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State modification and market mechanism for agro-industrial complex management in the region of Kazakhstan

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Abstract

The article is devoted to the development of approaches and practical recommendations on issues of state regulation and state support of agro-industrial complex (AIC) economic entities as a factor of stimulating economic growth of the industry as a whole. Having based on the study of development trends of the AIC in the Republic of Kazakhstan and its state regulation, we assessed effectiveness of implementing target programs, identified causes and constraints, which include imperfect legislative, theoretical and methodological elaboration of mechanisms for their implementation, inconsistency between organisational-level program developments and processes of their implementation.

Keywords: State regulation, agricultural sector, agro-industrial complex (AIC), agriculture, agricultural products, agricultural policy, food security.

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1. Introduction

State regulation of the agricultural sector is one of the main conditions for efficient functioning of economy. The main problem that should be solved by the state in the process of agricultural sector regulation is creation of favourable environment for effective economic activities (Balkizov, Bogotov, Mikitayeva & Santikova, 2014).

Agriculture worldwide has received increased attention from states. It is caused primarily by the fact that the agricultural sector is very specific and based on the use of natural factors, land, different resources, which, in turn, are characterised by limitations and heterogeneity. In addition, this industry is strategically important for national economy as it solves the problem of food safety (Bespakhotniy, Korneev & Kapitonov, 2014).

Problems of institutionalisation state regulation principles and stimulation of economic growth in agro-industrial complex (hereinafter – AIC), study of factors, affecting the industry directly at the present time, are of particular importance for economic science. It is obvious that all of the above statements emerge the problem of improving the state regulation tools for industrial and economic development in the agricultural sector (Gataulina, 2015).

1.1. Research methods

The study is based on methods such as general scientific method, dialectical method of reality cognition, comparative and logical analysis and functional and system approach. We used theoretical and empirical research methods, methodological techniques and approaches used in reviewing activities of agriculture, their modifications, authorising the specific economic situation of the region.

1.2. Research results

High degree of agriculture importance in addressing food security of the country with significant level of multiplicative industry, encouraging the development of other sectors in national economy, is based on inter-industry linkages; critical state of resource and production is potential for agriculture, especially in livestock, where there is a steady decline in livestock population; stagnation in life level and quality of rural population lead to high level of unemployment; significant proportion of food imports in the market of agricultural products are threatening the national security of Kazakhstan; slight positive results of influence on solving some socio-economic problems of agricultural sector development determined the need to form a system of state support and development for both macro- and meso-levels of AIC development (Gukezheva & Kokov, 2015).

Effective agricultural political activity should include removal of gross regional disparities and accounting of origin and development peculiarities of these trends in regions of Kazakhstan. Organisation of effective functioning of socio-economic regulation mechanism in regions of Kazakhstan is a multi-level system of state support through establishment of state programs, ensuring the coordination of national and regional interests and creating the progressive management culture that takes into account types of economy, mentality features and identity of population living in the area.

Method of economic and social development of territorial entities must consider both strategic and short-term goals, aimed at restoring economic sectors, having necessary reserves for revival of investment activity in the future.

It is necessary to note that Kazakhstan currently uses state measures to protect the domestic food market. Kazakhstani leadership introduces and often revises quotas for food products import from abroad and customs duties, monitors agricultural product and food imports in order to take state measures timely for protection of Kazakhstan manufacturers and buyers' interests.

Research has shown that at the present time there is no uniform methodology for fund distribution in agriculture, scientifically substantiated methods for distribution of these funds and how to identify their effectiveness at the meso-level. Any subject of the Republic of Kazakhstan has its own special approaches for identifying main areas and extent of state support in agriculture. The definition of any area is dependent on state agricultural policy at the state level.

1.3. Result discussion

In particular, important areas in assessing efficiency of implementing state support programs of agricultural producers and development of rural land include implementation of sociological monitoring to study social-emotional climate in rural communities, definition of specific criteria for participants' activities in the production process, changing the characteristics of state programs for the next year, implementation of programs aimed to achieve stable social position of rural population, and ensuring the effective functioning of all program participants as a result (Mindeli & Vasin, 2014).

Selection of scientifically reasoned threshold values is of fundamental importance for classification results of state regulation of agricultural sector development as productive or ineffective. This selection must be made in accordance with target indicators of AIC establishment at the national and regional levels, development priorities areas of industry in mid- and long-term perspective by making additional adjustments to the amount of state support, depending on changes at the macro-level.

The study of effect from fiscal subsidies allocated in the framework of state aid program of investment activity in AIC suggests that their assessment should be carried out from how approved spending on a program allows us to achieve the set objectives in terms of minimising costs.

Agriculture in Kazakhstan is considered to be a strategic sector of economy, performing functions mainly for state and society. The economic importance of agriculture is an ability to obtain a synergistic result from the development of this industry through various inter-industry linkages. Agriculture has multiplicative qualities and could become a financial engine for the state within crisis, giving opportunities to use virtually limitless resources for increasing GDP. This study demonstrates that reorientation of economy from the export of energy raw materials to priority development of agriculture would allow Kazakhstan to increase GDP by dozens of times, to ensure load of enterprises in all economic sectors of agriculture, to raise employment rate, to solve almost all the social problems and ensure successful development of agriculture, guaranteeing territorial unity and integrity of the republic (Sandu, 2013).

Under such conditions, economy of Kazakhstan is currently becoming increasingly open to global markets, agriculture will be able to attract investments only if they are profitable, and foreign trade political activities and price regulation policy are stable and conducive to integrate into the world economic system. Illogic market intervention, price and market regulation and significant disparity in supporting extent for different agricultural areas inhibit the formation of elastic and competitive agricultural market.

According to the studies, main shortcomings of existing mechanism for subsidising agribusiness at the regional level include fuzzy criteria for evaluation of agriculture needs in grants and subsidies, lack of clear targeting of funds allocated. Main socio-infrastructural problems of rural development, which are solved in the context of state support to agriculture, include low living standard of rural population, high levels of labour migration, lack of specialists and farmers, high degree of deterioration of the main park with technical means and poor technical infrastructure.

Single system of agriculture state regulation improving pays a special attention to development of organisational and economic mechanism for state support of agriculture in the region of Kazakhstan, which is based on the following principles:

- rationality and validity of AIC state support extent;
- efficiency of state support measures in solving urgent problems of agricultural development;
- availability of state support for all the categories of agricultural producers;
- openness and validity of state support volume planning system;
- support flexibility, constant monitoring, timeliness and fast responsiveness, adoption of appropriate measures when situation changes in the agricultural market;
- systematic control over target use of budgetary funds, timely provision of state support and its effectiveness.

Selection of more effective strategic areas, forms and methods of state support in agriculture should be implemented, depending on challenges facing the AIC of Kazakhstan and its regions, in this specified time period and at the macro-level, and in separate areas (Timofeeva & Kolesnikova, 2013).

The macroeconomic unit of AIC development state regulation includes ways and mechanisms, promoting macroeconomic criteria for effective functioning of economic entities in the agricultural sphere. This unit includes methods of state management for agro-industrial production, taking into account specifics of reproduction processes in agriculture, describing the need for state support of agricultural organisations and other groups of producers in agriculture and other economic entities of agrosphere.

There are mechanisms within the sector unit, which support production development and social infrastructures in rural areas, promote formation and active development of markets for agricultural and other products. The regional unit consists of mechanisms of state aid measures, increasing the level of social infrastructure and engineering arrangement development of rural settlements, implementation of regional programs of agricultural development, environmental conservation and protection, increasing food availability (physiological and financial). Marked meso-mechanics allow us to account for specific features of agricultural methods in certain territories and guarantee the possibility of exploring evidence-based interventions, depending on the economic and social differentiation of regions in Kazakhstan.

AIC formation in the region of Kazakhstan aims to improve food supply to the population on the basis of natural-resource renewal, industrial and labour potential of agricultural sphere and improve financial relations between economic entities (Epstein, 2015).(Epstein, 2015)

Regulation at the state level of investment activity in agriculture plays an important role as agricultural and investment policy, implemented by federal authorities. As they conduct normative and control activities, a joint vector for AIC development to build the same sector for all legal entities in RK is established, and these constituent entities of RK should not be bystanders in this process.

Volumes and structure of expenses in regional budgets on AIC do not depend on the agricultural potential of the territory and focus on possibilities of regional budgets and protectionism orientation level of regional authorities.

Assistance programs for producers play a fundamental role in the structure of regional budget expenditures; costs of one-time programs have less importance than in the consolidated budget (Ajila, Satinder & Brar, 2012).

The prevalence of food programs can be explained by the desire of regions to achieve self-sufficiency in major agricultural products; at the same time, funds are often allocated to all products, without taking into account comparative advantages of regions, often leading to trade wars between territories and competition violations in the market.

The processes occurring during the transition period in the economy of Kazakhstan had a direct impact on the transformation of agricultural production in the republic. However, negative aspects of agricultural policy have significantly changed the structure of the scientific and technical potential of the AIC in the republic and its innovative activity.

At the moment, there is a lack of activity, energy and inertia in the scientific–technical sector of agriculture in the region of Kazakhstan. Furthermore, there is no governmental support for basic applied research, focused on appropriate implementation of multi-factor agro-climatic and production potential of the AIC in the Republic of Kazakhstan. Moreover, present innovative activity lacks characteristics of market economy, does not take into account the needs for rural producers in providing sufficient information and services to achieve the best conditions for farming in market conditions (Wu, 2014).

In accordance with studies, basis of agricultural production efficiency in the system of market transformations is characterised by the level and extent of application of scientific and technological progress results and state resource potential. However, on the one hand, functioning of food market directly depends on the level of agriculture development, and on the other hand, on efficiency of processing enterprises, processing and sales of AIC final products. Consequently, it is necessary to use an integrated approach in order to improve investment activity in agriculture. This approach involves the direction of targeted state support of industrial science on development, strengthening scientific and technical potential of research and accelerating innovation processes in agriculture throughout the production cycle.

A sufficient number of regulatory documents are currently adopted, focused on improving social and personnel work in rural areas (Turek, Maria, Adrian & Vasily, 2014).

Implementation of development plans for region and rural settlements suggest taking into account the following criteria:

- comprehensive analysis and forecasting of AIC establishment as a complex socio-economic system;
- analysis and study of population needs, interests and groups;
- definition of economic conditions for service sector functioning, study of their organisational forms;
- criteria evaluation for labour and population employment in the agricultural sector;
- development and improvement of distribution relations, including distribution of social goods (Wieck, Rudloff, Heucher & Heckelei, 2014)(Wieck, Rudloff, Heucher, & Heckelei , 2014).

For rational transition to innovative staffing in the AIC of the region, it is necessary to solve the following tasks:

- implementation of measures to form a complex of educational institutions of agricultural profile with technopark structure in the region of Kazakhstan;
- providing solutions to problems of entrepreneurial activity intensifying on the basis of latest results in scientific and production activities;
- formation infrastructure on the basis of agrotechnoparks to support entrepreneurship in agriculture and centres of advanced technology, training of analysts and auditors;
- formation of information-consulting service system in the agricultural sector on the basis of scientific and educational complexes.

In our opinion, formation of agrotechnopark structures is a key way of proper application and use of staff potential. This is directly related to the ability of these structures to organise production interaction of innovations, experts of agro-industrial complexes and agribusiness.

In addition, it is necessary to consider that agricultural enterprises, which are included in agrotechnoparks, have the right to lease farmland, equipment and other resources and receive new developments in return within sparing conditions that will be beneficial to both parties.

Moreover, we believe it is necessary to note that agrotechnopark structures should include financial institutions – banks, both private and public. Naturally, the government must also take its share of responsibility as funding of scientific developments and their introduction into production is a risk. We consider that it may be the real basis for innovative development in the agricultural sector, taking into account this risk share.

Agricultural innovation structure of the region has its own individual characteristics and depends on the state of natural and technological potential and possibilities of using human resources (Kerry & Vernon, 2006).

As experience of the region shows, problem-solving of personnel potential qualitative improvement for the AIC is possible only on the basis of close interaction of educational and scientific processes in agricultural production. This interaction will allow us to use intellectual, material and information resources more rational to form and train highly qualified staff to create and use effective educational programs for students and professionals who want to enhance their professional level. Therefore, for agribusiness development in the region of Kazakhstan, we organise conditions to form intensive agricultural production on the basis of scientific–technical and innovation activities. In addition, this requires establishing an authority for innovative activity management, which will be able to coordinate processes in a comprehensive study of scientific-technical progress results.

To a greater extent, existing problems are associated with the fact that the region has not established a comprehensive and systematic approach to agriculture development. In order to eliminate these problems, we developed a conceptual scheme to manage investment and innovative AIC development in the region of Kazakhstan.

As we know, regional programs of AIC support mostly focus on supporting production, while the republic facing a critical problem of rural development. Thus, rural development problem-solving is one of the key directions of state regulation at this stage. Overcoming this problem will allow to create necessary conditions for achieving sustainable growth in agriculture. In addition, increasing living standards of the rural population in the countryside and city should be the main long-term goal for social development.

Besides, it is necessary to note factors that affect directly living standards of the rural population. The primary factor is the level of population income depending on the level of agricultural production efficiency. The second factor is the development of living conditions in rural areas. However, we should be aware that employment in this industry may be reduced in connection with increasing efficiency of agricultural production. Therefore, it is necessary to take measures for establishing alternative employment in order to avoid such a situation. In addition, referring to living standards of population, it is necessary to take into account housing quality, access to basic public goods, possibility of socialisation, etc.

In addition, transiting economy and structural crisis in agricultural production define the relevance of establishing a national program for rural territory development. Slow implementation of the program may cause the emergence of deep social problems, in particular, chronically developing a low standard of living in rural areas, lowering the quality of human resources in the agricultural sector and, therefore, its effectiveness.

2. Conclusion

Having based on the results of our study, we should define such priority areas of investment policy in AIC of the region such as:

- establishment of livestock production on a new technical and technological basis. Thus, livestock will be assigned the role of agricultural development driver. It provides food processing with raw

materials, consuming significant amounts of plant production and agricultural workers with year-round employment;
- assignment of obligations on regional administration to create conditions for the establishment of agricultural credit and consumer cooperatives as the basis for the growth of commodity personal subsidiary and peasant farms;
- increasing the level and quality of the rural population's life through improvement of social and engineering infrastructure.

In order to make state regulation of agriculture clear and of certain legal form, it is necessary to adopt a relevant law. Moreover, legal consolidation of these provisions will allow to increase the effectiveness of state regulation in the agri-food sector of the republic and to establish a legal framework of agri-food policy for the long-term future.

In the framework of implementation of these provisions, possibility of increasing efficiency to use budgetary funds will grow significantly, thus, increasing supply of machinery and equipment to agricultural enterprises. In addition, introduction of these provisions will increase incentives for the development of infrastructure leasing in the republic.

It should be noted that ongoing and planned adoption programs and sub-programs are put in as the main goal of addressing critical socio-economic problems.

In order to stimulate regional economic growth and social stability, it is necessary to implement measures to create a system for housing construction crediting in rural areas in the region of Kazakhstan since such construction is the most significant tool to involve process-free savings into investments.

In our opinion, it is necessary to define a limited list of programs in AIC, which includes main areas of complex development. So, it is impractical to develop individual programs for cattle milk and meat production and fodder production as program activities will be repeated, lowering the overall efficiency and effectiveness. In addition, we should note that budget programs may change their status (from republic target into departmental and vice versa) in accordance with current legislation. The reason for this possibility is a change in basic positions of their structure.

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