THE ROLE OF ECONOMIC SECURITY IN ENSURING COMPETITIVE ECONOMIC DEVELOPMENT OF AGRICULTURAL ENTERPRISES

Serhii Volyk¹, Anna Orel², Ihor Senchyk³

Abstract. The subject of the research is the study of economic security as one of the factors of competitive economic development of agricultural enterprises. Methodology. The article uses general scientific methods, in particular, theoretical generalisation, methods of analysis and synthesis, statistical analysis, and graphical methods to visualise the results of the study. The aim is to analyse the role of economic security in ensuring competitive economic development of agricultural enterprises. Conclusion. A reliable system of economic security is a crucial condition for the effective functioning of any business entity in a market environment. Ukrainian agricultural enterprises face numerous problems, such as depreciation of resource potential, insufficient financial and information support, and low level of management qualifications, which limit their ability to ensure economic security on their own. Identification, avoidance and neutralisation of various threats that can destabilise the functioning of an enterprise and threaten its economic interests are becoming the main tasks for every business entity. The development of an effective system of economic security and the introduction of mechanisms and tools for its management require a systematic study of both theoretical and applied aspects of the management of economic security of agricultural enterprises. The place of economic security in the competitive economic development of agricultural enterprises is decisive for the creation of sustainable and prosperous activities in the conditions of market competition. It becomes a fundamental element of competitiveness, which is the ability of enterprises to operate and develop effectively in an uncertain market environment. The main aspects of the role of economic security in the competitive economic development of agricultural enterprises include protection from external and internal risks, reputation management, support for innovation and technological development, financial stability, participation in market competition and sustainability of production. These aspects are generalised into a single practical system of economic security, which is the basis for the competitive economic development of agricultural enterprises.

Key words: economic security, agricultural enterprises, competitiveness, economic development, risks, threats.

JEL Classification: Q10, F52

1. Introduction

Agricultural enterprises are essential for rural development and are a major source of employment and social reproduction for many rural communities. Managing the economic security of farms is not only an economic issue, but also has a profound social dimension.

The economic security of an agricultural enterprise is aimed at ensuring its stable and effective functioning at the present stage and its development in the future. To achieve this goal, the farm must be financially stable, skilfully prevent the negative effects of risks, and ensure that its resource potential, organisational and management structure are appropriate to its tasks.

The economic security of an agricultural enterprise is defined as the state of its economic resources, providing a rational sectoral and organisational structure, taking into account the geographical location and natural and climatic conditions of

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activity. In this state, an agricultural enterprise can effectively counteract possible threats, achieve its objectives and implement the chosen development strategy.

The current situation in the Ukrainian agro-industrial complex, such as rising fuel and lubricant prices, insufficient agricultural financing, and economic and political instability, creates a system of threats to agricultural enterprises. These threats, mainly external, can significantly undermine the profitability and financial independence of farms. Thus, agricultural producers need to consider the likelihood of uncertainty and develop a set of measures to minimise risks and increase economic security in order to ensure competitive economic development.

Enterprises of the agro-industrial complex operate in the conditions of market relations in a specific position, which makes it difficult for them to fully participate in intersectoral competition. Agriculture, which depends on natural conditions and has a seasonal character of production, is less profitable and technologically backward compared to other industries. Market modernisation significantly changes the conditions of agricultural reproduction.

The economic security of farms depends largely on their financial and economic situation. At present, most farms in the agricultural sector are unprofitable and more than half have overdue debts. The fall in prices of purchased products does not allow producers to repay loans on time, putting pressure on credit institutions to increase requirements for borrowers and raise interest rates.

In view of these factors, the current state of the industry does not ensure the economic and food security of the country. The scientific literature has studied the basic approaches to certain aspects of the issue. However, the role of economic security in ensuring the competitive economic development of agricultural enterprises, taking into account their specific features and destructive factors, must be sufficiently considered.

2. The Need to Ensure Economic Security of Agricultural Enterprises

The processes of agricultural reform in Ukraine are complex. Today, they result in a difficult financial situation for agricultural enterprises, a significant decrease in the number of farm animals, losses in the livestock industry and a decline in the standard of living in rural areas. One of the reasons for this situation is the lack of proper consideration of possible risks and the absence of adequate tools and mechanisms to minimise them at the initial stage of reforms (Vasyltsiv, et al., 2018). Modern mechanisms for increasing the competitiveness of agriculture in Ukraine are associated with the implementation of the circular economy as a direction of more responsible use of available resources to increase the level of inclusiveness of the economy and sustainable development (Stepanenko, Kuzoma, Tymoshenko, 2023; Stepanenko et al., 2023).

The term "risk" means the probability of unforeseen losses of expected income, property and funds due to random changes in business conditions and the negative impact of adverse circumstances (Malaschenko, 2018).

Risks in agricultural production include the socio-economic environment, natural and climatic conditions and the human factor.

Threats to economic security include the impact of destabilising natural factors and subjective factors related to unfair competition and violations of laws and regulations that may lead to potential or actual losses for the organisation.

According to the researchers, regulation, government support and other measures at the national level affect the industry. The regional level provides for the adoption of programmes for the development of production and consumption of agricultural products, taking into account local conditions and resources. The sectoral level covers the activities of associations and integration structures (Tkachuk, Yaremova, 2019).

The notion of economic security at the level of an agricultural enterprise is complex and includes several possible aspects that form the economic security of the enterprise. The main challenges to the economic security of agricultural enterprises include the following:

- The low level of resource and technical support makes it impossible to provide production with the necessary amount of material resources;
- limited funds create financial problems for the company;
- the lack of investment complicates the process of reproduction of fixed assets;
- low employee productivity, which can affect production efficiency;
- the absence of qualified personnel at enterprises can complicate the workflow;
- irrational use of land resources can affect production efficiency;
- the company has a low level of price competitiveness compared to other market participants (Mashevska, Kolomiets, 2022; Zhyvko, 2012).

Managers of agricultural enterprises believe that the main factors contributing to their development are government support, availability of financial resources, sufficient technical support, high qualification and experience of employees, efficient use of land resources and improved product quality.

The study shows that the efficiency of agricultural enterprises is determined by the state of their finances,
which emphasises the need to pay attention to the problems of financial security as a component of economic security. Although the concept of financial security in agricultural enterprises has not yet been sufficiently studied, the results allow to define it as a management activity aimed at protecting the enterprise from risks in order to ensure stable development and growth of equity (Kavun, 2009; Kozachenko, et al., 2003).

The financial security management system, which includes diagnostics, monitoring the state of the company and forecasting possible threats, is crucial to ensuring stability. It is recommended to create an economic security service, which will act on the basis of the principles of manageability, consistency, coherence, priority, fairness, balance and coherence, taking into account the principles of objectivity, complexity, responsibility and efficiency. For small businesses, an anti-crisis manager or advisory services are recommended (Utenkova, 2018).

Improving the level of economic security requires the development of an effective organisational and economic mechanism, which will include monitoring, measures to improve the level of security and control over the effectiveness of the implemented measures. The optimisation of functional components through the rational allocation of resources is identified as an effective way to improve the economic security of agricultural enterprises.

Achieving economic security for agricultural enterprises to ensure competitive economic development involves several tasks and strategies specific to the agricultural sector. These are some of the key aspects:

   – Introduction of modern agricultural technologies to improve productivity and product quality.
   – Use of automation and mechanisation to optimise processes.

2. Resource management.
   – Rational use of land resources and improvement of the irrigation system.
   – Efficient use of water, energy and human resources.

3. Cost reduction and production optimization.
   – Analysis of costs and implementation of strategies to reduce them.
   – Optimisation of the supply chain and logistics.

4. Market development and marketing.
   – Development of marketing strategies for the sale of agricultural products.
   – Diversifying sales markets and expanding export opportunities.

5. Human resources:
   – Development and training of personnel in the field of agricultural production.
   – Implementation of modern methods of staff management and motivation.

   – Use of environmentally friendly technologies and production methods.
   – Compliance with environmental standards and implementation of sustainable agricultural production systems.

7. Risk management.
   – Assessment and management of risks related to climate change, market conditions and other factors.
   – Developing strategies to adapt to economic and natural threats.

8. Innovation and research.
   – Participation in research and development to create new varieties, technologies and production methods.
   – Cooperation with scientific institutions and agro-technology companies.

   – Rational financial planning and efficient use of financial resources.
   – Attraction of investments to modernise and develop production.

   – Building partnerships with other business entities and organisations.
   – Participation in agricultural associations and cooperatives.

   These tasks are aimed at ensuring the sustainable development, efficiency and market competitiveness of agricultural enterprises.

The economic security of agricultural enterprises, regardless of their organisational form, is considered not only as a condition for reducing the risk of crises, but also as a support for sustainable and practical development of the enterprise. The scientific literature contains many basic principles of the system of economic security of agricultural organisations, but the tools for their practical implementation require revision, research and legal support. The interaction of the categories "competitiveness", "risk" and "economic security" needs to be scientifically substantiated.

The organisation's competitiveness is a key factor in determining the conditions for the company's economic security, especially in the face of epidemiological, political and economic difficulties. The current context requires a new approach to managing an organisation's economic security, including strategic alternatives to maintain competitiveness in the long term.

3. The Importance of Economic Security in Ensuring Competitive Economic Development of Agricultural Enterprises

Assessment of competitiveness and economic security of agricultural organisations requires a scientific approach to management decision-making.
and developed methods and tools for analysing the risk management system at enterprises.

In order to develop effective mechanisms for ensuring the competitive economic development of agricultural enterprises, a comparative analysis of existing approaches was carried out, focusing on aspects such as the nature, object of management and sources of competitive advantage. The results of this analysis led to two main conclusions. First, existing approaches do not interact with or exclude each other. Second, in modern conditions it is necessary to find the optimal combination of methodological approaches to ensure the competitive economic development of agricultural enterprises, which best takes into account the specifics of the enterprise's internal and external environment. Based on the obtained conclusions, the study formulated the methodological basis for ensuring the competitive economic development of agricultural enterprises, which is reflected in Table 1 (Tkachuk, Yaremova, 2013; Zaychenko, Kovalenko, 2013; Volyk, Lukhar, Bril, 2023).

It should be noted that no company is immune to economic threats in a situation of fierce competition. The system of ensuring economic security implemented in the organisation should not only promptly signal possible threats from the external environment, but also effectively respond to them and prevent their occurrence. Ensuring economic security enables organisations to withstand environmental threats and remain effectively competitive in the market. Maintaining and strengthening the company's position is achieved by increasing its competitiveness.

It is generally accepted that an enterprise is considered economically protected if at least 50% of production costs and other processes are carried out at its own expense (Antoshkin, 2018). Economic security is important for the company's position and is based on the full provision of resources, stable economic relations and financial stability. These factors form the basis of financial security and allow the company to effectively counter possible economic threats.

Successful competition in the marketplace is closely linked to the economic stability of the company. A stable, economically sustainable company has a competitive advantage over others and can attract investment and grow. Economic stability also contributes to attracting highly qualified specialists, increasing productivity and business development. In the context of economic instability and a competitive environment, ensuring economic security becomes essential for the survival and increased competitiveness of the enterprise (Sukhanova, 2019; Sosnovska, et al., 2018).

The place of economic security in ensuring the competitive economic development of agricultural enterprises is determined by the critical role it plays in creating sustainable and prosperous activities in the conditions of market competition. Economic security is a fundamental component of the competitiveness of agricultural enterprises. It determines their ability to function and develop effectively in conditions of instability and uncertainty in the market environment (Kachanivska, 2015).

The main aspects of the role of economic security in ensuring the competitive economic development of agricultural enterprises include the following:

1. Protection against external threats. Economic security protects agricultural enterprises from external factors such as fluctuations in agricultural

<table>
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<th>Principle</th>
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<td>Focus and unity of purpose</td>
<td>Subordination of the enterprise's competitiveness management to a clear goal embedded in the overall system of goals of the enterprise.</td>
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<tr>
<td>Consistency and integration</td>
<td>Consideration of competitiveness as a system and as a part of higher-level systems (competitiveness of a region, country), reliance on complex information systems with a distributed architecture.</td>
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<td>Combined control with feedback and environmental disturbance with the formation of a preventive effect</td>
<td>Combination of various methods of managing the organisation's feedback with the external environment, which simultaneously allows implementing the principle of dual control, when control affects the management of the object and serves to study its properties and patterns for subsequent management actions, which increases the adaptability of management and creates a basis for preventive actions.</td>
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<td>Adequacy</td>
<td>Management should make decisions adequate to the actual situation and its development trends.</td>
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<tr>
<td>Dynamism</td>
<td>Different environmental conditions should lead to adjustments or changes in individual elements and the enterprise's competitiveness management system.</td>
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<td>Dual innovation</td>
<td>On the one hand, the management of enterprise competitiveness should be focused on innovation, especially product innovation. On the other hand, management should be based on innovative management methods and technologies.</td>
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<tr>
<td>Basing on the economics of knowledge</td>
<td>The competitiveness potential of an enterprise is determined by the level and interaction of the knowledge economy at the macro-, meso- and micro-economic levels.</td>
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prices, changes in legislation, international trade and economic restrictions. This allows businesses to adapt to changes in the external environment and remain competitive.

2. Resilience to internal risks. Economic security helps agricultural enterprises manage internal risks, such as financial difficulties, lack of resources or management problems. Ensuring the stability of the internal situation allows enterprises to develop effectively and invest in new opportunities.

3. Preservation of reputation. Economic security includes the management of a company’s reputation. A strong reputation is an important asset for competitive agricultural businesses, as it influences brand perception, facilitates interaction with partners and ensures consumer confidence.

4. Innovation and technological development. Economic security allows agricultural enterprises to invest in innovation and adopt the latest technologies. This helps to increase productivity and product quality and provides a competitive advantage.

5. Financial stability. Economic security includes effective financial management and planning, which is the basis for financial stability. Ensuring financial stability allows businesses to invest in development and withstand economic difficulties.

6. Participation in market competition. Economic security creates conditions for active participation of agricultural enterprises in market competition. This includes searching for new markets, expanding the range of products and improving marketing strategies.

7. Stability and sustainability of production. Economic security guarantees the stability and sustainability of production, which is critical to ensuring the continued supply of products to the market and meeting customer needs.

All these aspects combine to create an effective system of economic security, which serves as a basis for competitive economic development of agricultural enterprises (Chaikivskyi, 2014; Demchuk, Tubolets, 2016).

Economic security and competitiveness are in constant interaction. These concepts are characteristics of both the national economic complex as a whole and its constituent parts. Competitiveness is a goal and an indicator of the level of development of the national economic complex, while economic security is a crucial condition for its existence. The higher the level of development of factors determining competitiveness, the more stable and viable the country’s economy will be in the face of external and internal threats (Kudryavceva, Kudryavtsev, 2015).

The purpose of ensuring the economic security of the enterprise is to have a comprehensive impact on potential and actual threats, which allows the enterprise to function successfully in unstable conditions of the external and internal environment. The mechanism of managing the economic security of the enterprise provides for the implementation of a set of measures to protect economic activity from internal and external economic risks. This approach involves not only reacting to current

Figure 1. The importance of economic security in ensuring competitive economic development of agricultural enterprises
threats, but also planning and implementing strategic measures to prevent possible problems in the future. The main goal is to create a sustainable system that can effectively withstand the challenges of the economic environment and ensure the sustainability of the enterprise in the face of changes (Kraievs'kyi, Bohdan, 2023).

Declining competitiveness is a threat to economic security, and the latter is a prerequisite for ensuring and increasing competitiveness. The "competitiveness-security" system is a complex system, the behaviour of which depends on a number of factors of different nature (Yelistratova, 2013).

The formation and development of the domestic economy, the integration of Ukraine into the world economic space, and the spread of globalisation processes are leading to increased competition and a growing importance of achieving the efficiency of economic activity and ensuring the financial stability of the enterprise. This determines the need to create a solid foundation for economic security.

Today, agricultural enterprises, like most other enterprises, are experiencing difficult times associated with the factors of globalisation and integration, military conflicts (Iryshcheva, 2022; Popadynets, 2021). The external environment of enterprises is becoming increasingly dynamic and uncertain, which leads to increased risks and threats. These include such important aspects as unfair competition, insolvency of business partners, economic espionage, loss of trade secrets, illegal acquisitions and mergers, and raids. These phenomena require effective management of the company’s economic security, development of strategies and improvement of implementation methods to ensure sustainable competitive positions in the market (Utenkova, 2021; Zos'-Kior, Sokolova, 2012).

In a market economy, where competition and unforeseen situations exist, risks become an integral part of economic and production activities. This affects the level of economic security of the enterprise. Negative trends such as inertia in the production structure, physical depreciation of equipment, technological backwardness and low levels of investment threaten the economic security of domestic enterprises. Thus, the availability of effective mechanisms for increasing economic security becomes extremely important for ensuring the competitiveness of the enterprise.

Coordinated management, formation of strategies and setting of development goals, optimal structure of sales and logistics, and rational use of resources are just some of the critical aspects that need to be considered when increasing competitiveness and ensuring the economic security of an enterprise in the modern economic environment. The role of regional public administration in the formation of economic security strategies of enterprises remains important (Iryshcheva, 2022).

A comprehensive and systematic approach to organising the economic security of an enterprise is crucial to ensuring its reliable protection. The economic security system of an enterprise includes strategic, tactical and operational measures aimed at protecting the enterprise from external and internal threats and creating unique opportunities to counter them in the future.

4. Conclusions

The effective functioning of any business entity in a market environment is determined by the existence of a reliable economic security system. Many unresolved problems, such as a high degree of depreciation of resource potential, insufficient financial and information support, and low level of management personnel qualifications, limit the ability of most agricultural enterprises in Ukraine to ensure economic security on their own.

Identification, prevention and neutralisation of various threats that can destabilise the functioning of an enterprise and threaten its economic interests, identification of ways to create an effective economic security system, as well as development of mechanisms and tools for its effective implementation are becoming critical tasks for every business entity. These tasks require a systematic study of both theoretical and applied aspects of managing the economic security of agricultural enterprises.

The role of economic security in the competitive economic development of agricultural enterprises is crucial for creating sustainable and prosperous operations in a competitive market environment. This security is a fundamental element of competitiveness that shapes the ability of enterprises to operate and develop effectively in an uncertain market environment.

The main aspects of economic security in ensuring the competitive economic development of agricultural enterprises are protection against external and internal risks, reputation management, support for innovation and technological development, financial stability, participation in market competition and production sustainability. These aspects are summarised in a single practical system of economic security, which is the basis for competitive economic development of agricultural enterprises.

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