FINANCIAL INITIATIVES IN ENSURING THE INVESTMENT ACTIVITY OF AGRICULTURAL PRODUCERS IN THE CONDITIONS OF GLOBALIZATION CHALLENGES

Nadiia Hryshchuk

Abstract. The purpose of the study is to study and summarize the existing views of scientists and practitioners on the application of various financial instruments in the theory and practice of investment resources in the agricultural sector in the context of globalization challenges. Methodology. The methodological basis of the study were the provisions of state regulation of the economy, investment and the theory of agricultural relations. Theoretical and methodological basis of the study are general and special methods of scientific knowledge: generalization – identified benefits and caveats for the use of certain financial instruments in the agricultural sector, analogy, analysis and synthesis, induction and deduction (to clarify the conceptual apparatus, theoretical generalizations of research, conclusions and proposals); On the basis of systematic and comparative analyzes, innovative instruments for financing agricultural producers are grouped. Results. The practice of using various financial instruments in the system of formation of investment resources of the agricultural sector of Ukraine in the context of globalization challenges is assessed. Internal and external financial instruments are distinguished on the basis of the generalization of the prevailing financial practices of raising funds by economic entities in the agricultural sector. It was revealed and proved that the most widespread in recent years in the list of domestic financial instruments were: bank lending, which includes agricultural insurance, avalized promissory notes, lending for software products; forward purchases; agricultural receipts. Globalization challenges lead to the expansion (emergence of new) financial instruments to attract investment resources, in particular: factoring and mezzanine lending. Practical consequences. According to the results of the study, priority financial initiatives in increasing the investment activity of agricultural producers, which will ensure financial security, through a balanced and sound state policy of agricultural enterprises and the proposed financial instruments in the context of global challenges.

Key words: globalization, financial instruments, agricultural sector, global financial, banks, financial obligations.

JEL Classification: P34, G30, Q14

1. Introduction

The agricultural sector is a fundamental part of the domestic economy, the operation of which is aimed at developing the production of food products, raw materials for industry, creating conditions for the growth of Ukraine's export potential. To ensure stable financial and economic activity, increase production efficiency and realize the existing competitive advantages of agricultural entities, it is necessary to ensure the proper level of use of various financial instruments in the system of formation of investment resources of the agricultural sector of Ukraine. Modern domestic practice of formation and use of financial support for the development of agricultural enterprises, the growth of their investment activity 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, existing land reform issues, high competition in foreign and domestic markets, the dependence of agricultural producers on natural, climatic and political conditions. All this necessitates scientific substantiation of financial initiatives, effective forms and methods of attracting promising and untapped sources of financing for agricultural enterprises to achieve high performance in their financial and economic activities and ensure financial stability of Ukraine's agricultural sector in general.
2. Literature review

It should be noted that the issues of theoretical and practical approaches to the application of various instruments of financial and credit mechanism of intensification of investment processes in certain sectors of the national economy have been thoroughly studied by L. Kuznetsova (2015), T. Mayorova (2014), A. Peresada (2006) and other scientists. Scientists have mainly covered the experience of using various financial instruments to invest in sustainable economic development. Also, the progressive development of the economic environment, the rapid development of new market segments, new information and telecommunications opportunities have affected the development of financial markets and the circulation of borrowed capital in particular. O. Grabchuk (2012) proves that new financial instruments have arisen as a result of intensified competition of banks on the world market. To attract customers and increase their profits, global financial market participants – banks, stock exchanges, specialized credit and financial institutions – have created a hybrid of various financial documents, including debt instruments, securities guaranteed by bank assets, hedging instruments. Financial instruments as a kind of certain documents are considered in the works of M. Malik and L. Vdovenko (2013). Lysenkov Yu. and N. Fetyukhina (2006) identify a financial instrument with a legalized certificate. V. Sheremet defines financial instruments as "various forms of financial obligations", V. Fedosov and S. Yuri (2006) analyze financial instruments as various financial assets that circulate in the market, and Zagorodniy A. and Voznyuk G. (2005) call financial instruments "various types of financial product". However, despite the existing scientific achievements, the issues of using various financial instruments in the practice of investing in the domestic agricultural sector, the characteristics of existing opportunities and possible reservations about the choice of financial instruments by agricultural producers in global challenges remain insufficiently considered.

3. The current state of financial instruments

Approaches to management in the agricultural sector of agricultural producers proves that the formation of investment resources in the agricultural sector of the economy is carried out using various financial instruments. Bank lending stands out as the most established and applied in all countries of the world, as well as in Ukraine. Positive changes in lending to agricultural enterprises are noted by banking experts. The main subjects (players) of the domestic credit services market are banks and non-banking financial institutions and other legal entities that do not have the status of financial institutions, but have the appropriate licenses from financial market regulators, whose activities are regulated by the Law of Ukraine "On Financial Services and State Regulation financial services markets". According to this criterion, financial institutions that can operate in the field of lending include credit unions and other non-bank credit institutions, pawnshops, legal entities under public, leasing companies and other legal entities licensed by the regulator. It should be noted that Natskomfinposlug publishes information on the state and development of non-bank financial institutions of Ukraine with periodic changes in the methodological approach to their grouping by type, which complicates the systematic analysis of their activities. A developed credit market, which is effectively managed by the state, ensures the optimal distribution of limited financial resources among the sectors of the economy and promotes economic growth. The functioning of the credit market is ensured by the credit system, which includes the central bank, commercial banks and other financial institutions.

The credit system organizes the movement of capital and promotes the accumulation and efficient allocation of financial resources among market participants.

From the current study to draw the following conclusions: during 2018–2020 in the banking system as a whole there are positive trends. The number of operating banks decreased every year, but this did not affect the overall performance of banks. The reason

Table 1

Trend indicators of the banking system of Ukraine

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of operating banks</td>
<td>77</td>
<td>75</td>
<td>73</td>
<td>-5,19</td>
</tr>
<tr>
<td>including with foreign capital</td>
<td>37</td>
<td>35</td>
<td>33</td>
<td>-10,81</td>
</tr>
<tr>
<td>Regulatory capital, mln UAH</td>
<td>121742,1</td>
<td>147073,2</td>
<td>181880,5</td>
<td>+49,40</td>
</tr>
<tr>
<td>Assets, UAH million</td>
<td>1359703</td>
<td>1493298</td>
<td>1822841</td>
<td>+34,06</td>
</tr>
<tr>
<td>Liabilities, UAH million</td>
<td>1204743</td>
<td>1293377</td>
<td>1613381</td>
<td>+33,92</td>
</tr>
<tr>
<td>Return on assets, %</td>
<td>1,69</td>
<td>4,26</td>
<td>2,44</td>
<td>+44,38</td>
</tr>
<tr>
<td>Return on capital, %</td>
<td>14,67</td>
<td>33,45</td>
<td>19,22</td>
<td>+31,02</td>
</tr>
<tr>
<td>Official exchange rate UAH/USD, UAH</td>
<td>27,20</td>
<td>25,85</td>
<td>26,96</td>
<td>-0,88</td>
</tr>
</tbody>
</table>

Source: developed by the author on the basis of NBU
The stable dynamics of growth in the banking system of the population's funds is positive. The increase in liabilities in 2020 compared to 2018 amounted to 33.92%. During 2020, the official exchange rate of the hryvnia against the US dollar of the National Bank of Ukraine decreased by 19% (from UAH 23.6862 per US dollar on January 1, 2020 to UAH 28.2746 per US dollar on December 31, 2020).

The credit market of Ukraine has a distorted structure, the banking sector is much larger than the sector of non-banking financial institutions. The organization of effective lending activities in the current unstable economic conditions is due to a prudent credit policy of the bank. One of the main tasks of credit policy is to control and reduce credit risk in the banking process.

The effective operation of banks in the credit market is a key component of the financial stability of the banking system, which plays a leading role in Ukraine's economy on the path of market transformation.

That is why it is worth focusing on assessing the lending activity of banks in Ukraine. Lending is one of the most important banking operations, so bank loans play a significant role in financing the development of a market economy, meeting the temporary need of some entities for additional funds due to their temporary surplus in others. During the period 2018–2020, the share of credit funds in the resources of Ukrainian enterprises increased from 22.7% to 31.1% (for comparison: the share of credit funds in the capital of foreign enterprises reaches 57.8%).

These statistics are based on the fact that 2018 was economically unstable due to the global economic crisis and falling economic growth in China, which is Ukraine’s largest trading partner, so companies were unable to generate the necessary profits to reinvest it. 2020 was another test for agribusiness due to the COVID-19 pandemic, which further forced companies to turn to banks for loans for capital needs. It is affirmative that Ukraine does not receive the necessary funding, which limits its opportunities for development. This allows us to state that the loan in such conditions – the most flexible form of meeting the temporary needs of the enterprise in cash. Credit products, which are mostly offered to representatives of the agricultural sector (on the example of the largest banks in Ukraine), are quite uniform – both in the terms of types and in the terms of the level of the average interest rate.

However, the interest rate on them averages 16.5%, which is quite high in the conditions in which the agricultural producer found himself. This requires additional support and stimulation of credit activity from the state. The key innovation that laid the preferential basis for lending to farmers by Ukrainian banks is the State Business Support Program "Affordable Loans 5-7-9%", which was announced on 01.02.2020 with clear conditions and rules for participation of enterprises. The purpose of the program is to create effective lending conditions for different segments of agribusiness.

The essence of the "compensatory" component of the Program is to further reduce the lending rate: for borrowers who are subject to an interest rate of 7% or 9% per annum under the Program, the interest rate is reduced by 0.5% for each new job created. On the date of the last day of the month of the reporting (previous) quarter compared to the date of the Loan Agreement, but in any case such interest rate on the loan may not be less than 5% per annum. Continuing to study financial initiatives, the involvement of which will expand opportunities for the formation of investment resources in the agricultural sector, we consider it appropriate to identify those most used in recent years, according to available funding for agricultural producers had the following components: Due to their nature, forwards are not highly liquid, as their performance is guaranteed only by a contract, and there can always be a situation when it will be more profitable for one of the parties to pay a penalty for non-performance of a contract than to perform a forward. In addition, the search for the reverse side, for the conclusion of the forward, is associated with large operating losses. In addition, due to the lack of an organized market of forwards, the search may end in nothing. Forwards exist so that the farmer can record profits and not play the lottery in the future. Of course, the farmer can say, seeing a better price in the market (at a time when he has to fulfill a forward contract), that he can not fulfill the contract. For example, due to crop losses. First of all, such a decision will hit a trader who expected to buy a certain amount of goods at a certain price.

Such a buyer has already been re-contracted, but due to non-fulfillment of obligations the farmer will be forced to buy a shortage on the market, and even at another price, which may be significantly higher than planned.

We believe that more attention should be paid to forwards, which are considered to be one of the most dynamic instruments of financing the agricultural sector over the past three years. The leading companies that buy grain in Ukraine on the basis of forward "Agrarian Fund" and the State Food and Grain Corporation of Ukraine. "Agrarian Fund" cooperates with large agricultural holdings, small and medium-sized farms, which have successful experience in growing crops, with a positive credit history and no tax arrears. In 2020, agricultural producers delivered 30,000 tons of grain to the warehouses of the Agrarian Fund under the forward program, and 95,000 tons were contracted. Concentration on the forward program is relevant for agriculture. But a lot depends on how you manage...
to return the grain under the forward contracts of the previous marketing year, the problem is clear rules: before issuing an advance to the farmer, there must be a field inspection report from the insurance company.

The so-called drought and crop failure insurance cases find solutions to the problems of both the farmer and the legal representative. The progress made is due to the adaptability of forward contracts to the agricultural sector, as they determine the period of time in which it is necessary to make a delivery at a price that is not lower than the market. It is also important that the forward program has several financing conditions and is more accessible to medium and small producers due to a simpler registration procedure compared to the bank.

The advantage of the forward is the choice: to take into account the dollar or not. Thus, interest rates on the forward taking into account the dollar exchange rate when purchasing the harvest of the last 2020 marketing year ranged from 19.21%, without taking into account this – in the range of 22.5-27.5%.

In recent years, the experience of banks’ introduction of avalized promissory notes as financial instruments in the agricultural sector of Ukraine has received positive results. As it is established that the bill is:

- a debt obligation to pay a certain amount at a specified time;
- means of payment, circulating settlement instrument that can be transferred from one person to another, it is credit, trade money arising from the seller’s loan to the buyer, which he provided to the buyer. Promissory note payment is a deferral of payment in cash;
- a type of security, concluded in a strictly established form, which contains a written abstract and unconditional commitment to pay a certain amount to a certain person (or to whom it will order) at a specified time.

Promissory notes issued only for goods provided (works, services) are called commodity, commercial.

Settlements with the use of promissory notes must be provided for in a written agreement between the counterparties.

For the issuance of a promissory note without a monetary debt for goods (works, services) or without specifying in the contract that the bill is used in the calculations, the law provides for a fine.

Both legal entities and individuals can participate in promissory note circulation in Ukraine.

In Ukraine, payments on promissory notes are made only in non-cash form.

Promissory notes are issued on a promissory note form, which can be purchased at a commercial bank.

Promissory notes, both commodity and tax, exist only in documentary (paper) form. In Ukraine, they are filled in only in Ukrainian on a promissory note. Promissory notes of legal entities must be signed by two persons – the head of the enterprise and the chief accountant. A promissory note issued for payment under a contract between residents of Ukraine may be denominated only in the national currency – the hryvnia.

In a promissory note, the principal debtor is the drawer, in a transferable bill, the acceptor specified by the drawer. The promissory note indicates two persons: the drawer and the first holder of the bill (the drawer has a debt to the first holder), the transferable – three: the drawer, the acceptor and the first holder of the bill (the drawer has a debt to the first holder and the acceptor has a debt to the drawer). Promissory notes are transferred from one owner to another by issuing a special transfer inscription on the back – endorsement. The number of transfers of a bill from one holder to another is not limited. If the debtor does not pay, the holder may apply to the notary to protest the bill and the writ of execution, after which – immediately to the State Enforcement Service. Promissory notes are sold remotely, without visiting the bank. Aval of the bill by PrivatBank institution – a guarantee of payment on the bill. PrivatBank avails bills of exchange. The fee for the aval is significantly lower than the fee for the loan (4 times or more). The seller does not trust anyone and works only on prepayment. Instead of receiving a prepayment loan – deferred payment and a 100% payment guarantee – a promissory note endorsed by PrivatBank. For the aval of the bill of exchange, the bank charges a monthly fee, expressed as a percentage per annum and accrued on the amount of the current avals of the bank. The size of the commission depends on the type of security.

PrivatBank avails tax bills of all types provided by law:

- the amount of excise duty to manufacturers of medical drugs;
- the amount of excise duty to primary winemaking enterprises;
- the amount of excise duty to producers of alcoholic beverages;
- the amount of excise duty to biofuel producers;
- the amount of excise duty to producers of organic synthesis products;
- the amount of excise duty when purchasing petroleum products for use in the chemical industry, etc.

For the aval of the tax bill, the bank charges a monthly fee, expressed in% per annum and accrued on the amount of the current avals of the bank. The sooner the drawer issues the tax bill and provides the bank with supporting documents, the less he will pay commissions for the aval.

We agree with the scientific statement of A. Zagorodniy (2005), in which the bill avalization program has proven its effectiveness, as it allows to optimize the cost of borrowed capital in conditions of high cost of credit resources and is a convenient tool for all market participants. The effectiveness of such
A financial instrument is achieved by the bank taking full or partial responsibility for the fulfillment of obligations of any of the parties to the promissory note agreement.

The main area where avalized bills are currently used is payments for plant protection products, seeds and fertilizers from well-known global manufacturers. In recent years, the use of such calculations has gained some popularity, because the use of avalized promissory notes in the calculations provides significant benefits for both farmers and suppliers. Settlement by a promissory note has advantages over a commodity loan, because the bill clearly fixes the amount of payment and has the opportunity to get an attractive price, and also guarantees the supplier timely receipt of payment in full, because aval is a guarantee of the bank to make payment on the bill their payment obligations to him. The process of using avalized bills is quite simple and transparent. The bill avalization program for the agricultural sector in recent years has proven its high efficiency and convenience for all market participants. This financial instrument makes it possible to optimize the cost of borrowed capital, which is especially important in a period of significant market volatility and high cost of traditional financing.

In our opinion, such financing is evidence of significant support for the agro-industrial complex, as the bank has a solid and reliable reputation and is ready to work with farmers with a land bank of 200-300 hectares. Also, given the difficulties with bank lending, the system of instruments for financing the agricultural sector has become widespread agricultural receipts, launched in Brazil in 1994. They now provide most of the working capital of agricultural enterprises in this country, which in monetary terms reaches 20-30 billion USA per year. Financial experts and practitioners point to a direct relationship between the introduction of agricultural receipts in Brazil and the development of its agricultural sector: grain production has grown from 60 to 200 million tons over the past 20 years. studying various aspects of the use of agricultural receipts (banking operations, record keeping, enforcement, etc.) and assessing the possibility of introducing and adapting such a financial instrument in Ukraine.

Implementation of the pilot project 'Agricultural receipts in Ukraine'. The introduced model is slightly different from the Brazilian one. Thus, in Ukraine there is a single centralized electronic registration system, the use of which allows banks and suppliers of production resources to track already harvested crops, which significantly reduces the risk of default. The pilot project in 2015 began its work in Poltava region, where 10 agricultural receipts worth UAH 40 million were issued, which are currently successfully implemented. Today in Ukraine there are two types of agricultural receipts – commodity and financial, where commodity guarantees the supply of products, and financial, respectively, provide a cash payment.

This form of lending is currently the most alternative source of financial support for agricultural producers. The mechanism for the functioning of agricultural receipts is being developed with the participation of the World Bank Group and the Swiss State Secretariat for Economic Affairs (SECO). This new calculation tool is more accessible to small and medium-sized agricultural enterprises and farmers who do not have enough liquid assets to pledge, and do not meet the required profitability to gain access to credit resources of banks.

According to statistical observations, farmers of Vinnytsia region issued 144 agricultural receipts as of December 30, 2020. Which once again confirms that such trends allow small and medium-sized agricultural businesses to reach a new level. Agricultural receipts are a progressive method of non-bank lending that balances and secures the rights of both the creditor and the debtor.

For agricultural producers, the use of agricultural receipts allows them to sell their products on the security of future harvests, reducing dependence on subsidized loans and improving the process of short- and medium-term planning of their economic activities.

An important advantage of the agricultural receipt mechanism is that it allows agricultural producers to attract loans from the private sector without attracting public funds, which, in turn, has a positive impact on the development of agricultural production. In general, a successful campaign to introduce a financial instrument in the form of agricultural receipts was achieved in Ukraine by correcting the shortcomings of the functioning mechanism in Brazil.

First, the process of issuing and executing agricultural receipts was standardized; secondly, a single electronic
registration system has been introduced; thirdly, the legislative level establishes the procedure for enforcement of the obligation after the recovery of the pledge within seven days. Given the importance of developing outlined financial instruments for the formation of investment resources of the agricultural sector in the context of globalization challenges, there are a number of problems that hinder the competitive development of agricultural enterprises.

4. Problems of attracting and using financial instruments

Problems associated with significant financial and material costs of agribusiness are the search for and attraction of credit. A significant obstacle for domestic business is the high cost of credit. Lending rates of commercial banks for business are 21-27%, so only highly profitable companies can afford loans. The following problems hinder obtaining loans:

– complicated procedure for obtaining credit funds;
– significant time spent on consideration and execution of the loan for short-term lending, low profitability of small and medium enterprises, which does not cover the bank rate on the loan;
– lack or absence of collateral from the borrower, which banks and credit institutions consider as a type of collateral. A significant obstacle is the problem with the sale of debtors’ collateral, which banks and credit institutions can sell for a long time and at reduced market prices;
– risks associated with late repayment of the loan and interest payments on it;
– risks of bankruptcy of newly established agricultural enterprises due to financial insolvency.

Large “players” remain in the market, and the number of small and medium-sized businesses in the market that go bankrupt or exit the market decreases.

Problems related to force majeure. The latter can be divided into three groups:

– natural phenomena: these are weather conditions and natural disasters: hurricane, storm, flood, snowfall and snow accumulation, ice, earthquake, fire, etc.;
– social circumstances: strikes, riots, hostilities and terrorist acts, declared and undeclared war;
– actions of the authorities: imposition of martial law or state of emergency, military mobilization, introduction of quarantine (announcement of quarantine in March 2020 in order to prevent the emergence and spread of coronavirus disease (COVID-19)).

This, in turn, makes it impossible for agribusiness entities to conduct their operations; causes inability to fulfill its obligations to counterparties; inability to sell goods, provide services or perform work; restriction of certain activities, from which business entities incur losses; limitation of working hours of enterprises and institutions; the probability of the risk of losing part or all of the property by entrepreneurs and legal entities, etc.

In general, the outlined problem of financing agricultural holdings on the one hand indicates low access to credit banking resources, and on the other hand reflects the tendency to use companies to transit funds generated by large corporations to optimize taxation. After all, an additional factor that led to an abnormal increase in non-bank liabilities was the reinvestment of owners in the form of borrowed capital.

5. Ways and vectors of further development

As we have studied above, the practice of management in the agrarian business of the country proves that the formation of investment resources in the agricultural sector of the economy is carried out using various financial instruments. The state must now take on the role of organizer of the future full-fledged system of lending to agribusiness, separated from direct state support for agriculture, which operates on the market principles of cooperation between the banking sector and agriculture.

The modern system of agricultural credit should be organized by combining various credit products that take into account the characteristics of all categories of enterprises. Banking product – a credit line. A credit line is a form of lending in which, within the established limit, the loan is issued and repaid in several parts (tranches), in the most convenient mode for the borrower’s business. The credit line can be renewable or non-renewable. The latter provides that in the event of partial or full repayment of the loan, the borrower may get a loan within the established limit and term of the loan agreement (Table 3).

The modern system of agricultural credit should be organized by combining various credit products that provide for the characteristics of all categories of agricultural producers, both large agricultural enterprises and medium-sized peasant (farmer) farms and small farms. The choice of sources of funding depends on certain factors, such as: the size of the enterprise, industry and field of activity, technological features, the specifics of products, the relationship with markets, and so on.

It should be noted that any way to attract credit resources, even budget or subsidized, must be justified, and the company must be solvent. The choice of sources of financial resources and justification of their effectiveness should be based on comparative analysis, for example, banks’ proposals for investment credit on several key criteria: interest rate, additional payments for opening a credit line or maintaining an account, collateral base, collateral ratio, additional conditions (insurance, assessment, surety).

The effective development of the credit system in the agricultural sector requires easing the conditions
of bank lending to businesses, which is experiencing a high interest rate burden compared to other sectors of the national economy. Improving the competitiveness of bank lending can help speed up service, logistics, improve credit products, comprehensive solutions, including taking into account the individual characteristics of regional customers. In this regard, the problem of stimulating the involvement of regional banks in lending to agricultural enterprises, better adapted to regional clients, the peculiarities of doing business in the region. The development of mutually beneficial cooperation between banks and businesses 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. At the same time, various forms of enterprise lending must be developed in order to provide financial resources.

We have proposed the conditions for granting loans by banks to agricultural enterprises. One such type is mezzanine financing. Mezzanine financing is a hybrid form of financing that combines the characteristics of different forms of financing, and involves not only a combination of own and borrowed sources of financing, but also a combination of credit and equity financing, as well as the use of securities and/or derivative financial instruments implementation of the agreement.

The term "mezzanine financing" is used in world practice to denote investment schemes that occupy an intermediate place between the direct debt financing of the company and investment in its capital.

This is a relatively new financial instrument, which began to be used in developed countries only in the 70–80s of the XX century to finance acquisition agreements. The first beneficiaries of this mechanism were insurance companies, credit and savings associations and specialized investment funds. Later, this mechanism extended to the financing of business development, share capital restructuring and other areas where there were difficulties in obtaining bank credit. The mezzanine financing mechanism is especially actively used during periods of economic crises, which was especially noticeable during the financial crisis of 2007–2008. As mezzanine investors, as a rule, are pension and investment funds, insurance companies that accumulate investors' funds, specialized structures of banks. The main goal of mezzanine investors are sustainable second-tier companies that have proven their viability. That is, mezzanine financing is a method of financing projects in which the investor provides funds in the form of debt financing with the simultaneous purchase of an option to purchase shares of the borrower the future at a certain price, possibly under certain conditions.

In essence, mezzanine financing involves two parts that give a synergistic effect: debt and partial, with the debt part is always present, and the partial part may not be implemented. The debt part of the mezzanine can be represented by both secured and unsecured loans, as well as subordinated loans, which provide for repayment after meeting the requirements of other loan agreements or bonds. In most cases, primarily due to the prevalence of bank lending, the debt part of the mezzanine is represented by a bank loan, but it may be replaced by a loan from third parties, which will also correspond to the essence of mezzanine financing.

At present, banks, as the main creditors of domestic producers, mainly issue loans to secure tangible assets, at the expense of future harvests or output. Therefore,

### Table 3

**Terms of lending on credit lines in banks of Ukraine for Agricultural enterprises**

<table>
<thead>
<tr>
<th>Parameters</th>
<th>CB &quot;PrivatBank&quot;, AT &quot;Oschadbank&quot;, PATAB Ukrgasbank</th>
<th>OTP Bank PJSC, PJSC &quot;Credit Agricole Bank&quot;</th>
<th>PJSC Bank Credit Dnipro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term</td>
<td>Up to 3 years obligatory annual full repayment of the entire loan or each individual tranche at least once every 12 months</td>
<td>Up to 18 months, up to 12 months under a seven – year framework agreement</td>
<td>Up to 18 months</td>
</tr>
<tr>
<td>Limit</td>
<td>Up to 60.0% of the costs of the campaign for sowing, care and harvest</td>
<td>Maximum – 500 thousand euros</td>
<td>Up to 70.0% from the general costs per season</td>
</tr>
<tr>
<td>Interest rate, % per annum</td>
<td>28.0-34.0 (KB PrivatBank) 21.25-24.0 hryvnias; from 12.0 in US dollars; from 12.0 in euros</td>
<td>19.0-21.0</td>
<td>From 21 in hryvnia, payment during the period of receipt of sales revenue harvest</td>
</tr>
<tr>
<td>Commission, %</td>
<td>From 0.2 per month</td>
<td>One-time 0.99-1.0 of the amount of the set limit</td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>Real estate and movable property, property rights, surety</td>
<td>Agricultural machinery and equipment, cars and trucks; real estate; the borrower’s own assets; as an additional pledge – cattle, grain, the harvest of the future period</td>
<td>Future harvest and machinery</td>
</tr>
</tbody>
</table>

*Source: developed by the author on the basis of NBU*
it is advisable to expand lending opportunities through the mechanism of mezzanine financing.

Most often, mezzanine financing involves obtaining credit resources for collateral. In this case, the collateral may be primarily such assets of agricultural enterprises as real estate, machinery, equipment, much less securities.

In essence, mezzanine financing schemes occupy an intermediate place between a bank loan and a direct investment in the company's capital. Therefore, we consider it appropriate to take into account when implementing mezzanine financing:

– first, the presence of mezzanine debt. Lack of security or a negative assessment of the debtor's condition does not allow him to count on a loan, and attracting direct investment, due to certain circumstances has become impractical for potential borrowers. Mezzanine debt, compared to direct investment, may have collateral, but it is usually weaker than bank credit. The required return on a mezzanine lender is lower than that of direct investment, but higher than that of banks.

In essence, mezzanine financing schemes involve the use of various financial instruments, including, such as subordinated debt, warrants for shares or loans "with profit participation". Repayment of mezzanine loans is mainly carried out at the expense of funds received from the sale of assets and shares of the debtor, and for loans, the repayment is financed using the money supply obtained in the course of the main activity. Mezzanine financing is carried out exclusively with the use of instruments which are determined by the results of negotiations between the investor and the borrower;

– secondly, a certain part of the mezzanine must be represented by a financial instrument that will give its owner the right to purchase shares of the agro-industrial company in certain circumstances and/or at a certain time (for a certain time) at a predetermined price. Options (as derivative financial instruments) and options of the issuer (as securities) can act as such financial instrument. As a rule, it depends on a set of circumstances, external and internal factors and individual specificity of each separately considered enterprise of the agrarian sphere;

– thirdly, financial instruments are mixed within mezzanine financing not just by private subscription, but, in fact, in a limited way: they are issued and transferred to one person, combining the functions of creditor and investor. It is believed that such tools are completely illiquid. However, this can be questioned, because both the option and the issuer's option, respectively, are derivative financial instruments and securities, in theory, can circulate freely in the financial market. Of course, mezzanine financing does not imply that the creditor-investor will seek to sell its financial instrument, but nevertheless, this cannot be ruled out;

– fourth, the average debt repayment period is 5-7 years, and at the beginning of the credit period there is a deferral of payment of the debt, which allows agricultural enterprises to invest in business development, rather than giving them to repay the loan. This is extremely important due to the specifics of agribusiness, which requires constant serious replenishment of not only fixed assets but also current assets. In the future, when the company will reach a relatively stable performance, loan payments will increase just by repaying the body of the debt.

Mezzanine does not involve creditors-investors in the management of the enterprise, which receives resources, which can also be its competitive advantage if the owners of the enterprise want to manage it exclusively independently.

Thus, the debt part of the mezzanine is always present, but the share may be absent if it is impractical for the creditor-investor to exercise the rights under the option or the issuer's option. All other things being equal, it is interesting for a lender-investor to use a financial instrument under the mezzanine financing mechanism, if the lent enterprise is successfully developing and in the long run will bring more income than from the loan.

It is also rational to exercise the option in a negative situation when the borrower does not fulfill its obligations, and thus try to at least partially compensate for the lost benefit. In this case, the investor buys (and actually pays for) shares, exercising the option, and the money transferred for payment goes to the account of the agricultural business, which in turn at the expense of the funds repaid the debt to the investor. The mezzanine financing mechanism provides quite flexible conditions and can be applied to various operations in the agribusiness, ranging from the development of the innovative component of agro-industrial clusters to large mergers and acquisitions. It is obvious that this tool is attractive for large forms of management, including agricultural holdings. This tool can also be adapted and used for farms, personal farms, family farms, sole proprietors and more.

6. Conclusions

Research of financial instruments on the credit market of Ukraine in the conditions of European integration processes to make a number of conclusions of scientific-theoretical and applied character. Based on the analysis of qualitative and quantitative changes in lending in Ukraine, we analyzed the types of credit services of banking institutions. At present, credit services provided to individuals with the help of credit cards are promising in Ukraine. However, only in 2018 loans to customers increased, but both before and after 2018 we see a downward trend in loans to customers.

In general, the development of the credit market at the present stage of economic development in our
country does not meet the real needs of the economy. The number of banking institutions in the country is significantly declining and interest rates on loans are rising. The results of the analysis of credit activity of a number of banking institutions showed that bank credit occupies an important place in the credit market of Ukraine, and in the activities of the banking institution itself. Credit services bring the bank big profits. With the help of the credit mechanism, self-regulation of the economic system is achieved, the rate of profit is equalized in various sectors of the economy, and so on.

Credit promotes the concentration and centralization of capital. The credit plays an extremely important role in ensuring scientific and technological progress and servicing the innovation process. Credit is an important source of financing capital investments. Credit relations have given rise to the credit mechanism, which includes the principle of lending, credit planning and credit management, conditions and methods of lending, ways to quantify it.

The results obtained in this paper allow us to make proposals for improving the credit market and the use of its financial instruments in the context of European integration processes. We believe that the strategic direction of reforming credit services in Ukraine in the face of global challenges is the implementation of the concept of "financial initiatives". The financial initiatives launched in recent years in the agricultural sector are clearly acceptable and successful, but so far this is, without exaggeration, a successful phase, which will help increase the investment activity of agricultural producers. In order to achieve positive changes in ensuring the sustainable development of the agricultural sector, it is necessary not to dwell on the results obtained, but to work towards the qualitative and territorial deepening of the introduced innovative financial instruments. Adequate investment support for the agricultural sector is possible provided that these processes are intensified and agricultural producers use all possible tools to raise funds, the range of which has expanded significantly in recent years. The product of such a credit market is innovative financial instruments, their introduction and use in a competitive economic environment, which are proposed to ensure the monetary relations of credit market participants.

References:


Information on the state and development of credit institutions of Ukraine. Official site of the National Commission for State Regulation of Financial Services Markets. Available at: https://www.nfp.gov.ua/ua/informatsiia-pro-stan-i-rozvytok-kredytnykh-ustanov-Ukrainyi.html


