

## Formation of Entrepreneurial Authority in Rural Areas

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**Abstract:** In our country, the structural changes in the rural economy and the gradual change of the institutional environment determined the directions of further socio-economic development of the village and served to implement the entrepreneurial initiative in general. However, at present, the organizational and economic rules of conducting business activities often do not take into account the characteristics of this activity in rural areas.

**Keywords:** labor resources, rural economy, labor market, diversification, organizational and legal forms of entrepreneurship, employment of rural population.

### INTRODUCTION.

Activation of entrepreneurship as the most mobile part of the labor market, which attracts the main part of rural labor resources, is today considered as one of the main factors of comprehensive solution of the main organizational and economic problems in rural areas. due to the diversification of the economic component and the flattening of negative trends related to the employment of the rural population, etc. The gradual change of organizational and legal forms of entrepreneurship, business functions, scopes and fields of application had a significant impact on the terminological essence included in its interpretation.

**Table 1 Stages of formation of the theory of entrepreneurship**

Steps	The brightest representatives
I-XVIII centuries (focusing researchers' attention on the presence of risk in business activities)	R. Cantilion, A. Smitha, D. Ricardo, J.-B. Sei J. von Thunen
II-XVIII centuries. - the beginning of the 20th century (focusing the attention of researchers on the personality of the entrepreneur and the functions he performs)	J. Schumpeter, A. Marshall, M. Weber, P. Drucker, P. Samuelson
The second half of the 20th century - (multifunctional model of entrepreneurship)	L. Mises, F. Haek, I. Kirzner
XX - modernity (the main link of business activity is not the rational use of resources, but the rationalization of the form and method of management)	O. Amosov, A. Asaul, A. Busygin, R. Khizrych, Z. Varnalii, M. Malik, S. Mocherny, L. Schwab, O. Shpikulyak, A. Vynogradska, V. Kolot, V. Syzonenko, V. Vitvitsky

According to some scholars, the process of developing the theory of entrepreneurship took place in four stages based on the understanding of the relevant practice [1]. According to the results of their generalization and additions to the relevant scientific rules identified in the works of the mentioned researchers, these stages are presented in Table 1 with their most prominent representatives.

As it turns out, at the first stage, attention is focused only on justifying the entrepreneur's risk. From a general point of view, it was emphasized that an entrepreneur is any person who has a strategic forecasting methodology and is ready to undertake future risks and whose actions are characterized not only by the desire to make a profit, but also by an absolute readiness for losses. In this context, it is worth noting that the concept of "entrepreneur" appeared in economic theory in the 18th century. and was often associated with the concept of "owner".

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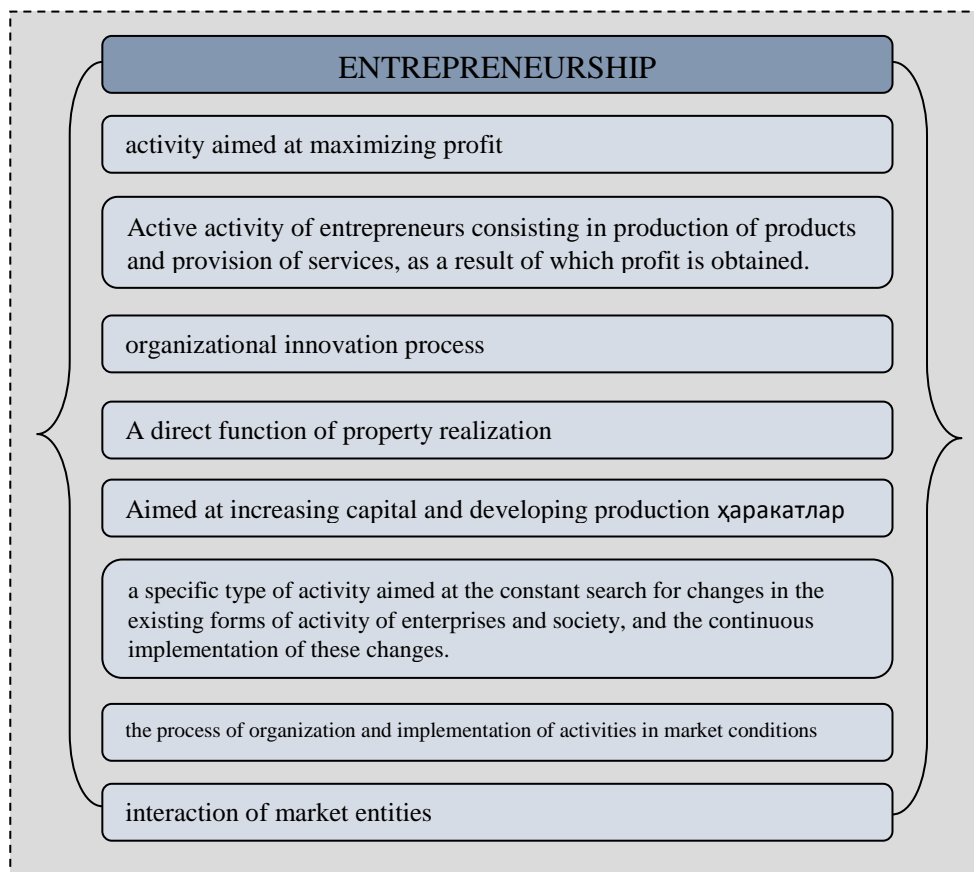
It is believed that the term "entrepreneur" was introduced into scientific circulation for the first time by the English economist R. Cantillon, whose activities are in accordance with the schedule. 1, refers to the first stage of the development of the theory of entrepreneurship. This world-famous scientist stated that an entrepreneur is a person with uncertain, unchangeable profit (farmer, craftsman, merchant, robber, beggar, etc.). He buys other people's goods at a certain price and sells his own at an unknown price [2]

Based on this interpretation, it can be argued that risk-taking is an integral aspect and, at the same time, an attribute of entrepreneurship. Continuing the discussion on the definition of entrepreneurship, from the point of view of substantiating the stages of its formation, we support the opinion of B. Kupchak [3], who emphasizes that the results of the study of classics of political economy by A. Smith and D. Ricardo are extremely important for the development of the theory of entrepreneurship.

These researchers considered entrepreneurship only in the context of the operation of the market mechanism of self-regulation; at the same time, a detailed study of new economic relations forced us to consider the development of the economy as a cycle.

Thus, A. Smith described an entrepreneur as an owner who takes economic risks to realize a certain commercial idea and make a profit. He himself plans, organizes and disposes of the results of production, but he realizes his own interests and contributes to the effective satisfaction of the needs of society. D. Ricardo considered an entrepreneur only an investor or a simple capitalist [4].

Under the conditions of the complexity of the rural economy, entrepreneurship in the village is an element of rural business, combining a set of institutional (economic, historical, legal, moral-psychological) relations. T. Usyuk said that the concept of "business" includes any type of activity that brings financial incentives and social benefit. In turn, the concept of "agribusiness" should be interpreted as a form of entrepreneurship in the field of agriculture, which includes production and service activities. Therefore, the generalization of the scientific approaches of local and foreign scientists regarding the definition of the essence of entrepreneurship shows the need to consider this definition from several positions (Figure 1).

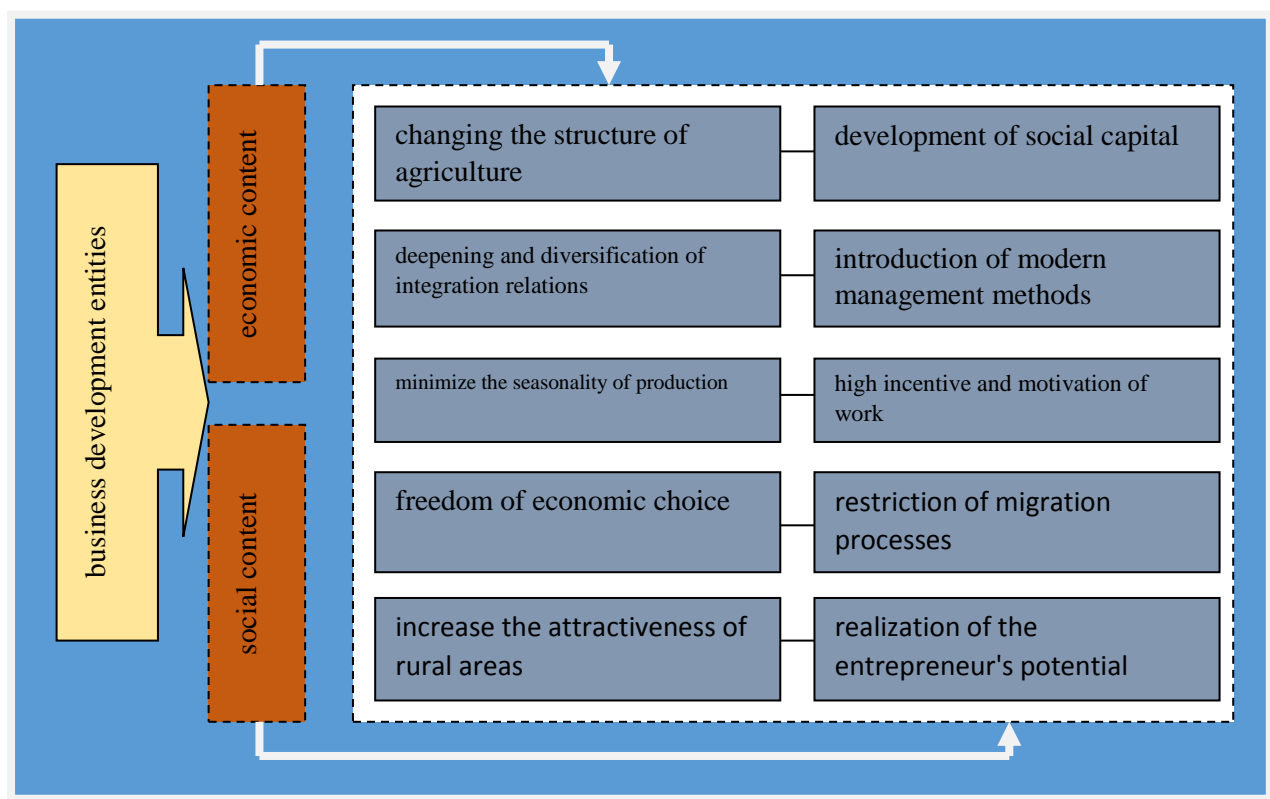


**Figure 1. Economic content of entrepreneurship from the position of systematization of scientific rules<sup>2</sup>.**

According to the accepted structure of the reproduction process (production, exchange, distribution, consumption), it is generally accepted to distinguish four areas of entrepreneurship, namely: production, commercial, financial and consumer areas. Other types of entrepreneurial activity, for example, innovative, marketing, are included in the four separately indicated. In turn, the essence of entrepreneurship and the limits of its implementation are closely related to the forms and types of entrepreneurial activity.

The decisive dependence of most types of production on the main production resource of rural areas - the land, as well as the presence of the seasonality factor, dependence on natural conditions, form restrictions for the processing of agricultural products in the primary industry in many ways. Taking this into account, the most adequate form of production organization in the village is the family form of small business.

At the same time, rural residents who are trying to improve their living standards, as a rule, do not want to change their established way of life. In addition, the desire of rural residents to run their own business, on the one hand, is due to their low financial capabilities, on the other hand, their reluctance to attract credit resources, and, first of all, the lack of entrepreneurial skills. Taking into account the specific features of the formation and development of entrepreneurship in rural areas, the socio-economic factors of the change in its operating environment are based (Figure 1.1.2).



**Figure 1.1.2. Socio-economic factors of environmental change for rural entrepreneurship development<sup>3</sup>.**

Therefore, the economic and social direction of business activity should be considered as a necessary condition for sustainable development of villages. At the same time, the economic component is based on changing the composition of the rural economy, freedom of economic choice, expansion of rural areas.

<sup>2</sup> Author development

<sup>3</sup> Author development



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