

**SCTMG 2020****International Scientific Conference «Social and Cultural Transformations in the  
Context of Modern Globalism»****INFORMAL COOPERATION IN RURAL AREAS: A LOCAL  
ANALYSIS OF CURRENT TRENDS**

Azamat Barlybaev (a), Adigam Barlybaev (b), Ural Barlybaev (s), Inna Sitnova (d), Venera  
Saitbatalova (e)\*

\*Corresponding author

- (a) Institute for Strategic Studies of the Republic of Bashkortostan, 15, Kirova street, Ufa, 450008,  
Republic of Bashkortostan, Russia, azamat.barlybaev@mail.ru,  
(b) Sibay Institute (branch) of Bashkir State University, 21, Belova street, Sibay, 453837,  
Republic of Bashkortostan, Russia, adigam@mail.ru,  
(c) Bashkir State University, 32, Zaki Validi Street, Ufa, 450008, Republic of Bashkortostan, Russia  
ural\_barlybaev@mail.ru,  
(d) Sibay Institute (branch) of Bashkir State University, 21, Belova street, Sibay, 453837,  
Republic of Bashkortostan, Russia, sinn01@mail.ru,  
(e) Sibay Institute (branch) of Bashkir State University, 21, Belova street, Sibay, 453837,  
Republic of Bashkortostan, Russia, bikkulova.venera@mail.ru

***Abstract***

In rural Russia, local economic complexes are, as a rule, a symbiosis of formal and informal relationships and practices. Ignoring this fact entails an incomplete understanding of the real processes taking place here and often leads to incorrect conclusions about ways to solve key problems at the local level. On the empirical materials of local studies, the article reveals the features and trends of the development of informal economic relations and practices in rural areas of post-Soviet Russia, reveals the essential causal relationships that determine the content and nature of the changes taking place here. The informal sector occupies a significant place in the rural economy of Russia, which creates significant difficulties both in its scientific research and in its practical management. Although this topic is quite extensively presented in the scientific literature, it is not yet necessary to assert regarding the countryside that we have a complete picture of the processes taking place in the informal economy. Particular attention is paid to the transformation of the household sector and mutual assistance in the context of a deeper penetration of rational individualism into the relations of rural residents. The positive and negative consequences of these changes are shown, as well as the conditions under which the evolution of the informal rural economy can follow a path that meets the interests of sustainable development of rural territories.

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## **1. Introduction**

The small sector of the modern rural economy of Russia is largely immersed in the informal environment. This largely determines the inefficient rural employment, the limited access of the villagers to the social protection system, the financial market, state funds to support entrepreneurship, export deliveries, as well as the immunity of this business segment to technological and organizational innovations ensuring its high productivity and competitiveness. In our opinion, without the adoption and implementation by the state and local self-government of a complex of effective and balanced measures to reformat the polar small economy, it does not seem possible to enter the path of sustainable rural development.

Among these measures, the formation and development of a cooperative economy occupies an important place. As world and domestic historical experience shows, cooperation allows solving the problem of achieving harmonious interaction between informal and formal areas of activity in the rural economy based on the optimal ratio and flexible mutual transitions between them. Ultimately, it contributes to the preservation and development of human, social and cultural capital of rural communities, forms the conditions and prerequisites for their sustainable development.

## **2. Problem Statement**

The economic everyday life of people is largely routine. Routine, i.e. informal institutions are especially significant in local communities, for which the prevalence of personified economic relations, oral transactions, traditions and customs is much more characteristic. The villager is guided in his economic activity not only by personal gain, economic feasibility and regulatory legal acts, but also by social, that is, informal norms and rules that make up the basic institutions of the local community to which he belongs. The interaction of these factors predetermine, in particular, the specific nature and purpose of the economic activity of members of a given community in a particular situation, the productivity or counterproductivity of their economic decisions. The degree of reproach of formal institutional structures in informal relationships and everyday behavior of people determines the different strength of their impact on economic life. Therefore, a deep understanding and correct interpretation of the economic problems of a local community does not seem possible without considering them in close connection with its informal social and economic environment.

The institutional structure of the local economic complex does not seem to be a monolithic unity; it consists of various parallel coexisting institutional structures that form qualitatively different economic orders and mechanisms for regulating production relations, distribution of resources and goods. The subjects of the local economy are involved in business processes that occur within any of the institutional structures. Moreover, in reality, these structures are often so intertwined and integrated into each other that in their pure form we represent them only mentally, at an abstract level (Aidarbakov et al., 2009).

## **3. Research Questions**

The article presents the results of local studies of the transformation of the informal sector of the rural economy in the post-Soviet period and explores some of the problems associated with the

transformation processes in the informal economy of the village and significantly affecting its socio-economic development.

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

The purpose of this article is to summarize the results obtained during long-term local studies of the informal sector of the rural economy for the post-Soviet period in order to determine the main vector and main trends of evolutionary changes in this area, to identify some of the opportunities/prerequisites and threats/risks posed by them for rural development.

#### **5. Research Methods**

The methodological base of the study in the context of identifying the role of informal institutions and practices in the economic life of society, as well as studying the interaction of formal and informal sectors of the economy, is constituted by institutional economic doctrine (Commons, 1934; North, 2010; Polanyi, 2010) and economic sociology (Bowles, 2017, Granovetter, 1983, 2002).

Also, our studies rely heavily on the approaches and traditions of a systematic study of the socio-economic problems of the Russian countryside, laid down by the Novosibirsk School of Economics and Sociology, founded by Fadeeva (1999) and Kalugina (1991, 2015). The novelty of our approach to the formulation and solution of the problem is determined by its study at the local level using not only standard methods of economic, statistical, sociological and expert analysis, putting the researcher in the position of an external observer, which does not always allow capturing contextual factors and conditions that are essential for adequate interpretation of the established facts. The authors rely on their long-term observations “from the inside”, since from a very early age they are constantly immersed in the reality being studied as acting players and are really involved in informal and formal economic activities in rural areas.

The initial object of our study is informal individual-family production and network informal cooperation in rural areas. The empirical base of the study is, in addition to the “included” observation, the results of household surveys conducted in eleven rural areas of the Republic of Bashkortostan, Chelyabinsk and Orenburg regions with the participation of the authors from 1994 to 2013. In 1994–1996, 130 households were surveyed, 401 households from 1999 to 2000, 552 households in 2010–2011 and 918 households in 2012–2013.

#### **6. Findings**

By the informal economy, we mean, according to the ILO definition, all types of economic activity of citizens and organizations that, due to existing legislation or due to established practice, are not covered at all or partially by formal relations. The informal economy has had a significant place in the life of the villagers since the Soviet era, when, along with official and largely forced labor in collective and state enterprises, they could conduct their own personal economy, engaged in agricultural activities, crafts and crafts. Moreover, the results of this activity could be implemented on the market, bringing substantial

income to the family. The state tightly controlled the scale of this activity, limiting the size of land plots, livestock numbers, prohibiting the purchase of agricultural machinery, livestock, etc.

In the post-Soviet period, economic, legal and organizational prerequisites were created for the transition of the villagers from informal to formal activities. It was possible to move into the category of entrepreneur or farmer, to unite in cooperatives and partnerships. However, this process has not become widespread and the informal sector still occupies a significant place in the rural economy. Thus, according to the Rosstat labor force survey, in recent years about 4 million villagers have been employed in the informal sector, which makes up more than 30 % of all those employed here. The share of households in gross agricultural output in 2017 was 34.6 %. According to the results of 2017, this agricultural sector produced 77 % of potatoes, 63 % of vegetables, 22 % of meat (in slaughter weight), 42 % of milk, 19 % of eggs (Rosstat, 2018).

The nature of changes in informal economic relations and practices in rural areas is most prominently manifested in the processes taking place in the centuries-old special system of network relations, rooted in cultural values, ethical norms, customs and traditions of the local community – the mutual aid economy. This is a type of gift economy (Gift economy, daronomics, gratuitous economic system), which was described in more detail not by economists, but by representatives of related social sciences – ethnographers, sociologists, anthropologists (Cheal, 1988; Malinovsky, 2004; Moss, 2011). Until recently, various forms of joint gratuitous work occupied a significant place in the economic life of the villages of the studied region. This includes labor participation in the creation of the public good (improvement of the territory of the village, construction and repair of public buildings and structures), and assistance to each other in the form of joint performance of certain works (construction of houses, fodder storage, slaughter of cattle and poultry, shearing of sheep, and much more).

Network interaction and informal cooperation today play a significant role in the countryside, although the formation of market relations and the growing psychology of individualism among the population have a transforming effect on them. So, according to the results of our research, 74 % of the respondents want to maintain the existing network of informal ties, and 24 % even would like to expand it. In recent years, there has been a growing awareness of the need to create formal business associations as a factor in economic development and increasing prosperity. This is evidenced by the respondents presented in Table 1.

**Table 01.** Results of respondents' answers to the question “Which forms of joint economic activity of people in the village are of greatest interest to your family?”

Answer options	2000	2013
1. Mutual assistance	41.3 %	45.4 %
2. Creation of a production partnership (cooperative)	7.0 %	16.2 %
3. Creation of a credit partnership (cooperative)	3.9 %	9.7 %
4. Creation of a consumer cooperative on supply and marketing	4.3 %	8.8 %

It is noteworthy that about 65 % of the number of residents involved in the rural "mutual aid" economy pay for the assistance they provide with money or working out. That is, the process of transforming mutual assistance into the local system of market services is obvious.

About half of the respondents admitted that they enter into informal cooperation with other people and families to jointly carry out household tasks (cultivating the land, sowing, haying, harvesting, harvesting wood or firewood, building, etc.). They explain the need for such associations mainly by the profitability of the joint implementation of certain works (45 %), the lack of labor and other opportunities for the implementation of certain business affairs (10 %).

“Included” observation allows identifying changes occurring in informal cooperative relationships that are important, but invisible with other research methods. For example, we are witnessing a steady trend of reformatting informal cooperative ties in rural areas. So, if before they were based mainly on family, neighborly and friendly relations, today informal associations are increasingly emerging on the basis of business and professional qualities. For example, the owner of a tractor provides services to those on whose counter-services he is not interested and usually for a fee. For those with whom he has a trusting relationship, and he can always count on their mutual assistance if necessary, the service is provided in return for reciprocity. Among such a special group are specialists from related professions (welder, locksmith, turner), whom he is forced to turn to during the operation of the equipment, as well as rare local specialists in other areas important for the economy of the villagers (treatment and slaughter of cattle, blacksmithing, sawmilling, etc.). Such informal cooperation based on common interests and complementary competencies allows its participants to increase the efficiency of economic activity, in particular, due to the resulting synergy effect. A more detailed survey of informal economic relations at the local level shows, therefore, that the majority of rural households, remaining within the framework of the “survival economy”, gradually adopt market principles of behavior, forming a predominantly informal market segment in the local economic complex and changing the entire system of production relations from the inside out and connections. Networking within the framework of the gift economy is rapidly losing its dominant position.

As our studies show, this trend intensifies due to the influence of a number of factors. Firstly, it should be noted that, since the beginning of the 2000s, the share of the informal sector in the total agricultural output has a steady downward trend. This is due to both a general reduction in the rural population, and an increase in the number of families who refuse to keep a private household or reduce its scale. Thus, according to our surveys, the proportion of people wishing to develop their economy, beginning in the mid-1990s (from 70 to 49 %), has been steadily falling, and the proportion of those who do not want to do this for one reason or another, on the contrary, has a tendency to increase (from 20 to 30 %). The share of those in a state of uncertainty is also growing (from 10 to 21 %).

Among the main reasons due to which the villagers do not want or cannot expand and develop their own economy, are mentioned (ranked by frequency of mention) lack of equipment, financial capabilities, low prices for products and marketing difficulties, lack of hayfields and pastures, lack of additional labor.

Secondly, we are witnessing a growing segmentation of the informal sector of the rural economy. Official data presented in statistics, analytical reports and other documents often do not provide complete and reliable information about this sector. So, officially only rural organizations, farms and households function in the village. In reality, a large part of the stock of horses, cattle, and bee families in the municipal territories we are studying, although, as a rule, is kept in the households of local families and

farmers, belongs to the heads and employees of federal, republican, and municipal government and supervision bodies and entrepreneurs from other spheres of the national economy not directly related to agriculture. A situation is also widespread when urban families, independently or together with local residents, conduct business in the countryside. Such farms can carry out their activities both within the framework of the formal economy, and on the basis of informal trust relations. In this case, there are various options for combinations of formal and informal relations.

## **7. Conclusion**

We are witnessing a deepening tendency to strengthen and complicate the interweaving of formal and informal forms of combining professional competencies, capital and administrative resources mainly in the framework of informal cooperation, which has far-reaching consequences, ambiguous and contradictory in nature. On the one hand, there is a growing influx of capital into the rural small economy, concentration of production, the development of cooperative and integration ties, the preservation of at least that part of human capital that has not had time to degrade over the entire period of destructive changes.

On the other hand, the process of economic and social stratification of the population, the mass pushing of the small agricultural producer to the periphery of the local economic complex is gaining momentum. And this, in turn, is accompanied by a deepening polarization in rural communities, which erodes common values and widens the gap between individual and group interests of people, thereby undermining the basic conditions for their consolidation and solidarity, without which the revival and sustainable development of the countryside are impossible.

The spontaneous reformatting of the foundation of a solidary social economy with a shift in the focus of domestic production relations from reciprocity and cooperation on a gratuitous basis to mutual obligations based on market principles, deepening social atomism in rural society and low civic engagement undermine the institutional foundations for the development and implementation of collective goals and decisions.

The absence of a force that largely consolidates local residents dooms the latter to the search for individual rather than collective ways of survival, and most often, outside the area. An extremely negative fact from the perspective of rural development prospects is the rapid decrease in the number of households engaged in productive activities at the place of residence with an increase in the number of families living only on income earned far beyond their native places, mainly working on a rotational basis, as well as at the expense of the pension of elderly members family and various benefits.

Under these conditions, the development of effective state methods of supporting not growth points in the form of farms or other entrepreneurial structures, but mass production activities in the form of rural households that produce goods or provide services locally unregistered as peasant farms and private entrepreneurs, is of decisive importance. Support methods may include, in particular, various subsidies, grants, and other forms of budget incentives, depending on livestock numbers, cultivated area, or other quantitative criteria that most accurately determine the scale and intensity of productive activities.

In close connection with the support of rural household economies, it is necessary to develop and expand the scope of support, along with farming and entrepreneurship, of joint forms of economic activity. It is important to involve farmers, entrepreneurs, households, artisans and traders in formal associations (cooperatives, partnerships, associations, non-profit organizations, etc.), in various state and public programs, projects and funds.

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