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 lending 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 domstic agricultural enterprises by banks in the market conditions.

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

Batrakova T.I., Pacynok A.V., Dudar O.I. ОСОБЛИВОСТІ БАНКІВСЬКОГО КРЕДИТОВАНИЯ ПІДПРИЄМСТВ АПК

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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. Dadashiev 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].

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 (10.8%). 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 supply 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].

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

<table>
<thead>
<tr>
<th>Areas of financing</th>
<th>Amount of financing</th>
<th>Growth rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014, UAH</td>
<td>2015, UAH</td>
</tr>
<tr>
<td>agriculture</td>
<td>4 749 086,7</td>
<td>1 139 309,6</td>
</tr>
<tr>
<td>livestock industry</td>
<td>900 000</td>
<td>-</td>
</tr>
<tr>
<td>Education and science</td>
<td>17 483 828,6</td>
<td>162 42 695</td>
</tr>
<tr>
<td>pension fund</td>
<td>87 359 928,9</td>
<td>80 863 965,6</td>
</tr>
<tr>
<td>Ministry of Finance of Ukraine</td>
<td>1 671 801,5</td>
<td>1 730 805</td>
</tr>
<tr>
<td>Health care</td>
<td>8 024 985,1</td>
<td>7 877 024,2</td>
</tr>
<tr>
<td>Energy and Coal industry</td>
<td>15 452 840,5</td>
<td>1 512 556,5</td>
</tr>
<tr>
<td>Total (general fund)</td>
<td>408 073 741,9</td>
<td>502 047 280,5</td>
</tr>
</tbody>
</table>

Financial Statements AIC in Ukraine

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

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.
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 nonbudgetary 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.

**REFERENCES:**