pricing.

THE INSTITUTION OF INFRASTRUCTURE

The institution of market infrastructure is particular actual and needs urgent improvement. It requires such approaches as:

1. To develop a logistics system by the specific methodology. Calculation of the necessary elements of logistics infrastructure (warehouses, storage facilities, elevators, etc.) should be carried out, on the one hand, counting the volume of trade flows, and on the other – it should considere that infrastructure is an effective tool for stimulating agricultural production, therefore it is necessary to take into account the potential of the region.

2. To encourage the development of service cooperatives for providing services to private households farming. Organizational functions of formation of service cooperatives in rural villages should be executative by Village and District Councils.

3. To develop integration relationship between producers and consumers of agricultural machinery and equipment by forming joint projects (such as test of equipment) and promotion of other mechanisms of contractual relationship (leasing).

Now do not exists a single integrated approach to the creation of an effective system of financial and credit support as necessary component of the institutional mechanism of develop of enterprises. Measures for improving the infrastructure of the institution in terms of financial and credit relations, in our opinion, should be:

1. Creating conditions for expanding the banking market by forming system of bail and agricultural insurance as basic components of trust between financial market players.

2. Improvement of regulatory of financial and credit relations in terms of legislative definition of guarantees of the obligations of all players in the financial and credit support.

4. Development and implementation of all possible sources to raise capital for credit of the agricultural sector, the rational use of budget funds and attracting foreign loans, creating their mechanisms of state funds, bank loans or mixed.

5. Improving of institution of infrastructure as a prerequisite formation of trust between the parties of the agricultural financial and credit market through the sectoral agreements and codes of contractual relations and culture of the entrepreneurship.

6. Implementation of mechanism of pledge of agricultural lands and rights of lease to them in mortgage lending. Complex mechanism of implementing of this measure can be realized by basing on the experience of European countries (eg. France, Germany).

7. Formation of mechanisms of interaction of long-term loans and leasing for agricultural enterprises.

8. Development of credit cooperation to provide short and long term microcredits, what should make credit funds more affordable to households.

Institutional effect of improving of the institution of infrastructure should be supportive environment for sharing resources, tools and results of agricultural businesses and contractors.

THE INFORMAL INSTITUTIONS

For the complete look of the institutional mechanism of the agricultural sector we shall to apply to the underlying principles, such as mentality. An important role in the system of informal institutions in Ukraine belongs to the culture of Orthodox religion. Consideration of this is an important tool for the implementation of all elements of the institutional mechanism.

Conservative guidelines that govern the Orthodox religion, promote positive and responsible attitude to the peasant land, but the mental legacy of the Soviet era blocks the development of many market-oriented institutions. Therefore it is necessary to create a system of organizational and legal transformation of the agricultural sector, in which participants of agrarian relations would feel themselves involved to the initiatives of change.

The main measures of improving of informal institutions as part of the institutional mechanism of the agricultural sector should be:

1. The involvement of representatives of agricultural business to the management of the agricultural sector at the macro, meso and micro levels through the development and implementation of public associations multiply structure conception of regulation of the agricultural sector.

2. The development of the corporate culture of the agricultural sector by the development of codes of behavior, vicarious participation, etc.

3. Improving social focus of subjects of the agricultural sector through the development of information sanctions and stimulators (disclosure of violations of environmental, social norms and achievements of agricultural businesses in the media, which in general will form the image of the manufacturer).

4. Formation of effective conditions for the development of collective forms of economic (industrial and agricultural cooperatives and other forms of integration associations).

5. Development and implementation of programs to promote the culture of entrepreneurship, part of which should become developing an ethical code of conduct of business in the agricultural sector.

We emphasize that the implementation of strategy for improving the institutional mechanism of the agricultural sector in the context of institutions will allow to make a meaningful influence on mechanism of create an enabling institutional environment in which regulators will act stimulating the development of the agricultural sector towards achieving priorities. In addition, this institutional mechanism of influence will unite the action of formal and informal institutions into a single targeted system.

The integration of components of strategy into a single institutional framework of the agricultural development is a priority and privilege of government regulation and should consider the following features:

- Integration institutions provides a synergistic effect of the agricultural development;
- Regional specificities provide specific properties of individual institutions integration into a single mechanism of influence on the agricultural sector;
- Formation of a single mechanism for institutional development of the agricultural sector leads to the integral entity (multiply management structure) and object (system of priorities) of strategic management;
- Using of different combinations of institutional forms and methods of influence on agricultural development depends on the dominance of priority and direction of development of the agricultural sector.

We believe that the implementation of the strategic components of the institutional mechanism of the development of the agricultural sector in terms of institutions and for achieve these priorities will form such institutional mechanism that meets the basic criteria of its efficiency – sustaining the progressive development of the agricultural sector of the economy.

V. CONCLUSIONS

Forming of strategic components of the institutional mechanism of the agricultural sector should be based on the principles of solidarity-subsidiary model of development. It is based on the formation of agents of business which is self-organization that contributes to the strategic priorities of the agricultural sector as a whole. The strategic components of the institutional mechanism of the agricultural sector should be formed in terms of individual institutions, including the development of a single mechanism of influence to agrarian relations.

Effective institutional mechanism of the agricultural sector development will create an effective system of regulation that will in the best way combine the elements formed naturally in the historical development with the elements introduced deliberately at the current stage of agricultural development. Implementation the proposals will enhance the institutional mechanism of development the domestic agricultural sector and its effective functioning.

Prospects for further research in this direction are determining the characteristics of the institutional mechanism of development of each institution in terms of regional specifications in order to develop effective tools for their development.

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