

THE KEY BASIS OF THE FINANCIAL SECURITY MECHANISM REPRESENTATIVES OF SMALL BUSINESSES

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Abstract. *The purpose* of the work is to study the importance of the appropriate level of financing of the small business sector, as an integral component of the market economy, which provides solutions to a number of urgent needs of society, the determination of priority financial programs for their financing in conditions of military aggression. *Methodology.* The theoretical and methodological basis of the research is general scientific and special methods. Scientific knowledge: generalization, analogy, analysis and synthesis, induction and deduction (for clarifying the conceptual apparatus, theoretical generalizations of research results, conclusions and proposals); an economic-statistical, tabular research method is used. Theoretical and methodological approaches to the development of farms and cooperatives are substantiated. The understanding of the essence of small business is revealed and the economic and legal aspects of the development of the agrarian sector of the economy are analyzed based on a combination of economic and financial interests, the need to adapt to changes in the business environment, production technologies, as well as in the needs of buyers, because they saturate the market with goods and services, diversify the labor market with new jobs, ensure economic competition – the basis of the functioning of the market mechanism. *Results.* The understanding of the essence of small business is revealed and the economic and legal aspects of the development of the agrarian sector of the economy are analyzed based on a combination of economic and financial interests, the need to adapt to changes in the business environment, production technologies, as well as in the needs of buyers, because they saturate the market with goods and services, diversify the labor market with new jobs, ensure economic competition – the basis of the functioning of the market mechanism. An analytical assessment of the types of financial security showed that the involvement of various types of financial resources will improve the opportunity to gain competitive positions in the market of various financial products. *Practical consequences.* According to the results of the research, the priority directions for improvement were determined. An important component and leading direction of the credit policy in agriculture should be the creation of a preferential lending mechanism for agricultural producers. We also need a guarantee from the state in the provision by banks of interest-free and deferred payment targeted loans for the modernization and expansion of the material and technical base of agricultural production, the introduction of new technologies, the creation of enterprises for processing and sale of products in conditions of military aggression.

Key words: credit, lending activities, small and medium enterprises, financial and credit relations, lending programs.

JEL Classification: P34, G30, Q14

1. Introduction

Small agrarian formations play a significant role in the development of productive forces and ensuring the country's food security. Their appearance in the mid-90s of the last century and the increase in their number until now was evidence that the economically active rural population preferred the organizational and legal form of entrepreneurship in the village, legitimized at the legislative level. A farm, as an economy

that, according to structured division, belongs to small agrarian formations, according to the Law of Ukraine "On Farming" (On the peasant (farmer) economy, 2019) – a form of entrepreneurial activity of citizens with the creation of a legal entity who expressed a desire to produce marketable agricultural products, engage in their processing and sale for the purpose of obtaining profit on the land plots provided to them for farming. Commodity peasant economy is a form of



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organization of agricultural production carried out by the labor of family members on the basis of their private property in accordance with the Law on Personal Peasant Economy (On cooperation: Law of Ukraine, 2003).

Small business enterprises have the need to constantly adapt to changes in the business environment, production technologies, as well as in the needs of customers, because they saturate the market with goods and services, diversify the labor market with new jobs, ensure economic competition – the basis of the functioning of the market mechanism, which in new economic conditions is positioned as a rivalry between business entities for the best possible production conditions and a dominant position on the market, with the aim of meeting consumer needs and making a profit.

However, in modern economic conditions, the level of development of small agrarian formations in Ukraine is insufficient considering the role they should play in the national economy. Financial resources are the key basis of the financial mechanism for ensuring the development of small business representatives. The lack of financial resources is one of the main obstacles on the way to the development of small entrepreneurship and determines the need for involved and irrevocable sources, through the components of the credit system as part of the financial support of agricultural enterprises through the revision of state programs to support the development of farms and cooperatives in the light of the Concept of the Development of Farms and Agricultural Cooperatives.

The need for scientific research determines the relevance of research and ways of adaptation to the needs of agrarian formations, taking into account the peculiarities of modern economic conditions.

2. Literature review

The theoretical foundations of this scientific direction were laid by foreign scientists, in particular D. Ricardo, A. Smith, P. Heine, and others. The following domestic scientists made a significant contribution to the formation, formation and development of the theory and practice of the appropriate level of financing of the small business sector as an integral component of the market economy: O. Ermakov, G. Kaletnik, C. Kvasha, works of scientists: V. Goryovy (2007),

G. Partyn, A. Zagorodnii (2020), O. Klokar (2014), A. Velichko (2013) and other scientists.

Analysis of the scientific achievements of scientists and the problems of scientific intelligence are relevant and require further research.

In Ukraine, the agricultural sector plays an important economic role with a share in the gross domestic product of 9% (GDP in 2019). More than 14% of the population is employed in agriculture, according to 2020 data. In comparison, in Germany, agriculture accounts for 0.82% of GDP and only 1.17% of the population works in this sector (World Bank 2020).

One of the differences between a small and medium-sized business and a large one is that a large business attracts additional sources of financing for the expansion and development of the enterprise, while a small business enterprise seeks and attracts financial resources in the course of its current activities. The main problem at small enterprises is the lack of working capital, because the agriculturist sees the desired financial result of work only after harvesting.

Goryovy V. P. (2007) investigated the financial support of agricultural enterprises involves the use of all possible sources of financial resources.

At the first stage, financial resources are formed and used for the purchase of raw materials and materials necessary for the production of finished products. The second stage is directly the process of production of finished products, but at an agricultural enterprise it has its own characteristics related to the time of production of finished products. The company spends the largest amount of costs on the production of products.

Crop industry during the first and second quarters of the current year, and output occurs in the third quarter. Farms specializing in animal husbandry receive monthly output of finished products.

The third stage is the sale of finished products and the receipt of income from their sale. The receipt of financial resources from the sale of products occurs unevenly. The largest amount of financial resources comes in the third and fourth quarters, and the use of these resources in the first and second. The basis for this is an organic combination of sources, forms and methods of financing. To ensure the smooth operation of an agricultural enterprise, it is necessary to provide several alternative sources of financing, which are not mutually exclusive and can be used simultaneously.

3. The current state of financial support

The general problem, first of all, it concerns the need to substantiate and solve the issue of activation and improvement of the efficiency of financial and credit relations between small business enterprises and financial and credit institutions as a megatrend factor of the financial prerequisites of their competitiveness in the context of the use of alternative forms of financing.

The organization of the formation of the structure of sources of financial support is a contradictory process that depends on many factors, including the rhythm and timeliness of the inflow of funds in a certain period of time, directions of development for the future, financial condition, composition and structure of the market, feasibility of investing activities in the future.

Own sources of financial support play an important role in the organization of cash circulation, which ensures property and operational independence, financial stability of the enterprise (Goryovy, 2007).

Self-financing is based on the full payback of production costs, the expansion of the material and technical base of the agricultural enterprise and means the degree of coverage of current and capital costs at the expense of the entity's own sources of business activity, which are formed, mainly, at the expense of depreciation and profit.

In countries with a developed market economy, the level of self-financing reaches 60% or more (if less, the company's prestige falls) (Credit reduction program, 2020).

The basis of the formation of own financial resources is the size of the net profit of the enterprise as an indicator of the efficiency of its economic activity. It should be emphasized that profit today is a source of financing only at profitable enterprises. In today's difficult for the agricultural producer conditions of unprofitable production and significant tax burdens, profit as a source of formation of financial resources is significantly inferior to depreciation.

For a long time, an important own source of financing the renewal and reproduction of fixed assets was depreciation deductions, at the expense of which the owner invested in his production.

Depreciation policy in agriculture does not fully meet the modern needs of the development of the agrarian sector of the economy: it does not ensure the creation of the necessary conditions

for the normal reproduction of fixed capital, leads to a distorted reflection of the value of individual objects of fixed assets and the amount of their depreciation and, as a result, entails reduction of depreciation deductions accrued and attributed to production costs (Vinnytsia Region is creating, 2022). In addition, rising inflation constantly devalues the equity of enterprises, accumulated through depreciation deductions, and effectively devalues this source.

An important source of financial resources can be attracting funds from the shadow sector of Ukraine's economy. Its legalization by creating a favorable climate for investors would solve many financial problems and give an influx of additional investments. According to international standards, the share of the shadow economy at the level of 5-10% of the country's GDP is considered acceptable.

In small enterprises, the total amount of financial resources of the agricultural industry is constantly growing, which indicates the expansion of the scope of functioning.

At the same time, the structure of funding sources undergoes constant changes. So, the main type of financial support in small business is own capital. These trends indicate a change in the general structure of the sources of financial support of enterprises in the industry, which tend to increase the level of their financial dependence on external sources of financing.

Based on this axiom, it can be concluded that this situation is characterized by a high share of the imported component in the cost structure of agricultural products (agricultural machinery, equipment of livestock complexes, fertilizers, plant protection products, seeds and breeding material). It can be argued that, according to various expert assessments, about 2/3 of the money received from the sale of agricultural products is taken abroad, and does not work for the economy and well-being of the country. One of the directions for solving this problem is the development of state programs for the development of the agricultural sector and sub-sectors, which are oriented towards a competitive agricultural sector.

In our opinion, to strengthen competitive positions, agricultural enterprises can use the following forms of financing:

In order to achieve the determining trends in the positive effectiveness of the use of financial

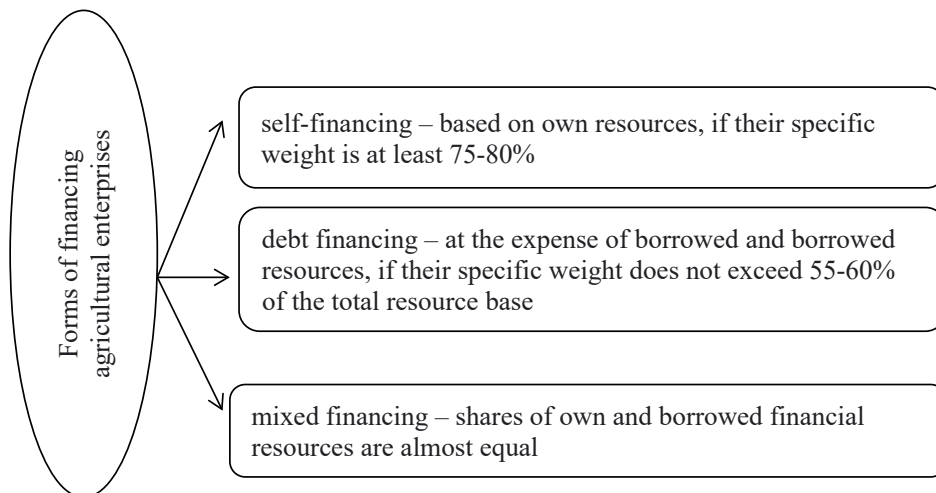


Figure 1. Forms of financing agricultural enterprises

resources, agricultural enterprises need to develop a strategy of financial support (Banking products and assistance programs, 2022).

Based on indicators of socio-economic development of the regions of Ukraine, we claim that the decrease and growth of agricultural production is evidenced by the problematic provision of financial resources for small business entities.

Agreeing with the well-founded positions, we affirm that achieving positive results of business entities and ensuring their competitiveness is possible only with a sufficient financial foundation.

Business entities, with the availability and quality of collateral, can choose which source of financing is more suitable for them:

- 1) Internal resources (i.e. financing from retained earnings, at the expense of capitalization or bank credit against the owner's deposit, etc.).
- 2) Agreeing with the well-founded positions, we affirm that achieving positive results of business entities and ensuring their competitiveness is possible only with a sufficient financial foundation.

Business entities, with the availability and quality of collateral, can choose which source of financing is more suitable for them:

- 1) Internal resources (i.e. financing from retained earnings, at the expense of capitalization or bank credit against the owner's deposit, etc.).
- 2) Traditional bank lending.
- 3) Commercial lending – prepayment of goods by buyers and installment payments to suppliers.
- 5) credit operations secured by securities owned by the company, with the transfer of ownership of these securities to the creditor for the duration of the credit.
- 6) Factoring, leasing, project financing, export financing, etc. (Banking products, 2022).

It is worth noting that as of 2020, UAH 71,573.2 thousand of state support was allocated to farms and small business representatives. The corresponding distribution of funds was approved under the budget program "Financial support of agricultural producers" under the direction "Financial support for the development of farms" in the following directions:

- provision of partial compensation for the cost of purchased agricultural machinery and equipment of domestic production for 2019 in the total amount of UAH 24,400.5 thousand.

Funds were received by 460 farms, which purchased 1,152 units of equipment.

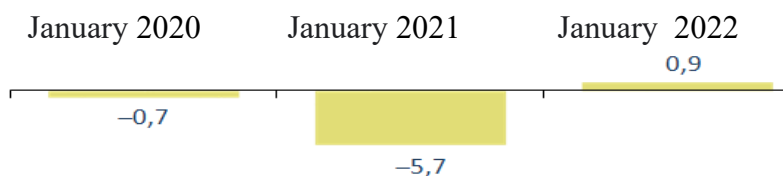


Figure 2. The volume of agricultural production of business entities.

– provision of partial compensation for the cost of seeds of agricultural plants of domestic production, purchased from natural persons – entrepreneurs and legal entities that carry out production and/or its sale in 2019 for the total amount of UAH 8,537.5 thousand.

Funds were received by 447 farms that purchased 3,368.4 tons of seeds.

– provision of a budget subsidy per unit of cultivated land (1 hectare) for newly established farms in the total amount of UAH 12,643.2 thousand. 225 newly created farms received funds provision of a budget subsidy per unit of cultivated land (1 hectare) to other farms for October-November 2019 in the total amount of UAH 25,992.0 thousand. 861 farms received funds (Banking products, 2022).

In 2021, the Government implemented the Farm Development Support Program in the following directions: budget subsidy for keeping cows; additional payment for the benefit of insured persons – members/head of the SFG without acquiring the status of a legal entity of the SFG; partial compensation of costs related to the provided agricultural advisory services; budget subsidy per unit of cultivated land (1 hectare) – to newly created farms; financial support on a revolving basis budget subsidy for keeping cows; budget subsidy per unit of cultivated land (1 hectare) – to newly created farms; financial support on a revolving basis.

It is also possible to receive compensation for domestic agricultural machinery. Partial compensation for the cost of purchased agricultural machinery and equipment of domestic production is provided to farms on a non-refundable basis in the amount of 40% of the cost of purchased machinery and equipment excluding VAT, specified in the act of acceptance and transfer and other documents confirming payment through the state bank.

According to the budget program "Financial support of agricultural producers", support is provided and distributed:

– under the direction "Partial compensation of the cost of agricultural machinery and equipment of domestic production" in the amount of 25% of the cost;

– under the direction "Financial support for the development of farms" in the amount of 15% of the cost.

Also, one of the important directions of state support is the reduction in the price of agricultural loans.

According to the results of the year, from the planned allocations in the direction of cheaper loans, the Ministry of Economy, in accordance with approved orders and submitted registers of recipients of budget funds, actually directed funds in the amount of UAH 1,047.7 million to authorized banks, or 99.9% of the planned amount, which were transferred to current borrowers' accounts. More than 4,200 borrowers who submitted applications to authorized banks received allocated budget funds.

The average interest rates of the banks, at which economic entities of the agro-industrial complex took out loans, were 18-22% per annum. Out of the total number of authorized banks that signed the Memorandum with the Ministry of Economy on the general principles of cooperation (36 banks), 33 banks took part in providing compensation for loans.

International financial organizations play a major role in lending to Ukrainian businesses, however, attracting financing from these organizations is a rather complicated and lengthy process, as a result of which it is possible to receive significant sums for the corresponding project at relatively low interest rates. The list of international organizations working in Ukraine in this direction is presented below:

1) European Small and Medium Business Support Program COCME.

COCME is a support program that includes a set of thematic projects and programs operating in the period from 2014 to 2020, with a total budget of €2.3 billion. There are 25 sub-programmes, which are classified in three areas: new access to external markets, promotion competitiveness and formation of business culture. Representatives of small and medium-sized businesses, public organizations, regional development agencies, business associations, state bodies and educational institutions can participate in COCME programs.

2) Programs from the European Bank for Reconstruction and Development: from the involvement of expert consultants to the provision of grants. The European Bank for Reconstruction and Development supports entrepreneurs in various industries, such as: food and beverage production, wholesale and retail trade, construction and engineering. Grants are issued for

activities related to business development, such as: IT consulting, marketing initiatives, transition to European reporting standards, access to foreign markets.

The main attention is paid to the development of business in the regions – 65% of projects are implemented outside Kyiv. The EBRD allocates grants to enterprises with less than 250 employees and whose period of activity does not exceed 2 years.

3) The German-Ukrainian fund provides microcredit programs and crediting of priority industries. Microcredit is a program for individuals, micro-enterprises, small and medium-sized enterprises. The spheres of production, services, agriculture and trade are financed. loan amounts are from €25 to €250,000 with a term of 3-5 years.

The Priority Industries Lending Program is financing and preferential conditions for agriculture, fisheries, food industry, small hotel development, green tourism, restaurant business, light industry, energy efficiency and energy saving projects, as well as projects to increase labor productivity and create jobs in underdeveloped and depressed regions. According to this program, loans from €100,000 to €300,000 are issued.

4) USAID lends to Ukrainian farmers through credit unions.

The United States Agency for International Development (USAID) has developed a loan project for Ukrainian farmers, the program of which is designed for the period from 2016 to 2020. But USAID is only responsible for financing the project, and its implementation is handled by the World Council of Credit Unions (WCSU). According to the statistics of the National com. Finn. services, this year the number of members of credit unions in Ukraine decreased by 13% – to 674.1 thousand people.

In terms of the number of participants, the unions of the Lviv region lead (110.7 thousand people), in terms of the size of assets – the unions of Kyiv and the Kyiv region (576.7 million hryvnias) (Credit reduction program, 2020).

In July 2020, the EU and Ukraine signed three new financing agreements worth EUR 105 million to support Ukrainian small agricultural enterprises and the development of small agricultural enterprises, as well as the Ukrainian authorities in implementing key reforms.

Support for agriculture and the development of small agricultural enterprises was provided with

25 million euros, which improved access to loans for small agricultural enterprises throughout Ukraine within the framework of the EU4 Business program and the approximation of Ukrainian legislation to EU legislation, in accordance with AA / DSFTA.

Another 20 million from the recently signed agreement is intended to improve the business/business 10 environment through the harmonization of Ukrainian and EU legislation, access to loans for the modernization of enterprises, consulting of enterprises by experts on the further development of entrepreneurial skills and access to global markets within the framework of the EU4Business initiative (EU4Business, 2020).

Many other individual states, as well as private and political initiatives actively work in Ukraine and support the development of Ukraine in various areas.

4. Problems of attracting and using funding

More than half of the population of Ukraine today has no monetary savings at all – neither in the form of bank deposits, nor in the form of cash. Among those whose monthly income does not exceed UAH 4,000, 77.6% of respondents answered that they have neither deposits nor available savings.

Among those who receive more than UAH 8,000 per month, 55.1% of respondents gave this answer. The reason that the population is slowly increasing the amount of its deposits in banks and other financial institutions is the lack of guarantees from the state, psychological barrier of uncertainty in fixed interest rates, i.e. in receiving a guaranteed income, lack of a transparent system for protecting public deposits.

Increasing the amount of financing from the state budget is the primary task of the investment policy of most countries of the world. According to Ukrainian legislation, the specific weight of expenditures on financing agriculture must be at least 5% of the expenditure part of the State Budget.

On February 3, 2020, the state program "Affordable loans 5-7-9%" was launched, which later received certain changes due to the need to overcome the consequences of the corona crisis (Banking products, 2022). The program provides for the implementation of measures to stimulate micro and small business lending processes at record low interest rates – 5, 7 or

9%. Credit guarantees for loans are provided to micro and small enterprises (SMEs) that do not have enough property to use it as collateral for loans or are characterized by increased credit risks (newly established enterprises).

Thanks to credit guarantees, the state, through the Entrepreneurship Development Fund, covers part of the credit risk of MMPs, creating conditions for attracting bank loans. State support in the form of credit guarantees is provided exclusively in combination with support in the form of interest compensation for loans to SMEs that meet the program requirements. The program provides for the provision of state aid for working capital loans, loan refinancing and investment loans.

Considering the development of lending to small and medium-sized businesses, we can distinguish two ways of development – lending programs at the expense of the banks' own resources and programs at the expense of the resources of international financial organizations. Let us assert that large banks are beginning to lend at the expense of their own funds, gradually renouncing the resources of foreign credit lines. This path was a springboard for the development of lending to small and medium-sized businesses, as domestic banks did not have experience, technologies and programs for working with small businesses

Unfortunately, the military actions changed the situation. In the second quarter of 2022, the number of operating banks was 68 financial institutions and decreased by one bank to the insolvent category, the procedure for its liquidation was started.

There are certain problems in the banking system, in particular, a significant share of funds raised by banks is of an open-ended or short-term nature and is characterized by significant

growth rates, and this circumstance is the basis of a negative assessment of the resource potential of banks. Also, in the conditions of military operations and during the period of full-scale intervention in Ukraine in 2019–2022, there is a dynamic increase in the level of inflation, which is of great importance for banking institutions and the banking system of Ukraine. In the financial market, stable banking institutions remain, which are reliable players in critically difficult times.

Today, there is a certain developed base, and in the conditions of the arrival of foreign banks, there is every reason to talk about the development of lending to small and medium-sized businesses by each bank separately. Today, the state banks of Ukraine provide a number of financial and consulting products for small and medium-sized businesses. We will give an example among the most important of them.

So, Oschadbank has introduced the following financial products: Promotional lending; program of partial compensation of the cost of agricultural machinery and equipment of domestic production.

Oschadbank created the "Build Your Own" entrepreneurship support program, the main purpose of which is to provide small and medium-sized enterprises with the following opportunities: training and consulting for entrepreneurs and startups; business tools from program partners on attractive terms; receiving financial support.

Ukreximbank has introduced a number of financial products for small and medium-sized enterprises, in particular: loans to small and medium-sized enterprises in the agricultural sector.

Let's pay attention to Ukrgasbank, as a socially-oriented bank that allocates funds to representatives of small and medium-sized businesses whose activities are related to the implementation of ecological and energy-efficient projects, "green

Table 1

**Quantitative composition of banking institutions as of 2021
(information according to NBU statistics)**

Indicators	Number of institutions
Banks that have a banking license for the right to grant banking services	71
Registered separate divisions of Ukrainian banks on the territory of Ukraine (including branches and representative offices)	6 681
Current branches of Ukrainian banks on the territory of Ukraine	6 607
Separated divisions of Ukrainian banks were closed on territory of Ukraine in 2021	887
Opened separate divisions of Ukrainian banks on territory of Ukraine in 2021	144
Active separate divisions of Ukrainian banks abroad	4

Source: (On the State Bank, 2021)

technologies", projects using secondary raw materials, alternative types of energy, environmental protection, etc.

The bank has given special priority to lending in the following directions: within the framework of the state program for stimulating energy-efficient measures in the housing sector. Lending for the implementation of energy-efficient measures of associations of co-owners of apartment buildings and housing and construction cooperatives, according to which the State Agency for Energy Efficiency and Energy Saving of Ukraine reimburses 40-70% of the loan amount; within the framework of the Bank's cooperation with the German-Ukrainian Fund. Separate lending programs at the expense of funds provide for the establishment of lending interest rates, which are among the lowest in the financial market of Ukraine.

The Bank was one of the first on the Ukrainian market to introduce a line of ECO products and offers such customers to take advantage of the Bank's additional loyalty in the form of an ECO allowance for deposit programs and a reduced interest rate for credit programs.

One of the megatrends is Agroprosperis Bank – a professional in the agricultural sector, which specializes in financing small and medium-sized agricultural producers with a land area of 100 hectares or more. The bank investor NCH Capital (USA) built a successful agribusiness in Ukraine, presented under the Agroprosperis brand, which cultivates more than 300,000 hectares and exports more than 3 million tons of grain annually.

Having access to the investor's successful experience and unique IT tools, Agroprosperis Bank fully understands agribusiness and offers its clients financing under should be noted that Agroprosperis Bank is among the first banks of Ukraine that received support from international experts and joined the project "Agrarian Receipts in Ukraine". According to the Ministry of Agrarian Policy and Food of Ukraine, as of May 31, 2021, a total of 7,100 agricultural receipts were issued in the country for a total amount of over 41.8 billion hryvnias. Among the leading regions that actively attract loans secured by agricultural receipts are Kyiv, Mykolaiv, Poltava, Rivne and Vinnytsia regions. The experience of the last two years shows that 60-70% of farmers repeatedly use this financial instrument.

Obtaining secured loans thanks to this financial instrument, small and medium-sized agricultural enterprises can finance the costs of growing crops in the planned volume and form a positive credit history. For representatives of small and medium-sized businesses, this is a fairly flexible tool. In case of insufficient yield (in case of force majeure or due to weather conditions), the bank can reschedule the farmer's obligations for the next marketing year, extend the loan and change the term of the agricultural receipt.

Also, the bank, at the request of the agro-producer, changes the financial agrarian receipt for the pledge of grain in the warehouse to warehouse receipts and waits for the sale with the client, subject to the formation of the market situation, which allows to receive additional income when selling grain in periods later than the collection period.

Accessibility for small farmers. Loans for the future harvest in the form of agricultural receipts can be obtained by those producers who do not have enough solid collateral to obtain a conventional loan.

Increase in property for collateral. Your security is the future harvest, which you can only plan to grow. Collateral coverage under an agricultural receipt is less than required by a classic loan for agribusiness. Despite all the above positive developments, the actual state support of the agricultural sector in Ukraine is low-effective, does not compensate for the costs of agricultural enterprises as a result of price and trade disparity. The main priorities in the state agrarian policy are become: expanding the scale of integration of small farmers with large commodity farms, sales enterprises and resource providers; radical strengthening of the social infrastructure of the village; introduction of new mechanisms for the distribution of subsidies to agricultural producers, which orient them to market signals, and not to types of production subsidies; ensuring the transparency of the process of distribution of financial support, equal participation of all commodity producers in receiving it and establishing total subsidy limits per recipient of state budget payments.

But we can note and suggest that it should be borne in mind that in the structure of financing, external sources should not prevail over internal ones, because then the

independence of the enterprise as a production unit is lost.

In the agricultural production of the developed countries of the widely developed world, a special system of agricultural lending, oriented to the specifics of agriculture, has been acquired. A tangible feature of agriculture is the lack of free financial resources, high capital intensity and relatively low capital return, seasonality of production and significant duration of the production cycle, dependence on natural and climatic conditions.

All this makes it less competitive in the loan capital market.

We agree with the affirmative opinion of Oleg Kulinich, People's Deputy, Chairman of the Subcommittee on Land Relations of the VRU Agrarian Committee, who notes that lending is the basis of any business, but, unfortunately, in Ukraine it is practically not available for small and medium-sized agricultural producers, which do not have liquid collateral. And even if the loan is granted, the extremely high interest rates force you to work primarily for its repayment, and not for the development of the enterprise.

Therefore, he calls the reduction in the cost of loans to farmers by the state one of the most important goals of state support. This can be done in two ways – either by compensating loan rates or by partially compensating the body of the loan. Lowering the cost of loans will enable farmers to use part of their profits for capital investments and development of production. Such programs were active in the mid-2000s and were really effective. If we talk about animal husbandry, it means the construction and restoration of cowsheds and pigsties, the purchase of new modern equipment, etc. If the state is ready to "extinguish" 40-50% bodies of credit, then it will really work for the industry, have wide application and give an impetus to the development of animal husbandry (Banking products, 2022).

5. Ways and vectors of further development

The leading direction of the credit policy in agriculture should be the creation of a preferential lending mechanism for agricultural producers. This requires a guarantee from the state in the provision by banks of interest-free and deferred payment targeted loans for the

modernization and expansion of the material and technical base of agricultural production, the introduction of new technologies, the creation of enterprises for processing and sales of products. At the expense of the state budget, it is also necessary to reimburse commercial banks part of the fee for the loan, which will make it cheaper and more accessible to the direct recipients. The leading direction of the credit policy in agriculture should be the creation of a preferential lending mechanism for agricultural producers. This requires a guarantee from the state in the provision by banks of interest-free and deferred payment targeted loans for the modernization and expansion of the material and technical base of agricultural production, the introduction of new technologies, the creation of enterprises for processing and sales of products. At the expense of the state budget, it is also necessary to reimburse commercial banks part of the fee for the loan, which will make it cheaper and more accessible to the direct recipients.

The state should become a kind of guarantor in one form or another and, thus, take on the economic risk of crediting agricultural enterprises during their formation and strengthening (New agrarian strategy, 2022).

In 2020, the online platform "Factoring Hub" was created in Ukraine, the use of which allows small businesses to submit applications for participation in public procurement and receive non-recourse factoring offers from banks. Thanks to information about the payment discipline of customers and the integration of open data of the Prozorro system, banks are able to spend a minimum of resources to assess the credit risk of customers.

At the same time, an important task that needs to be solved in order to ensure the successful development of factoring crediting of small and medium-sized enterprises in Ukraine is the improvement of the legal framework for the regulation of factoring.

The successful resolution of the issue of intensification of bank lending to small and medium-sized enterprises today is largely hindered by the lack of common ideas about the essence of this activity among the employees of many enterprises and banks. In order for one party to receive a bank loan on acceptable terms, and the other to return its funds together with

interest due to it, it is necessary for counterparties to have a good understanding of each other's interests and problems and to arrive at an agreed assessment of the real consequences of lending. For this purpose, it is advisable to implement a set of measures aimed, on the one hand, at increasing the level of financial literacy among employees of small and medium-sized enterprises, and, on the other hand, at improving the understanding by bank employees of the peculiarities of functioning, problems and risks of the production and economic activity of small business entities.

One of the alternative sources of agricultural financing can be the revival of credit cooperatives (New agrarian strategy, 2022).

Back in 2019–2020, FAO supported a project to develop an updated model for more effective advisory services in Ukraine. The model itself provides for the definition and assignment of responsibility for the quality of the provision of advisory services at the national, regional and local levels. FAO also provided recommendations to the relevant ministry on the development of a policy and action plan for the establishment of a national advisory service, and updating the current law on advisory services.

FAO notes that some mechanisms, including financing and public-private partnerships, would benefit from the experience of pilot projects.

Currently, FAO is implementing two projects within the framework of the UN Program for Reconstruction and Peacebuilding, with the help of which it is planned to improve the so-called "Light model of Agriculture Advisory System" (Light model of Agriculture Advisory System), the basis of which is mediation between local authorities and public-private partnerships. In addition, FAO is developing an information portal where advisers will be able to post information about themselves, and a farmer or agricultural producer in need of advice will be able to find a suitable adviser using convenient navigation. This platform is designed for farmers, advisers and service providers.

State support World experience and practice of the EU show that agricultural consultancy is an effective mechanism for managing the innovative development of agriculture and rural areas. This is what the Ministry of Economic Development says. However, the reduction of state funding, the end of international technical

assistance programs that financed the activity of advisory services, the low solvency of farms made it impossible to carry out the activities of most advisory services, or led to a decrease in their activity.

Starting in 2021, 15 million hryvnias of the 4.5 billion hryvnias of state support for the agricultural sector will be allocated to compensation for advisory services received by farmers. A draft resolution of the Cabinet of Ministers of Ukraine "On Amendments to the Procedure for the Use of Funds Provided in the State Budget for Providing Financial Support for the Development of Farms" was developed and submitted to the Government, which, in particular, introduces a new direction of state support for obtaining agricultural advisory services – in the period formation (the first three years from the date of registration) of the farm will receive support for obtaining advisory services in the amount of 36 thousand hryvnias. Currently, work is underway to review the legislation regulating agricultural advisory activities, and together with representatives of interested public associations, organizations and recipients of advisory services, it is planned to determine the optimal and effective model of agricultural advisory, taking into account the best European practices.

In November 2021, draft law No. 3295 was adopted, which provided for the creation of a single information service for farmers. As of October 2022, there are 3 open programs on the platform:

1. Budget subsidy for keeping cows. The program provides for the payment of UAH 5,300 per cow to farms that keep at least 3 and no more than 100 cows. There are no restrictions on the type of economic activity or income.

2. Budget subsidy per unit of cultivated land (1 ha). This program provides for the payment to farmers of UAH 3,100 per hectare of cultivated land, but no more than UAH 372,000 for one recipient.

3. Humanitarian aid from FAO: means for grain storage. Under this program, farmers are offered free grain storage sleeves with a capacity of 200 tons. Grain storage facilities will be available to agricultural producers: legal entities and non-profit organizations that cultivate land. The only requirement for farms is that the number of cultivated areas should be from 100 to 10,000 hectares.

Table 2

Examples of best practices of small business entities in the agro-industrial complex

Name, date of establishment of the business entity	Organizational and legal form of the business entity and type of activity	A brief description of the subject's business achievements
Vinnytsia region		
SOK "Vilshansky kolosok" with. Vilshanka, Kryzhopol district	Agricultural service cooperative, private form of ownership	Association of 26 households, numbering 44 people. 4 people are employed.
SOK "Sad Semiramis" JUICE with. Shypynki of the Bar district	Agricultural service cooperative, private form of ownership	Association of 21 households, numbering 68 people.
SOK "Ivanivski Kurkuli" JSC with. Ivanivtsi, Bar district	Agricultural service cooperative, private form of ownership	Association of 21 households, numbering 72 people. 3 people are employed.

In 2022, the world realized that without Ukraine, food security is violated. A significant number of countries found themselves in a difficult situation: due to high inflation and drought, millions of people are on the verge of starvation. According to a preliminary estimate by the FAO, direct losses of assets in the industry may amount to 6.5 billion dollars. USA. Currently, about 5% of agricultural land is damaged. Losses of available cultivated areas – more than 25%, irrigated land – more than 70%, berry orchards – about 25%, gardens – 20%.

There was an increase in the cost of production due to the increase in the prices of fertilizers, fuel and seeds. Considerable areas of land are dangerous for production activities due to damage and mining. Infrastructure facilities: agricultural, warehouse, transport, energy, and processing industry suffered significant destruction. Due to the physical destruction of agricultural enterprises in the war zone, a loss of up to 30% of the animal population is expected. As a result of the attack of the Russian Federation, small producers lost financial and commodity liquidity, because commodity lending stopped, and the export of products became much more difficult.

In view of this, among the priority areas of work of the Ministry of Agrarian Policy is the introduction of state programs to support our agricultural producers.

Thus, on August 12, 2022, the State Agrarian Register became operational in Ukraine. This "Action" for farmers is an automated electronic system created by the Ministry of Agrarian Policy with the technical assistance of the European Union for the effective and transparent distribution and administration of all types of support

for Ukrainian farmers, and works similarly to registers of agricultural producers, which exist in all EU member states.

The launch of DAR is an important step on the way to preparing Ukraine for EU membership. In addition to convenience, transparency, speed and accountability in the field of administration of support for agricultural producers, DAR also provides a powerful analytical tool for analyzing the actual state of agricultural production and the status of its producers both in Ukraine and in Vinnytsia. The platform was created taking into account the best European practices.

With the beginning of hostilities in Ukraine, a number of changes in legislation were adopted, which require clarification to the chief accountants of agricultural enterprises. Agricultural business must work efficiently. Before the war, agricultural enterprises provided up to 40% of all revenues to the consolidated budget of the region.

The agro-industrial complex of Ukraine needs significant financial revenues. In conditions where the volume of internal financing is not sufficient for expanded reproduction of agricultural production, the issue of activating investment processes at the expense of involved sources becomes urgent.

6. Conclusions

Today, financial infusions into the agricultural sector are a powerful stimulator of the development of market relations in this area and the integration of Ukraine into the global economic space.

Taking into account the peculiarities of modern business conditions, in order to activate and increase the effectiveness of bank lending

processes of small and medium-sized business representatives in Ukraine, it is necessary to: ensure the functioning of an effective intermediary (state institution) between banks and enterprises of the sector of small and medium-sized business representatives; to create a special Fund for the support of startups, from which funding could be provided on the terms, similar to lending from the Energy Efficiency Support Fund; to improve the regulatory and legal regulation of banks lending activities regarding leasing lending to representatives of small and medium-sized enterprises; develop a methodology for a differentiated approach to lending

and credit risk assessment for medium-sized, small and micro-business entities; develop factoring online lending and use innovative technologies to optimize lending processes for representatives of small and medium-sized enterprises and reduce the level of credit risks of banks. Solving these tasks will contribute to the development of the banking services market, the improvement of financial support for the activities of small and medium-sized enterprises and, consequently, the growth of GDP, the reduction of unemployment and the stabilization of the economy of our country on the way to joining the EU.

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