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FINANCIAL SUPPORT FOR THE DEVELOPMENT OF AGRO-INDUSTRIAL ENTERPRISES OF UKRAINE

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Abstract

The article clarifies the main features of the organization of finance of agricultural enterprises. Internal and external sources of financial resources of agricultural enterprises are considered. The composition and structure of financial resources of agricultural, forestry and fisheries enterprises are analyzed. The state of crediting of the enterprises of agrarian and industrial complex of Ukraine is found out. Banking programs in the field of lending to agricultural enterprises are described. The terms of crediting (purchase of new and used equipment and machinery) of agro-industrial enterprises have been clarified. The necessity of expanding the tools of interaction of the banking system with the agricultural sector of the economy is substantiated.

Keywords: financial security, financial resources, financial results, bank credits, crediting programs, leasing.

Formulation of the problem. The formation of preconditions for competitive and innovative development of agricultural enterprises is impossible without a sufficient level of financial security. Mobilization of financial resources in the amounts necessary for the domestic agricultural sector is possible only if the construction of a rational organization of financial relations at all levels: from small agricultural producers to large agricultural holdings.

Modern domestic practice of formation and use of financial support for the development of agricultural enterprises is characterized by instability of income sources, their small volumes. These problems are exacerbated by the volatility of the national currency, lack of financial resources, unresolved land reform, high competition in foreign and domestic markets, the dependence of agricultural producers on natural and climatic conditions. All this presupposes the need for scientific substantiation of effective forms and methods of attracting promising and unused sources of financing of agricultural enterprises to achieve high performance of their financial and economic activities and ensure financial stability of the agricultural sector of Ukraine in general.

Analysis of recent research and publications. Theoretical and practical aspects of financial support

for the development of agricultural enterprises were studied by scientists: L. Alekseenko [1], R. Bezus [2], L. Dikan [3], O. Zhydyak [4], K. Zakhohay [5], N. Levchenko [7], V. Matskiv [9-10], O. Oliynyk [11], M. Sokolov [17], P. Stetsiuk [18], N. Tanklevska [19], O. Tulay [20], I. Furman [22], M. Shchuryk [23] and others. Paying tribute to the significant contribution of these scientists in the study of the outlined problems, we consider it necessary to point out the need for further theoretical understanding and clarification of certain issues regarding the financial support of enterprises of the agro-industrial complex of Ukraine. In particular, the study and justification of the structural characteristics of the financial resources of agricultural enterprises, the mechanism of their mobilization and promising areas of financing of the domestic agricultural sector.

Formation of research goals. The purpose of the article is to assess the state of financial support for the development of agricultural enterprises of Ukraine.

Presenting main material. The agro-industrial complex as a sector of the national economy combines different types of economic activity in the production of agricultural products, food, as well as their transportation to the final consumer. It forms about 17% of

GDP, so it is one of the main budget-generating and export-oriented sectors of the national economy, which determines the practical significance and relevance of research on the financial security of enterprises in this industry [12].

The effectiveness of agricultural development depends on various factors. Among them, the priority role is played by the financial aspects of the industry in the context of its financial resources. After all, the continuity of the reproduction process and socio-economic progress of the agricultural sector, ensuring its competitiveness and increasing export potential, strengthening the country's food security depend on this.

The organization of finances of the enterprises of agrarian and industrial complex is caused by a number of defining features which serve as a leitmotif of their functioning.

These include:

- seasonality of production and demand for products of the industry and related fluctuations in cash flows and solvency of enterprises;
- dependence of the results of enterprises and, accordingly, sources of funding on the impact of natural and climatic conditions;
- adverse weather conditions, deterioration of the environment, especially for crop production and related processing industries;
- in agriculture, the main means of production is land, which is not depreciated and, therefore, does not participate in the formation of production costs. At the same time, different levels of natural fertility and location of the land contribute to the formation of differentiated income (rents) from producers;
- self-reproduction, which is characterized by the fact that a significant part of the received products is not part of marketable products and does not take the form of money, but participates in domestic turnover. Therefore, it is not sold aside, but remains for their own needs;
- the prevalence of indirect methods of state regulation of the agro-industrial market through the restriction or establishment of a certain level of prices and tariffs, the adoption of new standards for food, etc.

Therefore, agro-industrial enterprises form a seasonal gap between the terms of expenditure and income, which mediates the availability of certain amounts of working capital. their formation at their own expense is impractical, so the minimum stocks, costs and funds in the calculations are formed from own sources, and above it – from borrowed, which are more important in agriculture than in other industries. Of course, own internal sources are the main source of

funding for most businesses, including in the agricultural sector. The most important components are depreciation and profit. Profit plays an important role in the life of the enterprise, regardless of its form of ownership and organizational and legal form of management, because profit is:

- one of the main goals of business development;
- the main criterion for the effectiveness of entrepreneurial activity (the size and level of profit characterizes the degree of ability of business leaders and financial managers to successfully carry out financial and economic activities);
- one of the main internal sources of funds for self-financing of production and economic activities, provides funding for expanded reproduction, allows you to constantly increase the volume of operating and investment activities without resorting to the use of external sources of funds;
- the main protective mechanism that protects the company from the threat of bankruptcy;
- created at the enterprises, forms the financial base for economic development of the business entity and the state.

Other internal sources of financial resources are share contributions and the formation of authorized capital.

Regarding external sources of financial resources, they include: budget subsidies, grants and financial guarantees (as elements of the state mechanism) and loans, insurance, financial leasing, investment attraction, etc. (as elements of the market mechanism).

It should be emphasized that the optimal financing structure (balance of borrowed and own funds) allows farmers to make informed financial decisions and attract the necessary financial resources to finance their activities.

AIC enterprises can use different sources of financing in their activities, but the specification of methods and forms of financing is significantly determined by the peculiarities of the functioning of each of them separately. Moreover, the problem of financial security at the micro level is not the lack of financial resources at all, but access to them of a particular enterprise and the forms and methods of their distribution between sectors of the economy and economic entities. In this case, the funds of the same source of financial resources can be used to finance businesses in various forms.

During 2015-2019, the volume and composition of financial resources of Ukrainian enterprises in general and agricultural, forestry and fishery enterprises of Ukraine in particular changed (Table 1).

Table 1

Indicator	2015	2016	2017	2018	2019	Deviation 2019/2015	
						billion UAH	%
Enterprises of Ukraine							
Financial resources – total	8073,8	9991,8	9961,8	10878,1	11495,0	3421,2	42,4
incl. own	2288,7	2445,8	2458,5	2708,6	3092,8	804,1	35,1
of which: retained earnings (uncovered loss)	-893,8	-889,0	-854,3	-764,6	-356,6	537,2	150,6
borrowed, involved	5785,0	7546,0	7503,3	8169,5	8402,2	2617,2	45,2
of which: short-term bank loans	455,7	496,9	541,1	557,9	458,7	3,0	0,6
Enterprises of agriculture, forestry and fisheries of Ukraine							
Financial resources – total	685,8	1537,3	911,6	983,6	1030,3	344,5	50,2
incl. own	275,3	369,4	436,3	483,0	522,8	247,5	89,9
of which: retained earnings (uncovered loss)	188,7	262,4	318,5	340,6	376,9	188,2	99,7
borrowed, involved	410,5	1168,0	475,3	500,6	507,5	97,0	23,6
of which: short-term bank loans	27,8	29,1	46,9	54,8	52,4	24,6	88,5

Source: calculated for [12]

Thus, the total amount of financial resources of enterprises increased from UAH 8073.8 billion. to UAH 11,495.0 billion, or by 42.4%, but the main source of their formation was not profit. The amount of borrowed funds attracted increased by UAH 2,617.2 billion. or by 45.2%, as companies are catastrophically short of their own funds and they are forced to attract external resources, including short-term bank loans, the volume of which increased by 0.6%.

At the same time, agricultural, forestry and fisheries enterprises of Ukraine have a more positive dynamics of financial resources formation, the total amount of which increased by UAH 344.5 billion, or by 50.2%, including own resources increased by 247, UAH 5 billion, or by 89.9%. The amount of borrowed and attracted funds also increased by UAH 97.0 billion, or by

23.6%, and short-term bank loans – by UAH 24.6 billion, or by 88.5%.

Agricultural, forestry and fisheries enterprises tend to increase retained earnings (by UAH 188.2 billion, or 99.7% over the period under review). At the same time, the share of borrowed, attracted resources in the total amount of financial resources in 2015-2018 exceeds 50%, so we can conclude that these industries have a fairly high need for government subsidies and benefits.

Analysis of the structure of financial resources of Ukrainian enterprises (Fig. 1) shows that the share of own funds is constantly decreasing and therefore less refinancing of activities, does not improve the material base and does not provide expanded reproduction.

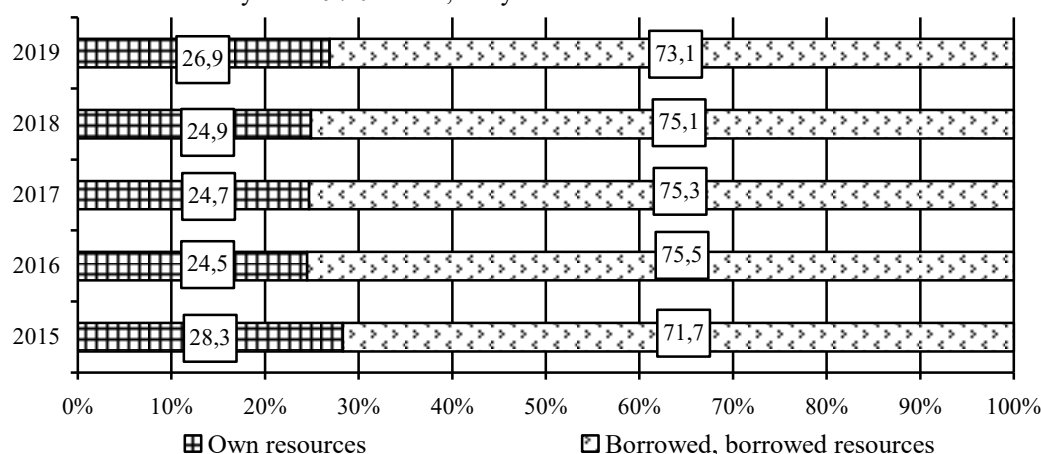


Fig. 1. The structure of financial resources of enterprises of Ukraine, 2015-2019, %

Source: calculated for [12]

Agricultural, forestry and fisheries enterprises have a slightly better situation with the formation of their own financial resources, but nevertheless, they also have a tendency to increase the share of borrowed

resources (Fig. 2). It seems that the economic and political situation in the country does not stimulate Ukrainian enterprises to be active, in contrast to agricultural, forestry and fisheries enterprises.

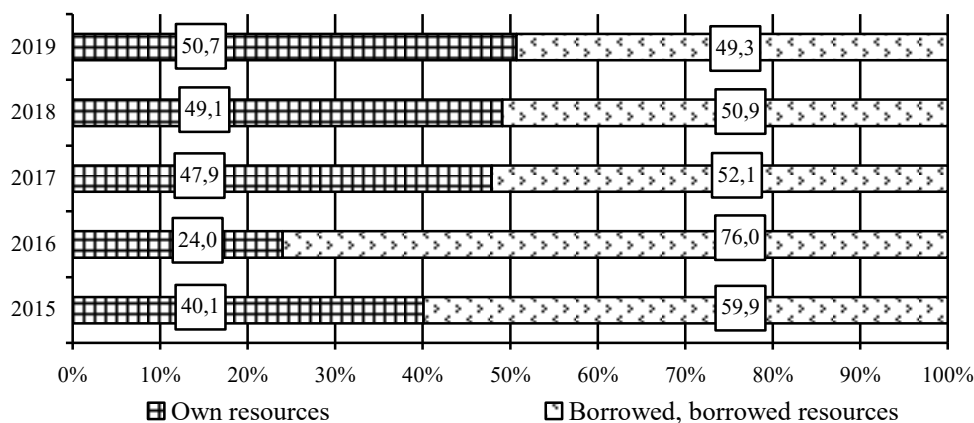


Fig. 2. The structure of financial resources of agricultural, forestry and fisheries enterprises, 2015-2019, %
Source: calculated for [12]

It should be noted that from 2015 to 2019 the share of equity increased by 10.6%. This trend is positive, as it indicates that Ukrainian enterprises are becoming less dependent on external sources of financing, as the share of loans and borrowings has decreased by 10.6% over the past 10 years.

Analysis of the sources of financial support of agricultural, forestry and fisheries enterprises of Ukraine for the period 2015-2019 (Table 2) shows that their

structure for the analyzed has changed, but there are some trends. Thus, the main source of financing the activities of economic entities in the industry was equity (except for 2015-2016).

Current liabilities have a rather high share (at least 40.2%), and in 2015-2016 they formed the largest part of the financial resources of agricultural, fisheries and forestry enterprises. The share of long-term liabilities was insignificant (maximum 9.9% in 2015).

Table 2

Structure of sources of financial support of the agro-industrial sector of Ukraine, 2015-2019, %

Indicator	2015	2016	2017	2018	2019
I. Equity	40,2	24,1	47,9	49,1	50,8
II. Long-term liabilities and collateral	9,9	4,0	6,5	8,4	9,0
III. Current liabilities and collateral	49,9	71,9	45,6	42,5	40,2
IV. Others	0,0	0,0	0,0	0,0	0,0
Total	100,0	100,0	100,0	100,0	100,0

Source: calculated for [12]

The analysis showed that this structure of funding sources has certain shortcomings. First, the high share of current liabilities contributes to the reduction of financial stability of agricultural, forestry and fisheries enterprises of Ukraine and the growth of their financial dependence on external creditors. It should be emphasized that the current liabilities have a short period of involvement – up to 1 year, which does not allow for sustainable development of economic entities in the agro-industrial sector of Ukraine. Second, the share of long-term commitments that are long-term and can contribute to the sustainable development of agricultural, forestry and fisheries enterprises is insignificant.

As for own sources, they are certainly an important component of ensuring the sustainable development of economic entities. Own financial resources for each enterprise are that vital part without which neither work, nor the further existence of the enterprise is impossible. Not for nothing among the classification of total capital, the division into equity and debt capital is in the first place. The available own resources allow the enterprise to use them both at own discretion, and in separate cases in the legally established directions.

The agricultural sector has a number of features, which include seasonality, long production cycle, high demand for credit resources, the use of leased land.

This, in turn, affects the formation of financial resources. It should be noted that during 2015-2019 the share of equity ranged from 40.2% in 2015 to 50.8% in 2019 (in 2016 alone it was 24.1%). If we compare these results with the results in Ukraine as a whole, agricultural, forestry and fisheries enterprises have a larger share of equity than the average Ukrainian enterprise. But they are still quite dependent on external sources of funding.

Own financial income can be formed as a result of internal cash flows in the form of net income from ordinary and depreciation extraordinary activities and external – contributions of the founders (shareholders), earmarked income, free financial assistance. It should be noted that the total amount of net income does not significantly change the amount of equity of the enterprise, because in the part of the replacement fund reproduces it, and in the part of net profit – multiplies. This determines the feasibility of a detailed analysis of the dynamics of equity of agricultural enterprises of Ukraine (Table 3).

During the study period, the equity of agricultural enterprises increased by UAH 247474.9 million, or by 189.9%, reserve capital increased by UAH 15,842.2 million, or by 184.8%, registered volumes of registered and additional capital increased (by 164.5% and 161.2%, respectively).

The main source of formation of own financial resources is profit. In 2019, compared to 2015, the net profit of Ukrainian enterprises increased by UAH 897,295 million, or 2.4%, and the enterprises of agriculture, forestry and fisheries decreased by UAH 9,593.7 million, or by 10,3%.

Table 3

Formation of equity of agricultural enterprises of Ukraine, 2015-2019

Indicator	2015	2016	2017	2018	2019	Deviation 2019/2015	
						UAH million	%
Registered capital	33580,2	40053,5	43762,0	54397,9	55255,3	21675,1	164,5
Additional capital	36836,9	46327,4	48778,0	59440,1	59369,1	22532,2	161,2
Reserve capital	18674,7	24443,1	28649,0	32807,8	34516,9	15842,2	184,8
Undivided profit	189692,1	262375,6	318501,0	340613,3	376904,7	187212,6	198,7
Unpaid and withdrawn capital	3480,1	3828,7	3352,3	4280,4	3267,3	-212,8	93,9
In general, equity	275303,8	369370,9	436337,7	482978,7	522778,7	247474,9	189,9

Source: calculated for [12]

The share of agricultural, forestry and fisheries enterprises that made a profit in 2015-2019 is significantly higher than the percentage of all profitable enterprises in Ukraine (Table 4).

Table 4

Profitability indicators of Ukrainian enterprises, 2015-2019

Indicator	2015	2016	2017	2018	2019	Deviation 2019/2015	
						billion UAH	%
Net profit (loss), billion UAH							
All enterprises of Ukraine	-373516,0	29705,0	168752,8	288305,5	523779,0	897295	240,2
Agricultural, forestry and fisheries enterprises	102849,1	90613,2	68858,5	71002,6	93255,4	-9593,7	-10,3
The share of profitable enterprises, %							
All enterprises of Ukraine	73,3	73,0	72,4	73,9	73,6	0,3	
Agricultural, forestry and fisheries enterprises	88,4	87,7	86,2	86,2	83,0	-5,4	

Source: calculated for [12]

In 2016-2019, in the field of agriculture, forestry and fisheries of Ukraine, the financial results from ordinary activities before taxation and net profit decreased compared to 2015 (Table 5). During this period, the first indicator decreased by UAH 9,096.2 million, or by 9.7%, and the second – by UAH 9,593.7 million, or by 10.3%. Profitability of operating activities during 2015-2019 decreased from 41.7% to 19.2%.

Table 5

Financial results of agricultural enterprises, 2015-2019

Years	Financial results from ordinary activities before tax, UAH million	Net profit, UAH million	Profitability of operating activities, %
2015	103137,6	102849,1	41,7
2016	91109,5	90613,2	32,4
2017	69344,1	68858,5	22,4
2018	71478,5	71002,6	18,3
2019	94041,4	93255,4	19,2
Growth rates in % by 2015			
Years	Financial results from ordinary activities before tax, UAH million	Net profit, UAH million	Profitability of operating activities, %
2015	100,0	100,0	100,0
2016	88,3	88,1	77,7
2017	67,2	66,9	53,7
2018	69,3	69,0	43,9
2019	91,2	90,7	46,0

Source: calculated for [12]

Data analysis table. 5 showed that in 2016-2017, the absolute indicators of financial results show a downward trend, which indicates a reduction in the economic effect of their activities. At the same time, the maximum growth rate of net profit was observed in 2019 and amounted to 90.7%. In addition, in 2015-2018, the profitability of operating activities decreased, but in 2019 it increased compared to 2018 by 0.9% (to 19.2%).

As a part of external sources of formation of own financial resources the basic place belongs to attraction by the enterprise of additional share (by additional contributions of participants) or joint-stock (by additional issue and realization of actions) capital.

Increasing the amount of funding from the state budget is a priority of investment policy in most countries. According to Ukrainian legislation, the share of expenditures on agricultural financing must be at least 5% of the state budget expenditure, but the actual amount of funding does not reach the declared indicators (Table 6). Since 2017, the volume of expenditures on agriculture has increased, respectively, their share in the total expenditures of the state budget has increased.

As the data of table. 6, the actual state support of the agricultural sector in Ukraine is low effective, does not compensate the costs of agricultural enterprises as a result of price and trade disparities.

Table 6

Expenditures of the state budget of Ukraine for agriculture, 2015-2019

Indicator	2015	2016	2017	2018	2019	Deviation 2019/2015	
						billion UAH	%
Expenditures of the State budget – total, billion UAH	576,9	684,9	839,5	985,9	1075,1	498,2	86,3
Agriculture, billion UAH	2,1	2,2	9,0	11,8	15,7	13,6	6.5 times
In % of total expenditures	0,4	0,3	1,1	1,2	1,5	1,1	

Source: calculated for [12]

Lending is important in the financial support of the development of agricultural enterprises. The state of lending to agricultural enterprises of Ukraine in 2015-2019 is given in Table 7.

Table 7

The state of lending to agricultural enterprises of Ukraine, 2015-2019

Indicator	2015	2016	2017	2018	2019	Deviation 2019/2015	
						billion UAH	%
Volumes of attracted loans: total, billion UAH, including	48425	55374	59706	67675	61600	13175	27,2
short-term	22059	24486	18008	24570	26689	4630	21,0
medium-term	20357	19781	22972	30242	31247	10890	53,5
long-term	6008	11107	18726	12863	3664	-2344	-64,0
Interest rate on loans,%	20,2	18,4	16,3	17,7	16,4	-3,8	
in the national currency	23,0	20,4	17,7	20,5	19,7	-3,3	
in foreign currency	10,7	10,7	7,3	6,9	6,5	-4,2	

Source: calculated for [14]

Considering the structure of bank lending by maturity, it should be noted that in 2019, loans granted for a period of 1 to 5 years predominate (Fig. 3).

Most bank loans are short-term for the current operating needs of the agricultural sector (preparation for

sowing with the purchase of fuel, fertilizers, seeds, planting material, fodder, etc.), and not long-term – for the development and acquisition of fixed assets, which allowed the special VAT regime.

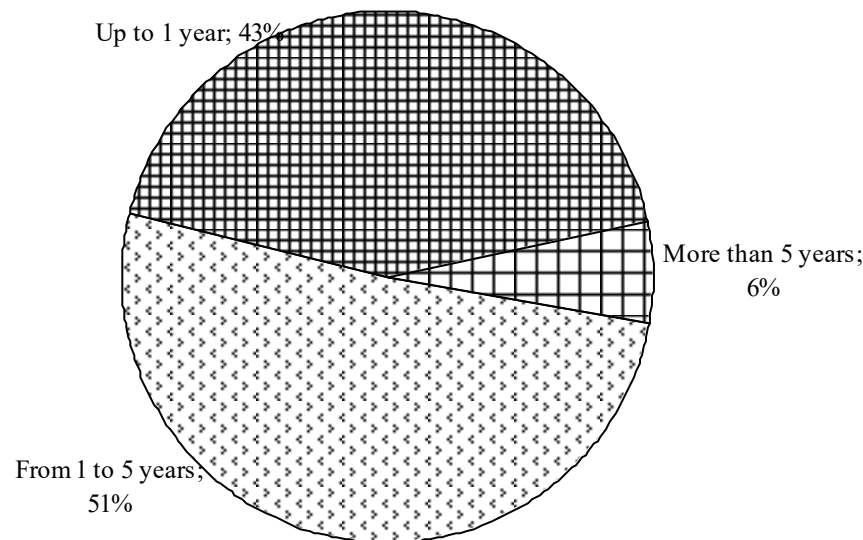


Fig. 3. The structure of bank lending to the agricultural sector of Ukraine in terms, 2019, %

Source: calculated for [14]

In accordance with the «Procedure for the use of funds provided in the state budget for financial support of measures in the agro-industrial complex by reducing the cost of loans», the following benefits are provided for bank lending to the agro-industrial complex:

- 1.5% of the discount rate of the National Bank of Ukraine, effective on the date of accrual of interest, but not higher than the amounts provided for in the loan agreements, reduced by 5%;
- compensation of interest rates on loans:
 - short-term, involved to cover production costs;
 - medium- and long-term, involved in the acquisition of fixed assets of agricultural production, the implementation of costs associated with the construction and reconstruction of agricultural production facilities, as well as for the construction and reconstruction of

production facilities [15].

To date, the banks that signed the Memorandum with the Ministry of Economic Development, Trade and Agriculture of Ukraine on the implementation of state support for agricultural producers include: Bank Vostok, MTB Bank, Motor Bank, Globus Bank, Raiffeisen Bank Aval, Ukrgasbank, OTP Bank, Credit Agricole Bank, Kredobank, Alfa-Bank, PrivatBank, Pravex Bank, Ukreximbank, Agroprosperis Bank, Oschadbank, Credit Dnipro Bank, IndustrialBank, Pro-Credit Bank and others [6].

The state support of the enterprises of agrarian and industrial complex of Ukraine is carried out on the directions which dynamics of volumes are resulted in Table 8.

Table 8

State support of agro-industrial enterprises of Ukraine, 2019

General fund of the state budget			Special fund of the state budget		
Direction of support	UAH million	%	Direction of support	UAH million	%
Financial support of measures in the agro-industrial complex by reducing the cost of loans	127	2,15	Financial support of measures in the agro-industrial complex	5000	9,21
Financial support for farm development	800	13,52	Providing loans to farms	44500	81,99
State support for the development of hop growing, establishment of young orchards, vineyards and berries and their supervision	400	6,76	Financial support of measures in the agro-industrial complex on the terms of financial leasing	4773	7,89
Providing loans to farms	200	3,38			
State support of the livestock industry	3500	59,16			
Financial support for agricultural producers	889				
Total	5916	100,0	Total	54273	100,0

Source: calculated for [6]

Direct state financial support of enterprises of the agro-industrial complex of Ukraine is provided through the mechanism of cheaper loans and compensation of lease payments. Depreciation of loans is carried out in the mode of credit subsidy and consists in subsidizing part of the fee (interest) for the use of loans provided by banks in national and foreign currencies. Compensation of lease payments consists in partial reimbursement of lease payments paid by business entities of the agro-industrial complex for purchased machinery and / or equipment on the terms of financial leasing.

At the same time, it should be noted that state support for agricultural enterprises in most countries is a priority of their agricultural policy. It is one of the external sources of formation of financial resources of agricultural enterprises.

The analysis of information of Ukrainian banks has determined that in the field of lending to agricultural enterprises, banks offer such programs:

- to replenish working capital – the program is aimed at financing working capital at any stage of the production cycle for the purchase of fertilizers, plant protection products, fuels and lubricants, purchase of breeding livestock, etc. (overdraft, credit line, term loan);
- for the purchase of agricultural machinery – a loan program for the purchase of machinery of foreign, domestic production;
- for the implementation of investment projects – the program is aimed at financing investment projects for the construction of fixed assets, such as elevators, warehouses, etc., as well as the purchase of equipment for the construction of these facilities [14].

Thus, today bank lending for agricultural production is the most common but expensive way to attract financing. There are a number of problems in this area, including the time structure of loans, most loans are given for a minimum period – up to 1 year, a significant loan price, most banking institutions do not have financial products for agricultural producers and treat them with caution due to the specifics of their activities. Obtaining credit, many agricultural producers have no credit history and no collateral to secure long-term loans, imperfect accounting of financial and economic activities of agricultural producers, etc.

Banks and the state today do not play a proper role in providing agricultural enterprises with sufficient financial resources. The high cost of credit resources, the lack of adequate collateral and the insufficient credit-worthiness of most small and medium-sized agricultural enterprises hinder the development of effective relations between banks and them.

The main problems of attracting credit resources by agricultural enterprises are as follows:

- insignificant profitability, which depends on the seasonal nature of agricultural production;
- lack of adequate credit security in most agricultural enterprises;
- lengthy procedure for obtaining a bank loan;
- industry risk, which is associated with a long operating cycle, seasonal nature of production and natural conditions;
- unavailability of financial services for small and

medium-sized agricultural enterprises;

- high interest rates, which are much higher than for other economic activities;
- lack of credit funds, specialized banks and appropriate lending mechanisms aimed primarily at the development and support of small and medium-sized agricultural enterprises;
- inefficiency and low state support of the industry – funds are allocated mainly without reference to technological needs, usually at the end of the year, which creates the preconditions for their misuse.

Analysis of these banks' sites made it possible to determine that in the field of lending to agricultural enterprises, banks offer the following programs:

- to replenish working capital – the program is aimed at financing working capital at any stage of the production cycle for the purchase of fertilizers, plant protection products, fuels and lubricants, purchase of breeding livestock, etc. (overdraft, credit line, term loan);
- for the purchase of agricultural machinery – a loan program for the purchase of machinery of foreign, domestic production;
- for the implementation of investment projects – the program is aimed at financing investment projects for the construction of fixed assets, such as elevators, warehouses, etc., as well as the purchase of equipment for the construction of these facilities.

The difference in terms of financing under credit programs is determined, inter alia, by the type of bank and, accordingly, its credit policy. It is advisable to determine that banks with a state share (PrivatBank, Oschadbank, Ukrgasbank) pursue, as a rule, a conservative policy, which consists in a careful analysis of credit risks and the use of tools to minimize them. The manifestation of such a policy affects the set of documents that must be submitted to the bank, the type of loan security, the amount of fees for the use of services, etc.

Examining the credit programs of banks aimed at replenishing the working capital of agricultural enterprises, it can be noted that in general the conditions for their use can be met by not all enterprises. This applies to both the use of resources and the fulfillment of security requirements. If in terms of loan fees, banks can not offer a fee lower than the fee for borrowed resources, then in terms of collateral there are additional issues. Some of them are related to the type of collateral (the best collateral for most banks is liquid assets), others – with the need to assess and insure it. Of course, by setting collateral requirements, banks seek to minimize the risk of the transaction and reduce the cost of forming reserves. It is in this part that there are inconsistencies between the available opportunities to use certain assets by agricultural enterprises as collateral and non-recognition of loans by the NBU as such, for which no provision is required.

Currently, in addition to the generally accepted types of property and property rights, double warehouse certificates and future harvests can be used as credit collateral when lending to agricultural enterprises.

In addition, Credit Agricole Bank and the largest domestic producer and exporter of agricultural products

NIBULON have a joint partnership program to lend to customers-producers on the security of grain stored in a certified grain warehouse. This product allows its users, on the one hand, as quickly as possible to obtain funds to replenish working capital, on the other – to ensure quality storage of their products in modern elevators. Grain (oilseeds) accepted as collateral (wheat 2, 3, 6 class, sunflower (seeds), rapeseed, barley, corn, soybeans) are stored in the certified grain warehouse of JV NIBULON, confirmed by double storage certificates, issued in accordance with the requirements of applicable law.

Lending secured by the future harvest provides especially small and medium-sized farms with the necessary financing for business needs. Such lending must take into account all possible risks, such as crop losses due to adverse weather conditions or due to illegal actions. Accordingly, these risks can be both the risks of the enterprise itself and the risks of the bank that accepted the future harvest as collateral for the loan. That is why the harvest must be insured. Only in this case there will be a 100% guarantee of compensation for damages to agricultural enterprises, and for the bank – the existence of a mechanism for the implementation of the mortgage right.

Agroprosperis Bank provides professional working capital financing to small and medium grain producers. Agroprosperis Bank, taking into account the specifics of agribusiness and having developed agricultural expertise, offers them financing secured solely by the future harvest.

Funding secured by the future harvest is possible due to the presence of a forward contract and the introduction of an innovative tool – agricultural receipts, which provides equal mutually beneficial conditions for both parties to the agreement. Agroprosperis Bank became the first bank in Ukraine to provide financing to grain producers for agricultural receipts.

Agricultural receipts are a new tool, primarily designed to improve access to finance for small and medium-sized agricultural enterprises and farms. This work is being actively supported by the International Finance Corporation (IFC, World Bank Group) Agricultural Receipts in Ukraine Project, funded by the Swiss Confederation..

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Avalization of promissory notes is the issuance by the bank of an aval on a promissory note, according to which the bank undertakes to pay the promissory note in full or in part for one of the persons liable for the promissory note in case the payer fails to pay the promissory note. on the bill in due time.

As a rule, the bank avalizes for the client, who is either the issuer of the promissory note or the drawee (acceptor) of the bill of exchange, commodity bills (in the form of promissory notes or bills of exchange), which are issued for payments for goods related to production and processing of agricultural products (namely: plant protection products, mineral fertilizers, seeds and other goods).

Promissory note avalization is carried out within the limits of promissory note avalization, which is set under certain conditions.

Noteworthy are the special offers of banks whose participants are partner companies. Thus, the partners of banks are powerful companies, such as among manufacturers and suppliers of plant protection products: Bayer, Syngenta, BASF.

Raiffeisen Bank Aval offers a financing program that allows you to purchase plant protection products, seeds, fertilizers, etc. with deferred payment on special favorable terms with the use of commercial bills. The partnership program with Bayer stipulates that the cost of avalization is lower than the cost under standard conditions for payment for Bayer CropScience TM products; Oshadbank offers for a promissory note issued in favor of Bayer or one of its distributors, the term of payment – up to 1.5 years from the date of the promissory note.

The increase in production and business expansion is inextricably linked with the renewal of the technical base. A separate issue regarding the cooperation of banks with agro-industrial enterprises is investment lending and financing the renewal of agricultural machinery. The latter among banking services is represented by loans and financial leasing.

Despite the fluctuations of the financial market, large banks and leasing operators consider the agricultural market of Ukraine as promising and offer a significant number of programs. However, high risks and limited financial resources have forced companies to take a tougher approach to selecting customers and assessing their creditworthiness (Table 9).

Table 9

Lending terms (purchase of new and used equipment and machinery)

Parameter	Characteristic
Maximum limit size	Up to 75% of the market value of agricultural machinery or equipment, the purchase of which is financed, and up to 90% subject to the provision of additional security
Loan term	Up to 60 months
Currency	UAH, US dollar, euro
Form of issue	The loan is provided in the form of a term loan or tranches under a non-revolving credit line. Cash is provided in non-cash form by transferring credit funds from the loan account to the current account of the supplier of equipment or machinery to be purchased.
Repayment schedule	Adapted to the proceeds from the sale of the harvest
Commission	One-time 1% of the amount of the set limit

Requirements for borrowers	1) a client specializing in the field of agriculture, with a business term of at least 24 months; 2) types of activity: cultivation of grain and oilseeds; milk production; meat production; growing other agricultural crops (in the presence of sales contracts with a well-known Western company); 3) stable financial condition and creditworthiness; 4) opening a current account in a bank and transferring turnover in proportion to the loan debt
Pledge requirements	The following property is accepted as collateral: 1) agricultural machinery and equipment purchased at the expense of credit funds; 2) as additional security – movable and immovable property belonging to the borrower or guarantor.
Collateral insurance	In any of the bank-accredited insurance companies of the client's choice

Among the offers of credit programs, Agroprosperis Bank deserves attention, which offers an innovative program of financing agricultural machinery secured by the future harvest. The purpose of the loan: to cover the cost of purchasing new or used agricultural machinery; loan term: currency: UAH- or US dollar; loan amount: up to 200 thousand dollars US or the equivalent in UAH; registration: in addition the forward contract for leveling of price risks on which advance payment is made is concluded.

UkrGasbank, within the framework of the cooperation agreement with the Government of the Republic of Belarus, offers three lending programs for the purchase of new equipment, agricultural machinery and vehicles manufactured in the Republic of Belarus and sold in Ukraine: «New equipment from the Republic of Belarus», «Agricultural machinery from the Republic of Belarus», «Vehicles from the Republic of Belarus». Loan term – up to 60 months; the interest rate based on compensation from the Government of the Republic of Belarus (the level of compensation is 2/3 of the discount rate of the NBU on the date of the loan agreement, but not more than 8% per annum) is differentiated depending on the term: up to 12 months – 11.8% per annum; from 12 to 24 months – 12.8% per annum; from 24 to 36 months – 13.0% per annum; from 36 to 60 months – 13.1% per annum.

Leasing is mostly affordable for medium and large farms. However, such banks as OTP Bank, Credit Agricole Bank, Raiffeisen Bank Aval, PrivatBank have cooperation programs with farmers.

If leasing is used, the minimum advance is within 30%, compulsory insurance in the amount of up to 1.0% of the cost of equipment, the fee for use in UAH 26-28%. Such conditions do not allow to use this type of financing to all enterprises that need equipment.

As interest rates rise, financial institutions are relying on partnerships with agricultural machinery manufacturers and distributors. Purchase of imported new agricultural and used equipment under the financial leasing scheme from PrivatBank gives the opportunity to purchase equipment from world manufacturers CASE and CLAAS without providing documents and departure to the agricultural enterprise. Leasing term – up to 5 years.

Raiffeisen Bank Aval offers similar programs with global manufacturers John Deere, CLAAS, AGCO (brands Challenger, Fendt, Massey Ferguson), CNH

(Case IH, New Holland), BELARUS. The affiliate program is designed for a period of 1 to 5 years with a down payment of 30% and a reduced rate of 15% to 22% depending on the term and size of the down payment.

Similar programs are available in portfolios and leasing companies. OTP Bank cooperates with manufacturers of agricultural machinery such as John Deere, CNH, AGCO, CLAAS, Berthoud, Manitou, Kuhn, Lemken and others. As in the case of lending, the company's partner leasing programs provide for a reduction in interest rates; down payment – 40%, lease term – up to 3 years.

There are also zero-down loan programs and commissions on the market, without the need to insure the object of lending or leasing. The pledge, as a rule, is equipment. Different repayment schedules are offered: monthly, quarterly or on an individual schedule. For example, you can postpone payments from the summer months, when the harvest continues and grain prices are traditionally low, to October-December.

Thus, the products of financing take into account the specifics of agriculture, banks apply an individual approach to each client, meeting the needs of each. The lack of activity in this market in recent years is largely due to the general economic situation in the country and regulation by the NBU.

Conclusions. Problems of effective financial management of agricultural enterprises require a constant search for optimal forms, methods and mechanisms that meet the needs of agricultural enterprises, economic policy priorities and the formation of preconditions for economic growth.

Agricultural enterprises have limited opportunities for self-financing of investment proposals. Among the external sources of agricultural enterprises prefer direct investment and soft loans. In this context, there is a need for practical use of new, progressive forms of financing the functioning of agricultural entities.

The development of mutually beneficial cooperation between banks and agribusiness entities is possible on the basis of the development of lending programs, a variety of collateral, the formation of tariff policy that takes into account the real risks.

The main directions of improving bank lending to agricultural enterprises should be the development of a set of measures by the state and banks aimed at devel-

oping a system of cooperation with the agricultural sector of the economy, namely: increasing budget support, rational use of budget funds, lowering interest rates for agriculture, improving valuation methods creditworthiness of borrowers, which would take into account the specific features of agricultural production.

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