

**PECULIARITIES OF FINANCIAL INTERACTION
OF THE BANKING SECTOR OF ECONOMY REGARDING
FINANCIAL SUPPORT OF AGROFORMATIONS
IN THE CONDITIONS OF EUROPEAN INTEGRATION**

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Abstract. In modern conditions of uncertainty, agricultural formations face problems in finding tools for maintaining their positions, ensuring stable, continuous, effective activities. In achieving the efficiency of activities, an important function is performed by the financial support, which plays an exclusive role both in the implementation of operational activities and in the implementation of investments in accordance with the strategy of the development of the agrarian enterprise. Given this, it is necessary in this context to identify the relevance of these problems and their need for theoretical justification and development of proposals for improving and further intensifying the development of different segments of the agricultural sector in Ukraine. Modern realities of the market economy, social transformations in the country and the significant development of international relations give agricultural enterprises the opportunity to significantly expand the range of sources and forms of attracting financial resources. These forms complement each other on the basis of a conceptual approach to ensure their effective functioning. *Goal.* Development of mechanisms for the formation of financial resources of enterprises in the context of their effective functioning on the basis of a conceptual approach, which includes the principles, purpose, objectives and directly the mechanisms for managing the financial security of enterprises. *Method (methodology).* The research used general scientific methods, in particular, a systematic approach, abstract-logical method, including methods of analogy, comparison, induction and deduction, statistical method; methods of analysis and synthesis; comparison method; system-analytical.

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All these research methods complement each other and together provide an opportunity to comprehensively consider the subject of research. *Results.* The publication explores groups of sources of financial resources. As a result of research on the basis of the conceptual approach constituent elements of the concept of improvement of management of financial maintenance of the enterprises are developed. Its main goal is to: ensure effective management decisions to attract sufficient financial resources to maximize profits and increase the market value of businesses. *The direction of further research is to develop* methods for assessing the effectiveness of financial support for enterprise development.

1. Introduction

Transformation processes that are inevitable for Ukraine in the direction of creating a socially oriented market economy interpret new approaches to financial and economic support of business entities, including the agricultural sector.

The business environment of the agricultural sector has a small scale of activity, flexibility and mobility in the process of production and economic activities, and is significantly influenced by the external environment and is characterized by a fairly high degree of risk. The main factor that ensures the survival of these economic entities is the implementation of effective management, which should be based on priorities and new approaches to financial support for development and socially oriented management through new credit instruments.

Today in the study of this issue it is worth noting the contribution of such scientists as: Ambrosov V. Y., Artemyeva O. O., Rulikovskiy V. S., Matrosova L. M., Ivanyuta V. F., Matviychuk O. Ye., Varchenko O. M. and other scientists, as well as meters of Ukrainian economics: G. Kireitsev, G. Kaletnik, V. Savchuk, A. Dibrova, S. Kvasha, O. Gudz, N. Davydenko, L. Vdovenko.

However, in the study of these issues in the system of Ukraine's economy there are still issues that are insufficiently resolved or not fully resolved. In this context, the urgency of these problems and the need for theoretical justification and development of proposals to improve and further intensify the development of various standardized agricultural enterprises in Ukraine.

2. The current state of financial cooperation of the banking sector of the economy

The purpose of this study is a comprehensive approach and further study of financial security – credit support of agricultural formations, namely farms by diversifying credit instruments, identifying problems with their functioning and justifying the directions of their development in globalization.

According to the set goal, the following tasks are to be solved:

- analyze the theoretical aspects and dynamics of small and medium business development in Ukraine;
- identify the entities that have the greatest impact on the activities of small and medium enterprises in Ukraine;
- identify problems and reasons for slowing down the development of small business in Ukraine and suggest ways to solve them.

The current external challenges facing our country's economy have sharpened the understanding that the foundation of a strong and independent economy is the real sector, which produces material goods and services, which must be provided with adequate support from the financial market, including one of its developed segments – the banking sector.

The results of a number of current studies show that in emerging markets, meeting the needs of the real sector with banking resources is one of the strategic areas of economic development.

The need to ensure further economic growth raises a number of important issues of attracting external financial resources of investment nature into the system of the reproduction process.

Banks play a particularly important role in intensifying investment activities. An important form of participation of banks in the investment process is an investment loan.

In the current conditions of economic development, the interaction of the banking and real sectors of the economy, adaptation and implementation of positive experience of foreign countries that have managed to ensure high rates of economic growth by active participation in this process of the banking sector are very timely.

Note that agriculture can be more productive in terms of increased investment in the agricultural sector, ie as financing from the state are lending to this sector.

The organization of the process is influenced by the sources of financing the production activities of enterprises, which include bank loans.

Let's define the interpretation of the concept of bank lending to the agro-industrial complex, which reflects the provision of enterprises with funding on the terms of return on funds, fixed deadlines, controlling the targeted use of funds, and providing preferential terms for certain industries.

We propose to give the main specifics of agro-industrial loans. It should be noted that as of November 5, 2020, the list of authorized banks that signed the Memorandum with the Ministry of Economy, which includes the implementation of state support for agricultural producers, includes 36 banking institutions.

The most important aspects should be: development and implementation of new mechanisms to support agricultural enterprises with a gradual departure from direct payments to rural development programs.

It is necessary to apply the experience of the world's leading countries in providing direct payments, subsidies, various benefits to farms, taking into account the Ukrainian realities, ie stimulating promising areas of agriculture.

In today's turbulent environment, small business plays an important role in ensuring sustainable economic development and solving social problems at the state, regional and local levels. Due to small business, the market principles of management are successfully developing, local budgets are being filled, and the system of economic relations in various spheres and branches of activity is being actively formed. Compared with other economic entities of the national economic complex, the organization of economic and financial activities of small businesses has a number of features.

The changing economic situation creates new problems for commercial banks in the field of investment lending, which requires timely development and implementation of new and improvement of existing mechanisms that mediate the transformation of credit resources of the banking system into productive investments of the Ukrainian economy.

Small business is an integral part of a market economy. It operates in all countries of the world and covers areas of economic activity not prohibited by law. Differences between small, medium and large businesses are determined on the basis of qualitative and quantitative parameters on the basis of their standardized division (table 1).

Table 1

Criteria for the division of economic entities by standardized division*

Categories by standardized division	Legal entities	Net sales income, euros	Book value of assets, euros
“Great”	annual income > 50 million euros average number of employees > 250 people	> 40 000000	> 20000000
“Medium”	annual income up to 50 million euros average number of employees up to 250 people	to 40,000,000	to 20,000,000
“Small”	annual income up to 10 million euros average number of employees up to 50 people	to 80,000	to 400,000
“Micro”	annual income ≤ 2 million euros average number of employees ≤ 10 people	to 700,000	to 350,000

Note* Grouped by (Agriculture. Official website of the State Statistics Service of Ukraine)

The most significant qualitative feature of such a distinction is the entrepreneur himself. Such an enterprise is considered small, where the entrepreneur himself participates in the production process, performing professional and technical functions, and trade and organizational functions are transferred to members of his family. The combination of three functions in the person of an entrepreneur is especially significant for a small business: an entrepreneur, an investor and a manager. Of course, for the effective functioning of a small business, it is vital to provide sufficient financial resources, which in turn have a distributive nature and are in monetary form. Financial support of reproduction processes in agricultural enterprises is made possible by the availability and use of financial resources.

Agrarian formations play a significant role in the development of productive forces and ensuring food security of the country. Their appearance in the mid-1990s and the increase in numbers so far have shown that the economically active rural population has preferred the organizational and legal form of rural entrepreneurship, legitimized at the legislative level. According to the Law of Ukraine “On Farming” of June 19, 2003 № 973-IV, a farm, as a farm that belongs to small agrarian formations according to the structured division, is a form of entrepreneurial activity of citizens

with the creation of a legal entity wishing to produce goods. agricultural products, engage in their processing and sale in order to make a profit on land provided to them for farming. Commodity peasant economy is a form of organization of agricultural production carried out by labor of family members on the basis of their private property according to the Law on personal peasant economy of 15.05.2003 № 742-IV.

Table 2

**Structure of economic entities of the agricultural sector of Ukraine
in the period of unstable economy (2014–2017)**

Business entities	2014		2015		2016		2017	
	from	%	from	%	from	%	from	%
Business associations	7750	16,8	7721	17,0	8700	18,2	6967	15,3
Private enterprises	3772	8,2	3627	8,0	3752	7,9	3215	7,1
Cooperatives	674	1,4	596	1,3	738	1,5	448	1,0
Farms	33084	69,7	32303	71,2	33682	70,6	34137	74,9
State enterprises	228	0,6	241	0,5	222	0,5	199	0,4
Enterprises of other forms of management	691	3,0	891	2,0	603	1,3	592	1,3
Total	46199	100,0	45379	100,0	47697	100,0	45558	100,0

Source: State Statistics Service of Ukraine

The period of unstable economy is characterized by changes in the political system and economic course of the state. in the total number of enterprises engaged in agricultural activities (table 2).

The period of economic growth is characterized by radical changes in the economic and political field (table 3).

The last two years, 2019 and 2020, give us a clear understanding of the positive economic progress in the field of economic transformation, the results of which are a decentralized division of territorial communities. Such an enlarged division made it possible to consolidate the creation of business associations.

Further positive dynamics in farms is a confirmation of the competitiveness of this form of agricultural entrepreneurship given the relatively higher growth rate than in other agricultural enterprises.

Table 3

**Structure of economic entities of the agricultural sector of Ukraine
in the period of economic growth (2018–2020)**

Business entities	2018		2019		2020	
	from	%	from	%	from	%
Business associations	6814	15,1	120	18,5	10931	23,6
Private enterprises	3887	8,6	3810	7,8	3956	8,1
Cooperatives	496	1,1	758	1,5	485	1,01
Farms	33164	73,5	33164	67,4	32452	66,9
State enterprises	180	0,4	215	0,4	215	0,4
Enterprises of other forms of management	587	1,3	2141	4,4	465	0,9
Total	45128	100,0	49208	100,0	48504	100,0

Source: State Statistics Service of Ukraine

Given the statistics on the dynamics of the number of farms (slight fluctuations in the number of agricultural enterprises and a positive gap between them farms), it can be argued that enterprising peasants and their families are relatively easier to enter agricultural markets by starting commercial production.

Positive changes are also observed in the structure of agricultural production. In 2018, compared to 2014, Ukrainian farms increased their crop production by 32.3 percentage points, which confirms their overall competitiveness in crop production compared to all agricultural enterprises, whose production growth was 18.2 percentage points.

At the same time, livestock farms in 2018 – UAH 1,499.3 million, but since 2014 there has been a significant growth rate – 11.7 percentage points, while all agricultural enterprises produced 33,687, UAH 5 million gross livestock production, and the growth rate of which amounted to 0.5 v.p. (table 4).

Thus, there are outpacing growth rates of livestock and crop production by farms compared to the corresponding indicators of all enterprises. This once again confirms that although agricultural enterprises retain the status of leaders in the production of crop products. The dynamics of statistical indicators indicates a constant trend towards outpacing rates of growth of its production in farms, which confirms the results carried out

The volume of gross output produced by agricultural enterprises and farms of Ukraine, 2014–2018, UAH million

Indexes	2014	2015	2016	2017	2018	2018/2014, +/-
Agricultural enterprises						
Gross output – total, UAH million	139058,4	131918,6	145119,0	140535,2	158306,5	13,8
crop products	105529,5	99584,7	113392,6	108601,1	124719,0	18,2
livestock products	33528,9	32333,9	31726,4	31934,1	33687,5	0,5
of which farms						
Gross output – total, UAH million	19188,8	17 565,4	22101,4	21743,1	25118,9	30,9
crop products	17847,0	17565,4	20705,3	20338,8	23619,6	32,3
livestock products	1341,8	1343,9	1396,1	1404,3	1499,3	11,7

Source: State Statistics Service of Ukraine

according to the method of analysis, and states the highest reliability (by correlation coefficient). The format of the trend line is linear, the equation $y = 31767x + 2307.3$, the correlation coefficient $R^2 = 0.9949$. The results of the equation are displayed in the selection graph:

Volumes of production of farms (as well as enterprises of the agricultural sector as a whole) indicate a preference in crop production. Livestock farming is developing slowly, but with a steady increase in production volumes, which also reflects their progress in the relevant market.

In the structure of gross agricultural output, the dynamics of the share of gross output produced by Ukrainian farms also shows a steady upward trend: 2014 – 7.6 percentage points, 2015 – 7.9 percentage points, 2016 – 8.7 pp, 2017 – 8.7 pp, 2018 – 9.3 pp.

Compared to 2014, in 2018 it increased by 30.9 percentage points. This indicates a slow but steady increase in the pace of production and sales of agricultural products by farms in the agricultural market of Ukraine.

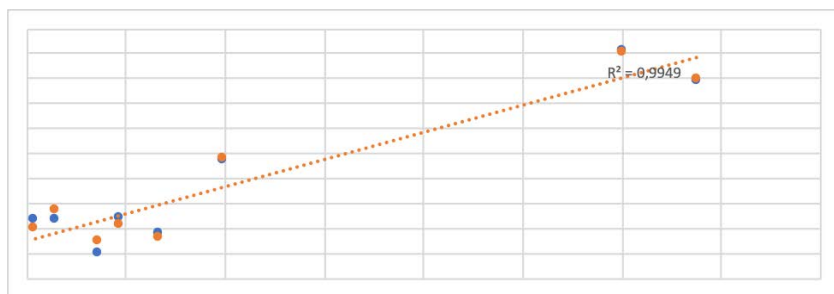


Figure 1. The results of the correlation of production indicators of small agricultural enterprises during 2014–2018

3. Problems of providing finance of agrarian formations

With some reservations, these indicators can be considered as the share of the agricultural market occupied by farms. In 2018, it amounted to 9.3 percentage points, and compared to agricultural enterprises in general (57.0 percentage points) and households (43.0 percentage points) is relatively small, but constantly growing.

In our opinion, it also reflects the problems of reliability of relevant statistics, as the calculation of gross output of households is based on unrepresentative data on conditional (attributed to them) production in homesteads, without taking into account the relatively low level of productivity, marketability and average sales prices, agricultural enterprises.

Given the above, it can be argued that the gradually growing share of farms in production in general indicates their importance and continued competitiveness in agricultural markets, even given the imperfect institutional framework of various groups of producers, which may contribute to its underestimation.

Therefore, today the state provides at least 8 programs to support farming. One of them is the program of interest compensation on loans. During the program (as of June 1, 2019) 154 agrarians-clients of Oschadbank applied for such compensation. Some of them (80%) received loans for the purchase of machinery and equipment. The remaining 20% of applications were for compensation for working capital loans.

Financial support is provided exclusively to farms that own or use agricultural land. In 2019, the requirements for compensation recipients were simplified, in particular, restrictions on the size of the land fund in ownership and / or use were lifted, and the maximum amount of revenue from sales for the last year was increased to UAH 20 million.

According to T. Vysotsky, the main criteria are the same for all borrowers – the experience of doing business for farmers for at least two marketing years and a positive credit history. The recipient can benefit from compensation for no more than one short-term and one medium-term loan during the program period (there can be two parallel applications). To receive compensation from the budget, applications must be submitted to the bank by December 1 of this year, and the register for interest compensation in December will be submitted by the bank to the Ministry of Agrarian Policy by February 10 of the following year.

Partial reimbursement of costs associated with agricultural services, financial support for agricultural service cooperatives, cheaper loans, additional financial support for family farms is a timely and effective message of developing the competitiveness of small agricultural formations.

It is also significant that as of 2020, 71,573.2 thousand hryvnias of state support was received from farms. The corresponding distribution of funds was approved under the budget program “Financial support for agricultural producers” in the area of “Financial support for the development of farms” in the following areas:

- providing 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. The funds will be received by 460 farms that have purchased 1,152 units of equipment.

- providing partial compensation for the cost of seeds of agricultural plants of domestic production, purchased from individuals – entrepreneurs and legal entities engaged in production and/or its implementation in 2019 for a total amount of UAH 8,537.5 thousand. The funds will be received by 447 farms that purchased 3,368.4 tons of seeds.

- provision of a budget subsidy per unit of cultivated land (1 hectare) – to newly established farms – for October-November 2019 in the total amount of UAH 12,643.2 thousand. The funds will be received by 225 newly established farms;

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– providing a budget subsidy per unit of cultivated land (1 hectare) – to other farms in October-November 2019 in the total amount of UAH 25,992.0 thousand. 861 farms will receive the funds.

For 2021, the Government has prepared a program to support the development of farms in the following areas:

- budget subsidy for keeping cows;
- surcharge in favor of insured persons – members / chairman of the SFG without acquiring the status of a legal entity of SSC;
- partial reimbursement of costs related to the provision of agricultural advisory services;
- budget subsidy per unit of cultivated land (1 hectare) – to newly established farms;
- financial support on a revolving basis.

You can also get compensation for domestic agricultural machinery.

Partial compensation of 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 acceptance certificate and other documents confirming payment through the state bank.

Under the budget program “Financial support for agricultural producers” support is distributed:

- in the area of “Partial compensation for the cost of agricultural machinery and equipment of domestic production” in the amount of 25% of the cost;
- in the area of “Financial support for the development of farms” in the amount of 15% of the cost.

Also, one of the important areas of state support is cheaper agricultural loans.

According to the results of the year, according to the approved orders and submitted registers of recipients of budget funds, the Ministry of Economy actually sent funds to authorized banks in the amount of UAH 1,047.7 million or 99.9% of the planned ones, which were transferred to current accounts. borrowers.

More than 4,200 borrowers who applied to authorized banks received targeted budget funds.

The total amount of loans raised by such entities was over UAH 143.5 billion, of which UAH 24.8 billion was compensated at the expense of budget funds, including:

a) by type of loan:

- short-term – UAH 11.6 billion (46.7%);
- medium-term – UAH 6.1 billion (24.7%);
- long-term – UAH 7.1 billion (28.6%);

b) by type of activity of borrowers:

- livestock industry – UAH 4.5 billion (18%);
- other industries – UAH 20.3 billion (82%).

The average interest rates of banks, at which agribusiness entities attracted loans, were 18-22% per annum.

Compensation is provided to recipients for accrued and paid in the current year interest on loans in the amount of 1.5 discount rate of the National Bank, effective on the date of accrual of interest, but not more than the amount of the loan agreement reduced by 1 percentage point.

Interest rates on the loan are subject to compensation:

- involved in one year, the amount of which does not exceed 500 thousand. UAH to cover production costs;
- involved up to 3 years, the amount of which does not exceed UAH 9 million, for the purchase of fixed assets for agricultural production, the implementation of costs associated with the construction and reconstruction of agricultural production facilities.

To receive compensation you must:

- Do not have bankruptcy cases, do not go bankrupt, do not be in liquidation.
- Do not have arrears of more than 6 months to the state budget, the Pension Fund and the funds of the obligatory state social insurance.
- Do not submit documents for compensation under concluded credit agreements, the interest for the use of which is reduced with the help of funds provided for other government programs.

Agricultural compensation is provided to agribusiness entities (legal entities and natural persons – entrepreneurs) for all types of agricultural activities.

The amount of compensation is 1.5 of the discount rate of the National Bank, effective on the date of accrual of interest, but not higher than the

amount provided for in the loan agreements and reduced by 5 percentage points.

For one business entity provides a limit of 5 million UAH.

In addition to the state program to reduce the cost of loans, there is a program provided by “PrivatBank”, called “AgroCube”.

The interest rate on this program is 1.6% per month of the loan amount – the first 6 months and 1.4% per month of the loan amount – the next 6 months.

The loan amount is from 50,000 thousand UAH up to UAH 1,000,000 million.

Funds are credited to the current account of the entrepreneur in “PrivatBank”.

The loan is repaid monthly in equal installments. Possible repayment procedure for clients in the field of agribusiness (“AgroCUB”):

1. The first 6 months only interest is repaid, the remaining 6 months the amount of debt with interest equal parts.

2. The client chooses the desired 6 months to repay the loan, starting from the next month of the loan.

In general, the experience of bank lending to agricultural enterprises shows that the current process of lending to agricultural enterprises by commercial banks is still quite complicated, and requires companies to have a large number of necessary documents and their lengthy consideration.

In addition, banking institutions prefer to finance large agricultural producers, which is due to the following reasons:

- the presence of organized financial reporting in large companies;
- availability of sufficient and modern collateral for loans;
- diversification of activities of large enterprises, which can compensate for possible losses in one of the activities;
- ignorance and lack of technologies for financial analysis of agricultural enterprises;
- insufficient specialists to work with small agricultural enterprises (it is more profitable for banks to issue large loans at relatively lower labor costs), etc.

Thus, small and medium-sized agricultural producers in Ukraine have insufficient access to bank lending.

It should also be noted that the agricultural sector at the end of the reporting year 2020 mastered 4.665 billion UAH of state subsidies from the budget. Budget grants were distributed in 11 basic areas:

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- development of animal husbandry and processing of agricultural products (UAH 1.6 billion);
- development of farming (UAH 120.8 million);
- compensation for the cost of equipment (UAH 991.4 million);
- compensation for the cost of loans (UAH 1.2 billion);
- development of horticulture, viticulture and hop growing (UAH 512 million);
- compensation for lost crops (UAH 108 million);
- development of niche crops (UAH 50 million);
- development of potato growing (UAH 53 million);
- development of irrigation (UAH 16.7 million);
- compensation of SDRs (UAH 0.6 million).
- compensation to buckwheat producers (UAH 50 million).

In 2021, state support for farmers amounted to more than 4.6 billion UAH, taking into account the relevant changes that were made to the budget.

But 2021 has shown that today the demands of farmers are much higher than the amount of support. The total need, which Ukrainian farmers formed by submitting documents, amounted to almost UAH 7 billion.

UAH 6.5 billion was planned for 2021. UAH 4.7 billion was actually used:

Financial support for agricultural producers – UAH 4.66 billion.

Provision of loans to farms (UDF) – UAH 50 million.

In 2019, the state planned UAH 6.9 billion.

UAH 4.6 billion actually used.

Distribution of funds for agricultural assistance programs by industry:

State support of the livestock industry – UAH 2.4 billion;

Financial support for agricultural producers – UAH 641 million;

Financial support for measures in the agro-industrial complex by reducing the cost of loans – UAH 449 million;

Financial support for the development of farms – UAH 420 million;

State support for the development of hop growing, establishment of young orchards, vineyards and berries – UAH 397 million;

Providing loans to farms – UAH 225 million.

4. Ways of further financial cooperation of the banking sector of the economy to ensure agricultural formations

For 2022, processing, animal husbandry, horticulture and land reclamation will remain a priority, as these areas create the largest number of jobs. They are the most capital-intensive in terms of value added.

In addition, the focus will be on a new area – agricultural insurance. It will help farmers to be more confident in their activities, despite natural and financial difficulties.

Another new area of state support – land reclamation – has already made it possible to launch pilot projects in various areas and will be scaled up after the launch of the association of water users in 2022. Financial support for state support remains at the level of 2021, but this is not enough. At the government level, there is a common position that support should be increased in the first half of 2022, as the agricultural sector today gives the largest increase in catches of the country's domestic product.

The government will also work to expand affordable lending to farmers, which should reach at least UAH 100 billion.

The draft State Budget for 2022 provides UAH 8 billion for the development of the agro-industrial complex + UAH 301 million for the 2021 plan. In 2022, within the limits of the funds we have in the amount of UAH 4.5 billion, and this is due to the level of the government and the head of state, the expansion of state support is envisaged, primarily in the direction of animal husbandry.

Thus, private farmers will have additional opportunities to expand their farms. Increasing the role of the state in the agricultural sphere will help increase food security and export potential of the country.

That is, it is necessary and important to use a balanced and effective process of reforming the agricultural sector to support innovation, to implement effective water-saving irrigation technologies.

The development of the agricultural sector is influenced accordingly by credit resources, as they ensure the continuity of the processes of investment and inflow, the gap between which is associated with seasonality, which is inherent in most agricultural enterprises. It is in the absence of enterprises' own funds that there is great hope and support for lending by replenishing financial resources.

Among all industries, the agricultural sector has seen an improvement in the formation of new government lending support programs. However, to obtain them, you must comply with separate lists of conditions.

It is very important to note a number of relevant options for supporting the agro-industrial complex, which were developed by the relevant Ministry for 2020.

It is important to note that the development of the agricultural sector of the economy is influenced by the rate of investment, as it is from investment savings and investment in production and technical resources depends on improving agriculture, and, accordingly, investment contributes to increasing the competitiveness of products. In order to develop the most effective innovation potential, there is a need to update the Ukrainian “export-import policy” in the fields of agricultural production and resource processing.

When allocating investments within the state, the priority is given to those industries that are more shown to benefit from investment and, accordingly, have an impact on the economic growth of related industries and industries. These include agriculture and other branches of the agro-industrial complex of Ukraine.

Note that the agro-industrial complex within the state is the main complex on which investment is focused.

According to the indicator received from the Ministry of Economic Development, Trade and Agriculture of Ukraine as of July 1, 2019, Ukraine has already implemented and continues to implement 444 investment projects totaling UAH 40.6 billion, in the previous 2018 this figure amounted to 393 investment projects worth 40.1 billion UAH., ie there is an improvement. However, the main financing for the development of the agro-industrial complex is the use of own funds of the agro-industrial complex.

As one of the main directions of agro-industrial development is competitive development, it is important to note that attracting foreign investment, due to the creation of a free trade zone and investment growth has formed a stable inverse relationship with the growth of mutual trade. It is also important to note that when investing in agricultural activities there is an indirect influence of internal and external factors. According to the internal factors are indicators of yield and productivity of cattle, specialization and

technology of the production process, the level of productivity labor and the formation of the calculation of the cost of production, and, accordingly, the long-term or short-term investment. It is the internal factors of influence that depend on the producer, in contrast to external factors, which include pricing policy, both global and domestic, government support, existing soft loans, seasonality, inflation, and tax base.

It is important to note that external factors influencing investment play a greater role. After conducting all the assessments of capital investment indicators of existing government programs, we propose to identify the main conceptual aspects of the development of the agricultural sector, which include:

- improving the conditions for the development of the agricultural sector, especially with an emphasis on agriculture;
- improve the conditions for providing state financial support to agricultural enterprises;
- development and implementation of housing and communal services to the population of settlements, urban-type settlements, under the conditions of formation of enterprises in order to provide young people with jobs and encourage living in the village;
- improve the conditions for receiving investment deposits;
- increase the competitiveness of agro-industrial products by improving product quality and expanding markets;
- development of effective state support programs in the form of subsidies to support low-income people;
- development of conditions for the development of agro-industrial science and education.

It should be noted that the agricultural sector is one of the main complexes of domestic economic development of the country, which affects the development of the country's export potential, the use of efficient production technologies and resources.

It should be noted that the indicators of agricultural exports are the main part of agricultural exports, which increase with fruitful cooperation with the European Union, Asia and Africa. The main areas of increasing competitiveness in the international market are the timely modernization of the country's economy, effective attraction of imported resources, equipment, and, accordingly, the expansion of a favorable investment climate.

The most common type of investment loan is a bank investment loan. The main criteria that the borrower must meet to obtain an investment loan: stable financial condition; the borrower (experience in attracting this type of funding in the past, staff qualifications); participation with own funds (as a rule, not less than 25%); positive credit history (conscientious fulfillment of obligations to creditors); solvency (based on the forecast of cash flows for the project, as well as the optimal loan repayment schedule).

The terms of the loan to finance investment projects are somewhat different from the usual ones. For example, consider the conditions for granting a loan for business development (investment lending) of small enterprises by leading commercial banks of Ukraine (table 5).

Table 5

**Providing loans by commercial banks
for the development of agribusiness**

Lending conditions	Banks		
	PJSC PrivatBank	PJSC Megabank	JSC Credit Agricole
The purpose of lending	capital expenditures (acquisition / modernization / reconstruction of fixed assets); launching an additional line of business		
Repayment schedule	interest – monthly, loan – according to the terms of the loan agreement, possible receipt postponements	the loan is repaid monthly in equal installments, payment interest monthly	monthly, from the 1st to the 7th day of the month following reporting (in January and May – until the 15th)
Maximum the size of the limit	up to 70% of the cost investment project	up to 75% of the project cost, and up to 85% subject to the provision of additional support	up to 70% of the cost investment project
View financing (issuance form)	term loan or non-revolving credit line according to the contract	non-revolving credit line; funds are provided in non-cash form by transfer from the loan account to the current account of the borrower / counterparty	term loan or non-revolving credit line

The term of investment lending in most banks is 5 years, interest rates are set at about 20% per annum in UAH and above. Thus, in PJSC “PrivatBank” annual rates are: in hryvnia – 21%, in US dollars – from 9.1% in euros – from 8.2%. But the final rate and term of financing is determined depending on the industry in which the project is implemented, the composition of the participants and the degree of responsibility of each of them, the credit history of the company that applied for financing.

A special megatrend is a medium-term loan, ie up to 3 years, which can be used to purchase fixed assets for agricultural production.

This is machinery and equipment without restrictions on the country of manufacture. Compensation also covers loans for the costs associated with the construction and reconstruction of agricultural production facilities. In order to improve the financial support of small agrarian formations, it is necessary to improve communication processes, adapt foreign experience of state support and formulate appropriate state policy. Prospects for further research will be to develop the experience of European countries in the development of the farming movement, as well as agricultural cooperation and methods of determining their financial condition.

Further development of agriculture in Ukraine and agricultural production, in particular, requires significant annual investments. Today, most of them are funded by agricultural enterprises, which does not allow to fully ensure the effectiveness of agrarian reforms and intensify agricultural development. Therefore, it is necessary to increase the volume of investment resources in the agricultural sector at the expense of other sources of funding. The main promising areas for financial support for the development of agricultural enterprises are a set of measures by the state and the banking system, aimed at developing an effective integration mechanism of interaction with the agricultural sector of the economy; increase the amount of financial support for agricultural enterprises through the use of all possible sources to attract capital, including foreign capital. The effectiveness of state financial support to agricultural enterprises can be achieved if budget funds are allocated transparently in projected, pre-informed areas on a permanent long-term basis and in well-defined amounts.

When developing mechanisms for the development of agriculture, it is necessary to take into account the differences and features of each sector of

development, risks specific to a given region, and to develop management methods for each individual entity.

When developing mechanisms for the development of the agricultural sector, it is necessary to take into account the differences and peculiarities of each development sector, the risks inherent in a given region, and to develop management methods for each individual entity.

It should be noted that the agricultural sector needs the introduction of high efficient production technologies, expansion of technical equipment required to increase the productivity of the production process.

Since the development of the sugar and meat and dairy industries depends on this industry, the products of which are used as raw materials for other industries.

Instability and problems in the countryside are a consequence of:

- lack of financial and economic mechanisms;
- lack of support from the state, which includes support for price parity, which affects the development of agricultural producers.

The development of the agro-industrial complex should be based on the optimization of exports of agro-industrial products in accordance with food security requirements.

Note that for the development of the agricultural sector there is a need to develop and implement competitive advantages of the production process of certain products in order to improve the foreign trade balance.

In order to attract more investment, there is a need to encourage better business conditions for foreign investors, reduce the tax burden on the agricultural sector, merge or eliminate inefficient organizations, increase competitiveness, improve training and skills to improve productivity.

Investment attractiveness should be focused on the development of agro-industrial production, but note that there is a dependence on a favorable external environment, the investment climate, which in turn are important factors in attracting investors to the agro-industrial complex. Market-oriented agriculture should have constant access to credit, which can be offered on both price and non-price terms, adapted to its natural, technical, economic and financial characteristics.

Although all the loans known today are important for farms, long-term instruments are of particular importance. The latter, in turn, are difficult to generate in traditional banking, which is usually financed with short-

and medium-term capital. This type of mismatch between the liabilities and assets of lending banks has been and remains one of the reasons for the involvement of public authorities in the field of agricultural lending. Forms of intervention can be different, as well as the assessment of its effectiveness, and this is a topical and topical issue that requires in-depth study.

To answer the question, we consider the NBU data on loans granted and interest rates on them for 2020 and 2019, where we can say about some changes. Thus, UAH 44 billion (46%) increased lending to agriculture. The 5-7-9 program helped a lot here. Agricultural enterprises were its main beneficiaries and under the program were able to refinance previous loans at 0%. Refinancing of previous loans amounted to 62% of UAH 17.4 billion issued in 2020 under the program, the share of loans with a term of more than 1 year increased from 8% in 2019 and 17% in 2020. Perhaps the banks chose only the “best” borrowers in the industry.

Interest rates in some sectors have hardly been adjusted. An example is the agricultural construction sector – the rate for it even increased slightly compared to 2019 – from 16.4% to 16.9% – while for other sectors loans became cheaper. As the total amount of lending is very small (less than 1% of loans issued), it may be that one or more borrowers have had such an impact. In March 2020, the National Bank of Ukraine introduced long-term refinancing (for up to 5 years). Such a mechanism was to support bank lending by enhancing the effect of other measures, such as lowering the discount rate up to 6% per annum and the introduction of incentive reserve requirements. These changes have given some impetus to lending to non-financial corporations for more than a year. After a decrease in April-May, from July 2020 the volume of loans lasting more than a year exceeded the volume of such loans issued in the respective months of 2019 (as evidenced by the data of the National Bank of Ukraine).

Risks and non-transparency of business are not only an obstacle for non-traditional monetary instruments, but also limit the effectiveness of further reduction of the discount rate. Therefore, monetary easing alone is not enough to further reduce the cost of lending.

We agree that measures need to be implemented that will reduce another component of the rate – credit risk. These are primarily measures aimed at improving the quality of institutions in Ukraine – building an effective judicial system for effective protection of property rights. As well as

reducing political interference in agrarian business and corruption. In the current environment, borrowers' risks remain high, including through non-transparent or "optimized" financial reporting. Perhaps that is why more than 60% of loans under the 5-7-9 program are refinancing loans, ie they have been obtained by companies with a credit history.

Today, within the framework of the decision "Affordable loans 5-7-9%" it is possible for farmers to take an anti-crisis loan to replenish working capital or refinance a previously obtained business loan. But there are things that need to be improved to make this program more effective. The first step is the differentiation of interest rates. However, it should be noted that the program "Affordable Loans 5-7-9%" does not provide for the differentiation of interest rates by maturity, although in Ukraine there is a significant difference between short-term and long-term interest rates.

This, in particular, restrains lending in the long-term segment, where these rates are higher. Instead, the program provides several differentiated levels of the final interest rate for the borrower, depending on the purpose of the loan and the amount of annual income. We can state that at the same time the lowest final rate – 0% per annum for loans to refinance existing loans – does not stimulate new lending. But at the same time, it forces banks to join the program to avoid losing customers by refinancing their loans with other participating banks.

In July 2020, the EU and Ukraine signed three new € 105 million financing agreements to support Ukrainian, agricultural and small-scale agricultural development, as well as the Ukrainian authorities in implementing key reforms. The agreement also aims to mitigate the socio-economic consequences of the coronavirus pandemic and continue to support the health sector. Support for agriculture and the development of small agricultural enterprises will be provided by EUR 25 million, which will improve access to loans for small agricultural enterprises throughout Ukraine under the EU4Business program and the approximation of Ukrainian legislation to EU legislation in accordance with AA / DCFTA.

Another 20 million from the recently signed agreement is intended to improve the business / business environment through the harmonization of Ukrainian and EU legislation, access to credit for modernization of enterprises, advising companies on further development of entrepreneurial skills and entering global markets under the EU4Business Business

initiative). Many other individual states, as well as private and political initiatives, are active in Ukraine and support Ukraine's development in various fields.

A more effective solution for the development of a competitive market is to fix not the final amount of interest rate, but the amount of compensation received by the borrower. It should be noted that according to the NBU, as of December 1, 2020, the total portfolio of loans issued by banks amounted to UAH 964,993 million. The structure of the gross loan portfolio is dominated by loans to the non-financial corporate sector – 77.6%, the share of loans to the consumer sector (individuals) is 21.1%, loans to other sectors – just over 1%. At the same time, the dynamics of the loan portfolio has been almost neutral over the past five years, with a tendency to reduce the share of corporate loans and increase the share of loans to ordinary Ukrainians.

At the same time, the rate of new loans, particularly in the corporate and agricultural sectors, increased significantly by the beginning of 2020 (according to the National Bank of Ukraine), and even taking into account the “quarantine” failure in April-June this year the same period in 2018. This will allow banks to compete with each other on interest rates and will encourage them to find ways to reduce them. In addition, the Affordable Loans 5-7-9% program is very complex in its structure and conditions, which has a negative impact on banks' operating costs associated with administering loans under this initiative.

It is also possible to improve the credit market through mortgage loans. The NBU notes that banks in the fourth quarter of 2021 confirmed the positive sentiment of previous surveys on the dynamics of lending: respondents noted a long increase in demand for loans from households, record growth – from business, and maintained expectations of further demand for hryvnia loans, loans to small and medium-sized businesses and mortgages.

Demand for business loans grew at a record high, with short-term, hryvnia and small and medium-sized loans growing the most.

The determining factors were the need of enterprises mostly in working capital and to some extent in capital investment. Low rates remained a positive factor in increasing demand for farms. Mortgage lending was fueled by lower interest rates. Retail lending standards have been eased for five consecutive quarters. The debt burden of households remains below average.

In 2021, the annual growth of net hryvnia loan portfolios in the corporate segment was 40.5% (+ UAH 93.6 billion), the growth rate of consumer loans accelerated to 37% (+53.5 billion UAH) and exceeded the pre-crisis level. Mortgage loans at the end of November 2021 increased by 60% year on year (+5 billion UAH). There are almost no mortgage loans in the Ukrainian market by the standards of the developed world, but they have great potential. The problem with mortgage financing is exacerbated by the political sensitivity of these products, which could lead to government intervention in the coming crisis. And this, for the most part, is detrimental to banks. To help revive the mortgage market, it is important for the central bank to provide low-cost, long-term financing to small and medium-sized businesses on regulated terms.

In this case, mortgage loan portfolios can serve as collateral. This will make it possible to reconcile the interests of commercial banks and the government in the long run.

Starting in 2018, lending to individuals for the purchase, construction and reconstruction of real estate, including agricultural real estate, is gradually intensifying. In the first quarter of this year, mortgage lending activity continued to grow. In March 2021, banks issued 750 mortgage loans totaling UAH 577.4 million. Loans disbursed increased by 26% compared to February 2021 and 2.4 times compared to March last year.

As of April 1, 2021, Privatbank is the leader in terms of the volume of the mortgage loan portfolio of individuals in the national currency – its loan portfolio forms 20.7% of the total mortgage portfolio of the banking system.

In second place – “Kredobank” (18.3% of the total mortgage portfolio), in third place – “Oschadbank” (15.8%).

Also in the top ten in terms of mortgage loan portfolio are: Ukrgasbank, Ukrsibbank, Globus Bank, Alfa-Bank, Pravex-Bank, Raiffeisen Bank Aval and OTP BANK.

According to the NBU, the ratio of mortgage loans to GDP in 2020 in Ukraine was only 0.7%, which is also much lower than in other countries.

In developed countries, this figure exceeds 25%, and in some countries (France, Sweden, Denmark) reaches more than 50%.

That is, there is room for growth in agricultural construction and mortgage lending. Given the need for a significant part of the population

to improve housing conditions, the mortgage program, which offers affordable loans, with significant public funding has significant prospects for development.

“Great construction” is taking place in Ukraine. Of all the facilities, the program plans to renovate and build thousands of kilometers of roads this year. About UAH 150 billion was planned for this in the budget at the beginning of this year.

In May, Ukravtodor received another UAH 10 billion in state guarantees from the government to attract funding, as the issue of road transport also concerns the agricultural sector in the first place.

Ukreximbank decided to help Ukravtodor in this matter. The bank’s team opened this new financial opportunity for the agency and became the lead manager for a promising deal. The consortium credit mechanism has become the “new – forgotten old” that has already happened in the history of Ukrainian financing.

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At that time, Ukrainian banks were actively borrowing from consortia of international financial institutions and banks. In addition, Ukrainian banks were sometimes not even recipients of such loans, but also provided them.

Such a lending tool has never been widely popular among Ukrainian banks. Such loans have never been widespread. Back then, it was mostly a merger of two banks. There have been examples, but, again, it has never been a popular tool in Ukraine.

In the context of the economic crisis, interest in such lending has taken a secondary position.

It is worth noting that the consortium or, as they are called, syndicated credit in general has a number of advantages as a tool for attracting. It allows a group of banks to invest in large projects that are unaffordable for individual participants. Also, such a loan reduces the risks that would be assumed by one investor, distributing them among the members of the consortium. Such a loan is traditionally considered a more flexible instrument of attraction, compared with bonds. Its organization is fast and cheaper.

This loan creates a positive image for both the borrower and the lenders. According to the consolidated information of the National Bank of Ukraine, “Ukreximbank” as usual for the banks-coordinators of consortium loans, financed the largest share of the loan – 165 million dollars or about 45%. The state-owned “Oschadbank” and “Ukrgasbank” took over about \$ 150 million and \$ 50 million, respectively. That is, the “state” share of this loan totals up to 97%. Private banks provided “symbolic” amounts, compared to the state: “Taskombank” – about 14 million, “Bank Credit Dnipro” – 13 million, and FUIB – 10 million dollars. This is not more than 3% of the total.

In our opinion, for such large amounts, consortium loans in the future will be issued only on the condition of government guarantees or guarantees from local authorities. But now the number of receiving such state guarantees, as well as, for example, portfolio guarantees, is growing. Therefore, this tool will be in demand both in the development of Ukraine’s economy and in the development of new forms of economic entities in the agricultural sector.

The authorities also need to reduce the pressure on banks’ capital, which is growing due to the growth of reserves for loans. This is possible through a revision of the approach to calculating the borrower’s financial class. Also among the important and essential:

- tax liberalization;
- absence of obstacles to out-of-court settlement of debts, to solve problems of enforcement;
- harmonization of legal norms on cancellation of registration actions, consumer lending and financial leasing;

- minimization of risks of loss of security by the mortgagee;
- development of the primary real estate market (programs and guarantees);
- expanding banks' access to state registers.

In addition, temporary mitigation of credit risk assessment requirements will actually help banks.

This would allow lending to expand more rapidly as quarantine is phased out and business activity resumes. And of course, as has been repeatedly emphasized, the creation of sources of “long” resources is crucial for the development of the long-term credit market. An example is the introduction of the second level of pension provision. Banks, in turn, should reconsider their business strategies to reformat potential investments, as well as conduct educational work with potential borrowers.

5. Conclusions

The study provides a theoretical generalization and proposes a new approach to the development of agribusiness in Ukraine, in particular farms. According to the results of the study, a number of conclusions of theoretical and practical nature were formulated.

It is determined that agrarian business as an independent and effective element of a market economy significantly affects the restructuring of Ukraine's economy, contributes to increasing total production, retail trade, creates a favorable environment for competition and eliminates monopoly in business, ie solves many economic, social and other problems.

It is proved that the experience of bank lending to agricultural enterprises is still quite complicated, and also requires a large number of necessary documents from enterprises and their lengthy consideration. The study of financial security – credit support of agricultural formations, namely farms due to the diversification of credit instruments, identified problems with their functioning and justified directions of their development in the context of globalization.

The scientific novelty of the study are proposals to intensify and improve the development of small, medium, farms in Ukraine, based on a number of problems identified during the study. The activities of the represented business entities are complicated by the problems inherent in this type of business entities: the lack of economies of scale, the difficulty of attracting

factors of production; limited production capacity, etc. That is why the success of small and medium business development largely depends on government support and loyal approaches to lending by commercial banks and the implementation of government programs.

As for the prospects of further exploration, in modern conditions it is important to further study the methods, tools and financial levers of influence as components of the financial support of agricultural enterprises.

An important component of achieving the financial goals of an agricultural enterprise is its investment policy. In view of this, the long-term plan of economic development of the entity may include an analysis of the needs of resource provision of production activities, the feasibility of investing and the choice of assets for investment.

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