



СЕКЦІЯ 3 ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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FEATURES OF BANK LENDING TO ENTERPRISES OF AIC

The article is devoted to the theoretical study of the features of bank lending to agricultural enterprises. Analyzes the current state of bank lending to agriculture, investigated the problems associated with providing loans to agricultural enterprises. The principles of lending to agricultural producers at the present stage are formed. A specific measures to improve the credit facility. The factors that determine the current state of the agro-industrial complex of Ukraine and features of the agricultural sector, affecting the credit relationship. On the basis of the factors identified, the authors generalized problems of bank loans to the country's agriculture. Identified problems of agricultural enterprises' financial resources enable to determine the direction of improving the system of bank lending to domestic agricultural producers. The article defines the directions of the state stimulation of agricultural sector of Ukraine through the implementation of the state financial interventions. The feature of the favorable crediting is examined due to the help of the state. Considers the state support of agricultural enterprises through the mechanism of reduction the prices of credits and offers the ways of improvement of crediting agricultural enterprises. The directions of improving the process of lending of domestic agricultural enterprises by banks in the market conditions.

Keywords: credit, bank lending, agricultural enterprises, providing credit, favorable crediting.

Батракова Т.І., Пачинок А.В., Дудар О.І. ОСОБЛИВОСТІ БАНКІВСЬКОГО КРЕДИТУВАННЯ ПІДПРИЄМСТВ АПК

Стаття присвячена теоретичному дослідженню особливостей банківського кредитування сільськогосподарських підприємств. Проаналізовано поточний стан банківського кредитування сільського господарства, досліджено проблеми, пов'язані з наданням кредитів сільськогосподарським підприємствам. Сформовано принципи кредитування сільгоспвиробників на сучасному етапі, конкретні заходи щодо поліпшення кредитної лінії, фактори, що визначають поточний стан агропромислового комплексу України та особливості сільськогосподарського сектора, що впливають на кредитні відносини. На основі виявлених чинників, авторами узагальнені проблеми надання банківських кредитів сільському господарству країни. Виявлені проблеми фінансових ресурсів сільськогосподарських підприємств дозволяють визначити напрямок вдосконалення системи банківського кредитування вітчизняних сільгоспвиробників. У статті визначено напрями державного стимулювання аграрного сектора України шляхом здійснення державних фінансових інтервенцій. Особливості пільгового кредитування розглянуто в зв'язку з допомогою держави. Проаналізована державна підтримка сільськогосподарських підприємств через механізм зниження ціни кредитів і пропонуються шляхи вдосконалення кредитування сільськогосподарських підприємств, напрямки вдосконалення процесу кредитування вітчизняних сільськогосподарських підприємств банками в ринкових умовах.

Ключові слова: кредит, банківське кредитування, сільськогосподарські підприємства, надання кредиту, пільгове кредитування.

Батракова Т.И., Пачинок А.В., Дударь О.И. ОСОБЕННОСТИ БАНКОВСКОГО КРЕДИТОВАНИЯ ПРЕДПРИЯТИЙ АПК

Статья посвящена теоретическому исследованию особенностей банковского кредитования сельскохозяйственных предприятий. Проанализировано текущее состояние банковского кредитования сельского хозяйства, исследованы проблемы, связанные с предоставлением кредитов сельскохозяйственным предприятиям. Сформированы принципы кредитования сельхозпроизводителей на современном этапе, конкретные меры по улучшению кредитной линии, факторы, определяющие текущее состояние агропромышленного комплекса Украины и особенности сельскохозяйственного сектора, влияющие на кредитные отношения. На основе выявленных факторов, авторами обобщены проблемы предоставления банковских кредитов селскому хозяйству страны. Вывявленные проблемы фінансовых ресурсов сельскохозяйственных предприятий позволяют определить направления совершенствования системы банковского кредитования отечественных сельхозпроизводителей. В статье определены направления государственного стимулирования аграрного сектора Украины путем осуществления государственных финансовых интервенций. Особенности льготного кредитования рассматриваются в связи с помощью государства. Проанализирована государственная поддержка сельскохозяйственных предприятий через механизм снижения цены кредитов и предлагаются пути совершенствования кредитования сельскохозяйственных предприятий, направления совершенствования процесса кредитования отечественных сельскохозяйственных предприятий банками в рыночных условиях.

Ключевые слова: кредит, банковское кредитование, сельскохозяйственные предприятия, предоставление кредита, льготное кредитование.

Problem formulation. In conditions of Ukrainian integration into world economic space agricultural sector is one of the most important branches of national economics, which effects both the functioning

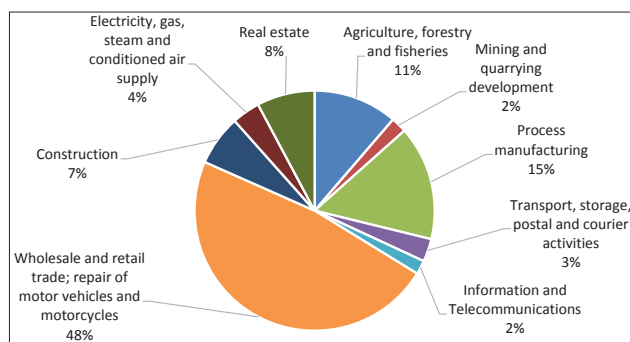
of economy and state's existence. At the same time, current condition of agricultural can be described by big amount of problems connected with inadequate financing and low credit level of agro-industrial com-

plex (AIC). The access of agricultural producers to the credit is restricted, especially despite the current macroeconomic and financial problems of the country. Considering the concern of EU member countries in Ukrainian suppliers of agricultural products and their participating in the world food market, agricultural sector needs to become a main point in Ukrainian economic elaboration. This will be possible only in terms of sufficient financial capacity of producers. Thereby, the research of condition of bank credit of AIC companies, identifying its problems and features in Ukraine along with the way of improvement of access to financial presents our main intention.

Analyze of latest researches and articles. Many domestic and foreign scholars like V.G. Andreychuk, O.E. Gudz, V.D. Bazylevych, L.O. Vdovenko, M.I. Savluk, M.I. Demyanenko, B.A. Dadashev and others, dedicated their works to research bank credit of agro-industrial complex. Nevertheless, farms crediting problem still unresolved and problematical. Quite a number of issues have controversies and needs following research with development of farm's bank credit system in Ukraine.

Formulation of objectives. The objectives of article is studying and analyze the process of providing bank credit to agro-industrial companies in Ukraine; setting conditions and problems which appeared due to getting a credit by farms.

The presentation of the main research material. Agriculture like the main branch of Ukrainian AIC has always been in the priority of country's development. About 25% of world's black soil located in Ukraine, and agricultural land area is approximately 43 million of hectares, that's 72% of whole country territory. Despite the simple fact, that AIC refers to be the base of economics development and provided the safety of food supply, current systems of farmers support in Ukraine are worst, than in developed countries. Agricultural enterprises almost can't save running costs, which making dynamic development of this strategically important sector impossible. The absence of proper support and ignoring the problems in this area leading to depletion of AIC complex. We can reveal the main course of government by checking which economics sectors got bank credits, and considered as most developing [1; 2].



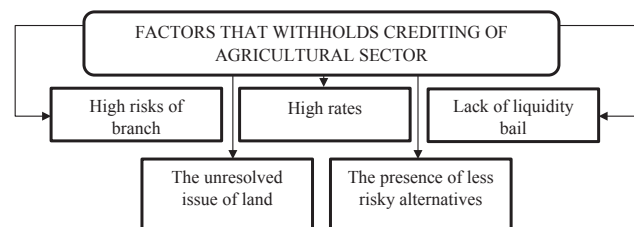
Pic. 1. Credits in different economics sectors gave to non-financial corporations (in local currency) [3]

As it can be seen from the diagram, bank's activities concentrated on trade and repair companies (48%), operations of real estate (8%), construction companies (7%). The smallest loans were granted in following economics branches: fishing and fish farming (0,06%), education (0,03%) that didn't include in diagram. Also low numbers have transport system (3%), electricity,

gas, steam and conditioned air supply (4%), besides, AIC got only 11% assets of the banking system. It should be said, that according to crediting of processing industry, bigger share of credit resources is used for crediting food (25.2%) and metallurgical industries (13.6%). Therefore, taking place crediting economics sectors which doesn't produce, but engaged in the redistribution of the total product. Such situation increases risks of instability of the financial system and enlarges the potential of inflationary.

Consequently, the main problems of credit supplying of agricultural sector are:

- insufficiency of credit resources, which can't provide expanded reproduction and development of small and medium businesses in rural areas;
- Depreciation of local currency;
- High cost of bank credits;
- Difficult procedure of credit receiving;
- Inability to provide bail of agricultural land or rental rights;
- Lack of guarantee in attracting credits [4].



Pic. 2. Factors which withholds crediting of agricultural sector

In current situation fixed assets of farmers are wore out, final product has high risks because of require special storage conditions which can prevent damage. Another big problem working against AIC is the unresolved issue of land market. According to "Land Code of Ukraine" and new law about circulation of agricultural lands (until January 1, 2018) nundination of agricultural lands as state and municipal ownership is not allowed, and that's making impossible using those lands as bail. Because of this law and high level of wore out of farmers' material and technical base banks are not going to increase credit amount in this economics area. Even if credit was given to farmer, it contains higher rates, than in other branches [5].

Therefore, high risks and lack of liquidity bail cause high interest rates on credit resources that often much higher than market rates. We can admit that there is definitely exists some kind of domination between all banks.

The research of financial providing of AIC including agricultural producers shows that almost all producers work using their own deposits. The percentage of this self-financing is big, but not enough to cover all needs. The limit of own funds makes agricultural companies rely on authorities support and leads to necessity to develop both bank and partners' forms of crediting.

Representatives of agricultural business say that now this branch in very difficult financial and economic conditions and faced another challenges. Unreasonable conditions of crediting in Ukraine is one of the most inadequate even if we compare to another developed counties [6].

In Ukraine the part of agricultural credit in total amount according to the contribution of agriculture in GDP is much smaller, than in EU member counties. According to National Bank of Ukraine data domes-

Table 1

The structure of the state budget of Ukraine in financing for 2014-2015 years

Areas of financing	Amount of financing		Growth rate, %
	2014, UAH	2015, UAH	
agriculture	4 749 086,7	1 139 309,6	
livestock industry	900 000	-	-100,00
Education and science	17 433 828,6	162 42 695	-6,83
pension fund	87 359 929,8	80 863 965,6	-7,44
Ministry of Finance of Ukraine	1 671 801,5	1 730 805	3,53
Health care	8 024 985,1	7 877 024,2	-1,84
Energy and Coal industry	15 452 840,5	1 512 556,5	-90,21
Total (general fund)	408 073 741,9	502 047 280,5	23,03

tic commercial banks give credits for agricultural companies with average rate 20-23% in the first part of 2015, and 20.1% in 2014 year. With correlation of agricultural sector credit rate to its part in GDP is only 22%. These conditions of raising finance multiplied with limit on using land as bail (on rental base include) create really hard circs for domestic agricultural sector [7].

For example, credit interest rate in USA is 3.25%, France 3.43%, Germany 3.94%, Canada 3%, while in Ukraine we have 17% to 36% in local currency, and 10% to 19% in foreign [6].

Besides, conditions of creditworthiness of borrowers about bail became tougher, and credit products offers decreased because of problems with liquidity in Ukrainian banking system. This, in turn, affected credit providing of agricultural complex companies and made situation worse. Banks prefer those producers, who has enough amount of bail property, treats large areas of farmland and has connections to the internal and external markets.

On the assumption of data submitted above, financing of agriculture business in 2015 decreased on 76% compared with 2014 year. In this case, in 2015 were not allocated any funds from the budget to support the livestock industry. As for crediting of agriculture sector then, according to data of Ministry of Agrarian Policy and Food of Ukraine from 19th of June in 2015, about 1443 companies of AIC attracted credits of 7.6 bn. UAH in total, that's in 1.3 more than in 2014 (5.6 bn. UAH); more than 5.4 bn. UAH of short-term credits, middle-term – 1.2 bn. UAH, and long-term – 1.0 bn. UAH [8].

According to the State Statistics Service of Ukraine in 2015 volumes agricultural production declined compared to the year 2014 by 4.8%. In particular, according to official information in 2015 compared to that of 2014 the volume of agricultural enterprises sector decreased by 5.2%. Domestic volumes population decline amounted to 4.3%.

In the period from December 2015, according to the State Statistics Service, the volume Agricultural production was lower against December 2014 by 6.4%. While in 2014 there was increase in output compared with field results 2013 – agricultural production increased volumes production by 4%.

Tryple devaluation and 80% inflation for two years deprived confidence in financial calculations of the State Statistics Service. Nominally net proceeds agriculture over the past year increased by 68% – to more than a quarter trillion UAH. At 45.7% return dynamics of profit to net profit – "Plus" 150% (Table 2) [9].

Although profitability hryvnia has doubled, farmers still of little good. Proof of this is the reduction in the last year index of agricultural production by 4.8%,

Table 2

Financial Statements AIC in Ukraine

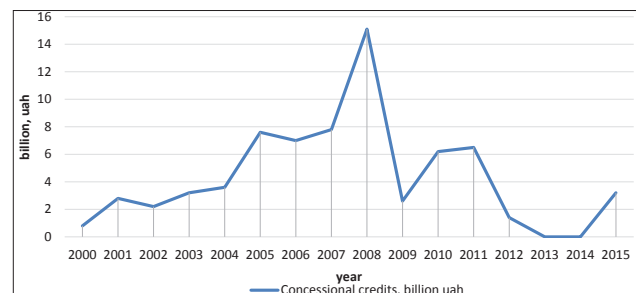
Years	Net income, mln. UAH.	Net profit, mln. UAH.	Profitability, %
2010	75013,4	12807,3	20,7
2011	96339,8	19790,1	26,4
2012	121961,6	20099,7	20,2
2013	121268,4	12497,8	11,4
2014	165645,4	34484,8	26,3
2015	278738,6	87666,3	45,7

Source: compiled according Ukrstat (excluding the Autonomous Republic of Crimea, in Sevastopol and zone ATO) for 2010-2014

despite a similar increase in key financial indicators of the industry last year.

The growth of average dollar exchange rate by 84% to 21.85 UAH/USD in 2015 mostly graded increase in net profit before tax farms in the same period. The effect of weakening currency experienced farmers through higher prices of imported material, technical resources. In addition, real agricultural income producers decreased significantly because of higher energy prices. Price situation in 2015 could be called more or less favorable, but growth hryvnia profitability does not reflect a real change in the financial condition of the agricultural sector.

Interest rates on credits in 2015 constituted approximately 36% in local currency. On purpose to reduce capacity of AIC companies during paying interest rate of using credits, and according to changes in Law of Ukraine "On the State Budget of Ukraine for 2015" was provided 300 millions of UAH on compensation of interest costs that directed first of all on small and medium companies of AIC. Comparing to previous years, when the system of compensating interest rate was widely used, this number is still very low.



Pic. 3. Amount of preferential loan in AIC in 2000-2015 years.

Data represented in Picture 3 are pointing on increasing amount of preferential loan from 0.8 billion

UAH in 2000 year to 15.1 billion UAH in 2008 year. Besides, in 2009 was decrease in volume of preferential loan to 2.6 billion UAH and till 2011 year this index was 6.5 billion UAH.

During the period 2010-2015, the credit funds benefited 13,198 farm. It is believed that village credit unions may solve this problem, their revival in Ukraine last for over 20 years. In fact, according to reports submitted by credit unions (early 2016) The National Commission of State Regulation of Financial Services Markets in Ukraine there are over 577 credit unions, and these organizations are successfully developing [10]. They include nearly 722,000 citizens, possess total assets of 2.1 billion UAH., about 85.7% of which are loans.

In 2012 amount of preferential loan of agriculture companies decreased almost to its original level and made 1.4 billion UAH. As for the period of 2013-2014 years, the system stopped to exist due to lack of funds in budget, and in 2015 it was renewed with amount of preferential loan of AIC was 3.2 billion UAH. Similar situation can be caused by general deterioration of the economy and the fact that during the period of system working banks settled tougher conditions to borrowers and that made getting loans by Ukrainian companies more difficult [8].

Conclusions. Agriculture sector is strategically important for Ukraine. Its condition affects country food security. Also AIC of Ukraine needs big amount of funds for industry modernization and elevation of competitiveness on a world market. The system of financial support of agricultural producers is ineffective. Loan providing of AIC essentially depends on state budget, that directed on the program to make loans for farmers cheaper. Nevertheless, the process of cost descending based on budget is almost inaccessible for agriculture companies. The main reason is absence of tolerable financial state and can't fit all requirements. Imperfection of legal support has negative affect on effectiveness of preferential loan in Ukraine as well. Solution can be possible only by scientifically reasonable adjustments in rules, which can provide increasing on financial support in agriculture sector.

Therefore, for development of financial supply in agriculture sector by using credit we can offer following:

- encouraging banks and nonbank financial institutions (including credit unions, credit cooperatives system);
- concentration and increasing budgetary and non-budgetary financial support of agriculture;
- increasing of financing and crediting that will allow the state to financially support agricultural producers;

- reduction of interest rate for loans to agricultural enterprises that will lead to attracting of entrepreneurs;
- increasing of the volume of long-term loans in agriculture;
- usage of leasing as a flexible technology and at the same time constructive way of doing business .
- spreading practice of giving preferential loan
- creating of specialized state credit institutions (State Agricultural Bank)
- state support of establishment cooperative banks and development of the system;

Therefore, reduction of capital costs, the development of new credit instruments and services specific to agricultural production, improving existing approaches and risk management will contribute to the further development of bank lending to agricultural enterprises. And last and most important thing is inheriting the experience of developed countries, which already have more sophisticated systems of agriculture financing. Such systems are based on cooperative form of banking institutions. And stimulation of cooperative banking establishment that even doesn't exist in Ukraine can provide farmers with necessary financial resources.

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