

The guidelines for the economic security of agricultural enterprises as a factor for the stable development of agricultural economy

Aleksandr Jurievich Pavlov¹, Vera Nikolaevna Batova¹, Larisa Ivanovna Maljuk¹, Sergey Aleksandrovich Belousov²

¹Penza State Technological University
Prospect Baydukova / Gagarin Street, 1a/11, Penza, 440039, Russian Federation

²Saratov State Law Academy
Volskaya Street, 1, Saratov, 410056, Russian Federation

Abstract. The article considers the notion of economic security as applied to the manufacturers of agricultural machinery. The authors detect its functional components and also the external and internal threats for the economic security of agricultural enterprises with a glance to factors inherent in this field. Besides, they formulate definitions for such notions as “the economic security of agricultural enterprises”, “threatens for the economic security of agricultural enterprises” and “the economic mobility of agricultural enterprises”. The authors propose the guidelines to improve the economic security of agricultural business entities.

[Pavlov A.J., Batova V.N., Maljuk L.I., Belousov S.A. **The guidelines for the economic security of agricultural enterprises as a factor for the stable development of agricultural economy.** *Life Sci J* 2015;12(1s):74-76]. (ISSN:1097-8135). <http://www.lifesciencesite.com>. 18

Keywords: economic security; agricultural enterprise; threatens for economic security; economic globalization; competitiveness

Introduction

The economic security of enterprises is one of the priority areas because national security is impossible without a strong manufacturing sector [1].

Scientific literature studies in details the fundamental approaches to certain aspects in the economic security of enterprises [2 and 3]. Nevertheless it should be mentioned that the mechanisms for economic security improvement in the agricultural sector, which could take into account sectoral peculiarities and destructive factors, are not sufficiently elaborated [4]. That is why now there is a necessity to find a theoretical and practical ground for this problem in order to understand the essence of economic security for agricultural enterprises. Besides, it becomes necessary to work out the guidelines for economic security improvement in agricultural enterprises.

Main part

In the context of economic globalization, agricultural enterprises with wide economic independence faced the necessity to find brand new approaches for economic security. This demanded a fundamental transformation of the whole economic security system of these entities.

In the authors' opinion, the economic security of agricultural enterprises can be defined as a condition of the economic system when the efficient management of corporate resources ensures the harmonious development of all its subsystems and competitiveness and also the security against external

and internal threats in the context of economic globalization.

In contemporary conditions, agricultural enterprises have a special place which does not allow them to take part in intersectoral competition in full measure. Agriculture depends on natural factors and seasons. Thus it is a low-profit and technologically backward field. Consequently, it adapts to changing economic and technical conditions more slowly. Besides, market modernization sufficiently modifies the basic conditions for agricultural reproduction. Agricultural enterprises in subsidized regions faced this problem directly.

The analysis shows that the economic security of agricultural enterprises depends to a large degree on their financial and economic condition because financial subsystem is a dominating functional component of economic security for every business entity. According to statistical offices, 30.0% of Russian agricultural enterprises are now unprofitable. Since 2009, there has been a slight decrease in their percentage (by 2%). This does not allow speaking about significant changes.

Prices for the products of agricultural manufacturers remain low. This prevents them from repaying credits timely and induces banks to toughen the requirements for borrowers and to increase the interest rate. Moreover, a part of Russian agricultural products is uncompetitive in comparison with foreign manufacturers for a number of reasons engendered by both external (accession to the WTO) and internal (adverse climatic conditions) factors.

Many agricultural enterprises do not have their own resources and ability to use credits. Thereby the technological level of the majority of Russian agricultural enterprises remains low.

The average provision of agriculture with sound tractors per unit of cultivated land is less than 50% of a normal quantity and falls behind such developed countries as the USA and Germany more than 5 times (Table 1).

Table 1. The average provision of agriculture with sound tractors in developed countries

Country	The area of ploughed field, million ha	Fleet of tractors, thousand units	Number of tractors per 1,000 ha of ploughed field
Russia	96	400	4.2
USA	172	4760	28
France	18.4	1264	69
Canada	15.9	733	16
Italy	8	1680	210
Germany	11.9	944	79.03
Great Britain	5.6	500	89
Japan	4.7	2400	510.6

The fleet of machines and tractors in the agriculture of the country is outside the economically expedient periods of use: 70% of tractors and 65% of grain combines have a period of use more than 10 years, need sufficient funds for repair which cannot be covered due to the poor efficiency of the machinery [5].

During the period 2009-2011, the number of tractors decreased by 37.4 thousand units, or by 11.3%. The number of other agricultural machinery also decreased: grain combines – by 9.5 thousand units, beet harvester – by 0.5 thousand units, ploughs and seeding machines – by 12.8 and 20.5 thousand units, respectively.

So, the modern condition of the sector does not allow ensuring the economic security of agricultural enterprises and, consequently, the provision of the country with food. This leaves its negative mark the economic security of the Russian Federation in general. At present, scientists all over the world came to a conclusion that if a country imports 25% of food it loses its food independence [6]. And it is very hard to change the situation after the agricultural sector is destroyed and Russia partly abandoned the state regulation of this field of economic activity.

In general, the sectoral features which influence the economic security of agricultural

enterprises include: the high dependence on natural climate conditions; natural resources involved in production; the biological character of production; low price elasticity of the demand for food; perishable food; village-making function and food security.

While analyzing various approaches to the problem of enterprise's economic security, the authors found out that the economic security of business entities is formed of several functional components which can be of different priority for different enterprises depending on the character of threats. In the opinion of L.L. Goncharenko, economic security consists of the financial, intellectual, personnel, technological, political, legal, ecological, informational and power components [7]. Each of the above components has its own content, functional criteria and ensuring methods. The authors think that the natural climate and territorial components should be named as very important ones for agricultural enterprises.

The natural climate component means the influence of hydrothermal conditions, soil quality, landscape, etc. on the efficiency of an enterprise.

The territorial component has an integral character and unites some other components. At the same time, it plays an independent role because it is connected with the regional layout of productive forces and the improvement of territorial manufacturing organization and settlement.

Besides, it should be mentioned that agricultural enterprises play a significant role in the food and socio-economic security of rural area. This can be proved by the following statistical data:

- Rural residents account for about 26% of the total population of Russia;
- Agricultural lands account for 388 million hectares (23.6 %) of the total area of Russian land;
- Consumers spend about 30% of their income for food and other agricultural products, and in certain years – more than a half (1995 – 52.0%). In the Netherlands and Norway these values are 10-10.9 [8].

Economic threats caused by the factors of external and internal environment create a direct danger for the economic interests of agricultural manufacturers. These factors break the ordinary course of reproduction [9].

In economic literature, there are different definitions for threats to economic security. At the same time, there is no single definition of threats to the economic security of agricultural enterprises. In our opinion, they can be defined as an objective probability of the adverse effects of external and internal environment or their totality which can influence the economic independence and the extent of goal reaching.

The worked out classification of economic security components made it possible to ascertain the destructive and stabilizing factors for the security of agricultural enterprises.

The external threats to the economic security of agricultural manufacturers include: unstable micro and macro surroundings; absence of system legal regulation; accession to the WTO and, consequently, the market open for import that can reduce the number of agricultural manufacturers due to the low competitiveness; absence of adequate governmental support for agricultural enterprises; high credit interest rates; outflow of employable population from rural area.

The destructive factors or internal threats to agriculture include: affected reproduction; low financial stability; destroyed natural resource potential; low innovative and investment activity.

In our opinion, the internal threats also include the low competitiveness of agricultural products, the high tear and wear of basic production assets, lack of skilled personnel and low quality of veterinary attendance in animal husbandry. All this engenders an external threat mentioned above – the outflow of employable population to cities caused by the mass release of rural residents from public production and the reduction in agricultural labour price. When the technical modernization of work is growing, this process develops dynamically that leads to a critical situation in the rural labour market.

All the above mentioned threats break the reproduction and destroy the productive and social potential of rural residents [10].

Conclusion

The research has shown that a competent resource management is a stabilizing factor which ensures the economic security of agricultural enterprises [11]. These resources can provide a broadened reproduction, financial stability with the preservation of environment, the renewal of production assets, the training of skilled personnel, the improvement of competitiveness for agricultural products and market extension. Besides, this allows enterprises to show a prompt reaction to changes in macro and micro surroundings that can be defined as the economic mobility of agricultural enterprises.

We can mark out the following priority lines for the improvement of economic security of agricultural enterprises:

1) Creating a modern large-scale production which can use advanced technologies and high productive machinery.

2) Organizing farm machinery depots or agricultural consumer cooperatives for the technical and technological support of private farms and farm enterprises.

3) Developing rural infrastructure: marketing cooperatives and supply cooperatives, informational and consulting services and municipal guarantee fund.

4) The governmental support for agricultural manufacturing.

Moreover, one should develop schemes to reduce threats for the economic security of agricultural enterprises. They should include measures to recover productive potential, improve the financial condition of enterprises and to prevent the degradation of rural areas.

Corresponding Author:

Dr. Pavlov Aleksandr Jurievich
Penza State Technological University
Prospect Baydukova / Gagarin Street, 1a/11, Penza,
440039, Russian Federation

References

1. Batova V.N. and A.J. Pavlov, 2013. Providing Economic Safety of Business Processes in the Conditions of Implementing the Concept of Stable Development. *World Applied Sciences Journal*, 27(4): 538-542.
2. Batova V.N. and V.V. Rassadin, 2014. Strategic Management of Enterprise Labour Potential as a Tool for Economic Security. *Middle-East Journal of Scientific Research*, 21 (2): 401-405.
3. Dikach D.A., 2010. Increasing the Economic Security of Agricultural Enterprises. Abstract of the Thesis. Moscow.
4. Goncharenko L.P., 1999. Economic business security. Manual. Ivanovo: Publ. Ivanovo state university.
5. Kochergina T. E., 2007. Economic security. Rostov-on-Don: Feniks.
6. Mann R.D., 1959. A Review of the Relationships between Personality and Performance in Small Groups. *Psychological Bulletin*.
7. Pavlov A.J. and V.N. Batova, 2014. Ensuring economic security of the innovative development of nanotechnology in the Russian Federation and foreign countries. *Life Science Journal*, 11(6s): 322-325.
8. Porter M. E., 1979. How Competitive Forces Shape Strategy. *Harvard Business Review*.
9. Surovtsev V. and Yu. Nikulina, 2010. Innovative Development as a Factor of Food Security. *Economist*, 6: 79-84.
10. The Regional Office of the Federal State Statistical Agency in Penza Region. Date Views 01.07.2014 www.pnz.gks.ru
11. Vechkanov G.S., 2007. Economic security. Saint Petersburg: Piter, pp: 384.