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#### TRANSFORMATION OF THE REGIONAL ECONOMY FOR PRIVATE ENTREPRENEURSHIP

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#### *Abstract*

In the context of the economic law functioning, bread is literally needed by all. Its production should be organized so as to constantly meet the needs of the population. The study of the history of the village, the legal framework adopted in the country in recent decades, give reason to believe that there are features of a modern entrepreneur in the Russian peasant. Further formation of its business character will depend on the conditions created by society for motivated work, indirectly promoting economic policy in matters of parity pricing, improvement of the system of state support, etc. Despite a number of measures taken by the government to development of farming and to reorganize unprofitable collective farms, except for the allocation of land for the future individual economy, subsequent problems in the regions are not always solved in time. The proposed concept of development of private agricultural entrepreneurship based on group creation of peasant Enterprise in rural settlements would be appropriate in the allocation of land, the operation of agricultural machinery by farmers and other economic funds. The solution of this issue in this direction will create the same starting conditions for different types of farms will ensure the formation of the basis of fair market competition in the village, and it will be possible to conduct mutually beneficial industrial relations. That is, we must not forget the psychology of the peasant, who seeks to have in his household all that he needs.

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## 1. Introduction

As the world experience shows, not a stereotyped idealized, but the right choice of ownership and economic forms in the regions of Russia in accordance with the complexes of the population ensures the effective production of goods and services. The peculiarity of Russian farming is the practical absence of additional sources of income, the inability to work in commercial firms, government agencies, etc. (Bulguchev, 2011). This is especially true for the subjects of the North Caucasian Federal district (NCFD), where the results are already evident. Here, in the last two decades, there has been a rapid growth in the volume of agricultural production in the private sector: peasant farm enterprise, sole proprietorships and private subsidiary farming, for example, in Ingushetia – state unitary enterprise (former state farms and collective farms). The same situation is developing in other areas of the economy. In Chechnya, not so long ago, along with the production infrastructure, the economy of the Republic was completely destroyed.

*Small construction business is an important lever in restoring the infrastructure of the economy of the Chechen Republic ... Small construction business due to its inherent properties – shortened terms of development and implementation of innovations, stability and susceptibility to the dynamically changing environment – plays an important role in integration with other economic entities and in the creation of construction products. This is important in regions experiencing emergency crisis situation. (Elgukaeva, 2010, pp. 45-46)*

Small business in the agro-industrial complex (agribusiness) and the construction industry in Chechnya still has huge unused labor and material resources. In this regard, it is necessary to find ways to apply the forces and skills of the working population to private enterprise.

A specific feature of labor in rural areas is the unpretentiousness of the villagers compared to the townspeople. In Ingushetia, the rural population prevails in an approximate ratio of 60:40 %. But small business is actively developing in cities. With the restoration of Grozny and other cities, the same trend is observed in Chechnya.

## 2. Problem Statement

One of the oldest and simplest forms of production organization is a sole proprietorship (Bulguchev & Yusupova, 2018). But here it is necessary to take into account the benefits of their business relationships with other economic objects – how developed horizontal and vertical integration. Also, from the practical skills of producers themselves in the field. Part of today's generation is more adventurous. They have always dreamed of becoming leaders with a vision and creating their own clear position in a turbulent economic environment for them to be successful entrepreneurs. To realize your goals, you need to understand the real meaning of the entrepreneur, his characteristics and the path to success (Pauceanu, 2016).

Even in the Soviet period, during the summer holidays in adolescence, many of today's Ingush and Chechen farmers or individual farmers went with adult men to seasonal work in the Russian rural regions

for the construction of livestock facilities. Also, every villager in the Caucasus builds his own house, almost doing all the work with his family. So Nakh farmer does not seem to be in free from work time difficult to engage in construction business. In addition, to the onset of adulthood, many rural mountaineers adopt from the senior construction profession painter, decorator, plasterer, etc. This is the basis for individual entrepreneurship, gradually cooperating on economic and social interests in the construction industry.

The group creation of the peasant farm enterprise will provide closer mutual assistance within such cooperation in the construction of residential or industrial facilities, including common use. For example, a warehouse, defining the work accountable to all manager. The key criterion is the number of storeys, for example, objects of classes A+, A and B+ can only be one-storey, since in multi-storey warehouses a significant part, up to about 20 % of the volume, falls on elevators and stairs, which reduces the usable area (Ivanov & Khan, 2009). That is, in addition to the production of daily bread, other food products, social problems are solved. First of all, establishing the economy in order to maximize profits from core activities. An entrepreneur farmer wants to make a profit. He knows that profits are in the market (Kahan, 2012).

### **3. Research Questions**

Along with the development of farmers, which are organized by groups, would be more likely to appear entrepreneurs in different sectors of the economy. Therefore, the selection of a candidate for farmers should not be strict. If he has a working age and work experience in agricultural production for at least three years, and other features – in accordance with the Federal law "Concerning Peasant (Private) Farm Holdings in the Russian Federation". In terms of the scarcity and high cost of agricultural machinery and the remoteness of the technical repair enterprises, stations and rental stations only joint group of the organization of the farms, the farmers can survive, especially at first.

Even if any units of local state unitary enterprise are located near the peasant farm enterprise, assistance from them is unlikely. Only by cooperating with the use of a jointly available set of equipment, farmers can perform many chores, harvest livestock feed, etc. Therefore, the allocated equipment by the collective farm, farmers will sell to one of their colleagues, and they will add money and acquire another. The proceeds from the sale of old equipment that came from the collective farm, using accelerated depreciation, will provide a quick solution to this issue. Subsequently, all agricultural enterprises should have three types of factors of production: capital used to acquire all other resources, land and labor forces.

The next approach in the organization of farms in remote settlements should be aimed at maximizing the capacity of industrial enterprises to assist them. This is a paid service to farmers through the provision of road, earth moving, etc. large and heavy equipment. For these purposes can be used by law and the budgets of the administration of rural settlements.

### **4. Purpose of the Study**

At its location, the most favorable conditions for cooperation and integration of industrial and agricultural production has one of the largest rural settlements in Ingushetia – Sagopshi. It almost merged with the oil town (a city of military glory) Malgobek, where there are large enterprises of the concern "Ingushneftegazprom": oil-and-gas production department, drilling department, Utility vehicles

department, Voznesensky gas processing plant and others, which have an equipment for carrying out excavation work.

Similar enterprises, but with smaller capacities, are located in the city of Karabulak. There is the only chemical reagent plant in Russia, whose products are used in the oil industry. When drilling rigs are installed and geological prospecting works are carried out in large volumes, non-metallic material suitable for road construction is formed. These processes are managed by the Karabulak plant of non-metallic building materials.

A number of other settlements of the Republic of Ingushetia have such opportunities, that is, proximity to cities and district centers (table 1). But in villages with rare exception there are no paved roads.

**Table 01.** Distance from district centers to administrative settlements of the Republic of Ingushetia (data as of 01.06.2018)

№	The name of the town or district centre	Settlement	Quantity Peasant Farm enterprise	Average area size of Peasant Farm enterprise, ha	Distance, km
1.	Malgobek district	New Redant	38	20,92	20
		South	26	36,04	12
		Sredny Achaluki	40	15,69	25
		Nizhny Achaluki	37	20,14	27
		Verkhny Achaluki	15	37,33	30
		Sagopshi	95	24,66	5
		Inarki	47	15,28	7
		Weary	47	28,27	11
		Psedah	18	29,17	9
		Aki-Yurt	26	70,62	13
2.	Sunzhensky district	Sunzha	60	31,51	0
		Troitskoe	71	42,21	4
		Galashki	6	40,27	18
		Nesterovskoye	64	42,34	6
		Arshty	1	137,00	17
		Alkhasty	2	14,50	8
3.	Nazran district	Central'nyj MO	59	16,05	0
		Gamurzievskij MO	9	12,11	4
		Plievskij MO	64	20,23	10
		Nasyr-Kortskij MO	36	5,61	2
		Barsukinskij MO	34	14,89	3
		Al'tievskij MO	23	16,07	1
		Kantyshev	81	23,64	30
		Gazi-YUrt	2	7,05	14
		Surhahi	38	12,03	27
		Yandare	42	13,04	22
		Dolakovo	40	50,93	31
		Ekazhevo	67	14,39	10
		Ali-YUrt	24	8,66	14
4.	Dzheyrakhsy district	Dzhejrah	3	11,2	0
5.	Karabulak	Karabulak	42	47,55	0
-	<b>In total:</b>	-	<b>1157</b>	<b>25,92</b>	-

The solution to this problem in remote settlements can be carried out at an accelerated pace, when farms are organized in groups.

## 5. Research Methods

If local administrations were to address social issues, as required in developed societies and in some regions of the Russian Federation, there would be no need to create and develop farms in groups. A growing economy is a time-tested way of maintaining or improving our standard of living, improving our position in the world and treating social problems (Higgins, 2015). For example, funds from the Federal budget for the construction and repair of roads in Ingushetia are allocated on the eve of important all-Russian events (elections to Federal authorities, etc.), which often coincide with the cold period of time. Work begins immediately after the receipt of Finance, and during the spring floods, these "new" roads are quickly broken and other actions begin, which the road builders themselves, as well as drivers of vehicles are called "patching".

The cost of transport services then rises sharply and there is a moment when passengers of vehicles are imposed by administrative methods to use the equipment of a company, but the state. If all transport companies were private, such a situation would not occur – the market itself should, especially in this industry, regulate economic relations. As we found out, in Ingushetia, in all administrative districts, state unitary transport enterprises have been established, for which private traders are tough competition. But for the state unitary enterprise, direct and indirect privileged conditions are created, for example, for the transportation of passengers who have privileges of movement on public transport, private traders are not compensated for the costs incurred. Owners of private minibuses until recently were not allowed to stop at bus stops. The explanation for this was that the stops belong to state unitary enterprise "Ingushautodor", and the private owner, they say, has no right to use them.

Small businesses are sensitive to the slightest changes at the stage of creation. That is why their leaders cannot afford to lack a detailed plan of action and forecast. They should know those from whom they can expect help and support. That is, to create high-speed production. The stage of rapid growth is the most desirable state of any organization (Sementsov, 2018). And it is also good to study and discuss all kinds of options about their activities, not only economic but also social plan, using the intellectual and other opportunities of family and friends to create a "brainstorming" – a process used by many groups: research centers, medium, small businesses and large corporations. The goal is to clarify many ideas, something that may seem unclear or even wrong, and to understand how concepts are built in the growth stage. The main thing in brainstorming is the condition of equality, so as not to interfere with creativity (Ryan & Hideuk, 2003). Not using this approach by entrepreneurs entails, in our opinion, the lack of complexity in solving important problems for them. Agricultural producers and processing enterprises do not have sufficient incentives to increase production, on the contrary, they are forced to curtail it. However, the reduction in the production and processing of agricultural products can lead to severe socio-economic consequences not only in rural areas, but also in the entire region (Kokurkhaeva, 2009).

In organized groups of livestock farms for the processing of milk, we propose to use a variety of churns, cheese-making machines and other equipment produced by domestic and foreign firms. Two effective options can be used here. *The first is* the purchase by farmers on an equity basis of any of these

industrial products for sharing. *The second* – on the same principles to organize on proximity the small enterprise with the corresponding technology.

Projects of such small enterprises have now been developed and the equipment for them is mass-produced.

On-site milk processing in farms has the following advantages:

- significant reduction of transportation costs of finished products;
- increased profitability of farmers due to the high cost of cottage cheese, sour cream, cream, butter, yogurt compared to milk; for example, in the market in Nazran cottage cheese weighing one-kilogram costs more than 150 rubles;
- milk processing products remain in the household, which are necessary for male producers;
- there is no need to use volumetric cooling units with appropriate maintenance costs.

We recommend working at such a small enterprise by prior agreement with other colleagues to the family of one of the farmers, provided that the volume of production allows it. If there are no such opportunities, we offer to hire a family from outside.

## 6. Findings

Our mathematical calculations show that in group farms it is more effective to fatten young cattle for slaughter. If, for example, the group recruited 500 or more heads, it is advisable to build on the basis of equity slaughter, sausage or similar small enterprise, which can be created in accordance with the production volumes and one farmer. Equipment and standard designs of such small enterprises are also produced by domestic industry and foreign firms. They have relatively low prices and do not require expensive paid specialists for Assembly work. The implementation of sausages is not so difficult, and these products are in great demand among the urban population. In Ingushetia, small enterprises for the production of sausage products, as we managed to establish, are in the villages Kantyshevo and Barsyki of Nazran district, as well as in the Sunzha and the village Vesterovskoye of Sunzhensk district. All work on purchased raw materials, they themselves as such are not farmers and the need of the market of the Republic according to our calculations on average for the year satisfy only 12.7 % (data on 20.01.2018). Due to the complaint of the population on the quality of local sausages, this type of product is imported to the Republic from the nearest cities – Pyatigorsk, Stavropol Krai and Nalchik, Kabardino-Balkar Republic.

The vegetable industry is capital- and labor-intensive. There are even more problems with the organization of closed soil farms. This industry is also energy-intensive, it requires special equipment and a mini-tractor. In addition, the products are perishable. In this regard, such areas, in our opinion, it is more expedient to develop in the peasant farm enterprise, and partly in the private subsidiary farming, which have passed into the status of individual entrepreneurship, which are located near cities and district centers. For their own needs, the farmer can grow vegetables on their land in any locality of the Republic of Ingushetia. Except water, all the conditions are in place.

Operating until recently canneries in the Republic of Ingushetia and in neighboring regions of the Russian Federation due to the huge size, lack of workload and lack of profitability in this regard are not able to serve private farms. We have established a connection that their loss goes to the activities of farms. Expecting to collect a lot of products for processing with large capacities, they constantly postpone the

launch of the enterprise. Sami are now on the verge of complete collapse, and Nesterovsky cannery in the Republic of Ingushetia, Assinovsky cannery in Chechnya and the Chermensky cannery in North Ossetia are almost not functioning according to their typical purpose (until recently, the last company poured alcoholic beverages).

In crop farms for processing wheat into flour or crushing grain into fodder, if there are at least ten units in the group of farms, it is proposed to organize a small mill. In Jeyrakh, Sunzhensk and Nazran regions of the Republic of Ingushetia there are a lot of large and small rivers with fast and not very fast water flow. On this free natural force can constantly produce mechanical or electrical energy. If the group of farms has less than ten units, then the problem of grain processing can be solved by combining with farms of nearby settlements.

If one family is not able to fully provide itself with the necessary food of its own production, then the group of farms does not have such problems. In addition, according to agronomists, frequent cultivation of the same crops on the same areas depletes the soil cover of farmland. Every year, discussing the structure of the acreage of their farms, farmers who organized farms in groups, it is possible to build the right crop rotations. It is the lack of opportunities or inability to alternate agricultural crops in accordance with the requirements of Agrochemistry that is one of the main reasons for the low yield of crops in all categories of farms in Ingushetia.

Such branch of agriculture as sheep breeding remains almost abandoned in the Republic. Due to the whims of small cattle, requiring special combined feed, a tendency to skin diseases, as well as the lack of opportunities to implement sheep wool and goat down, this industry in the peasant farm enterprise in the near future will not be widely developed. Small cattle up to 10 goals cost-effectively develop smallholders in Dzheirakh district. In the Alpine meadows almost all year round the pasture is preserved, it is possible to harvest the necessary amount of hay, which is rich in legumes. This allows in some years during the winter period to do the highlanders without grain feed cattle. But peasant farm enterprise here least of all.

## **7. Conclusion**

From a survey of the local population, we found that in the mountains almost do not use the old technology of lining sheep skins, sewing as, burok, papakhas, making sheep cheese, etc. But to develop sheep and these crafts with them is extremely necessary. For example, during religious holidays (Movlyud, Eid al-Adha, Sawm, etc.) almost every head of the family of Chechnya and Ingushetia sacrifices a sheep and a smaller number of bulls not younger than two years. At this time, from the Stavropol territory, Kalmykia imported and sold for cash a large number of cattle, especially sheep. That is, significant funds are alienated from the monetary circulation of the republics during these periods. Sheep breeding for farmers in Ingushetia and Chechnya remains in the near future. During the Soviet era in the republics farms bred sheep known for fine wool breeds "Grozny" and "Stavropol". It is necessary to restore this industry with the help of state programs. For example, in the UK, many farmers rely mainly on allowances to compensate for losses in mountain sheep farming, which in some cases can be equal to even the net income of the farm. They are paid according to the number of "specially assessed" sheep and flocks at the appropriate age, so that they can be divided into at least three successive age groups.

In our opinion, the criteria for state support of sheep breeding in the farms and individual farms of Chechnya and Ingushetia should be determined in the nearest future.

*Firstly*, it would really be possible to fully involve unused reserves of Alpine meadows in the agricultural turnover, grazing cattle all year round (not all plots are available even for manual haying).

*Secondly*, significant free financial resources would remain in the Republican turnover.

*Thirdly*, with the development of this industry, processing enterprises, new professions would appear, folk crafts would be revived, thereby increasing the number of employed people and cash revenues to the relevant budgets.

Based on our research, the features of the organization of farms in Ingushetia and Chechnya are associated with a relatively low level of development of industrial and social infrastructure of the village. Including with even worse situation at those which are located far from the cities and the regional centers where there is practically no production infrastructure – drinking water should be delivered by special motor transport for rather big payment (1500-2000 rubles for 4-5 tons).

It is economically expensive to go to the producers themselves in order to sell the products produced. For example, the distance from some villages in Dzheyrakh district of Ingushetia to the markets in Nazran, which are filled with imported products (food) is 100 kilometers or more. If local food producers are defined differently from food producers in General, differences are Central to the analysis (Rossi, Johnson, & Hendrickson, 2017). A large part of the roads consists of gravel, although all road construction material for asphalted cities and district centers of the Republic is exported from these mountain areas. This is done without making any money to the budgets of local administrations, as proven career building materials on the property distinction belong to the Republican property.

Investment breakthrough in agriculture of Chechnya and Ingushetia, and other North-Caucasian Federal district of Russia should be, in our opinion, based on the efficient organization of production itself, rightly moving away from collective and state farms of the way where resources of production in many respects (environmental, climatic, socio-economic, etc.) require a quick turnaround and a corresponding payback. Non-compliance with such objective approaches contributes to low mobility of production of goods and services. This trend reduced the investment potential of agricultural producers (Israilov, 2017).

Protracted in the country for decades collective-state farm way of life has become an inefficient form of labor organization for rural entrepreneurs. Therefore, there is still a certain "conservatism" in their organizational activity for open public activity, despite the radically changed legislative base in the country. Modern practice of public administration in developed countries is guided by the model of new public administration (Yanovsky, 2017).

Free economic relations, based on the equal material benefit of each market participant, should take place in the regions gradually on the basis of the formation of the corresponding psychology of the population, and the bureaucracy should be trained from among workers with experience in a free economy. There is a need for sound public policy in the development of small and medium-sized enterprises (SMEs) in all sectors of the economy. These are tax benefits, low-interest loans, etc.

SMEs in Singapore are the backbone of the economy due to the country's favourable economic situation and attractive investment image, as well as sound government support policies (Fink, 2012).

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