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IMPROVEMENT OF THE CREDITING SYSTEM FOR ENTERPRISES OF ECONOMY'S AGRARIAN SECTOR

Some proposals to increase the availability of credit to enterprises of the agricultural sector by the establishment of a state supported mechanism of partial or full reimbursement of loans through a Credit Reimbursement Guarantee Fund are presented. The mechanism and tools of functioning of the Fund on the credit market, the instruments of the Fund loan guarantee in the credit market, the redistribution of credit risks, and the stimulate of the crediting process in banks are discussed.

Keywords: credit, banks, enterprises of economy's agrarian sector, credit market in economy's agrarian sector, credit programs, infrastructure of the credit market.

The main constraints of the market of credit resources in the agricultural sector today are: long-term decline in lending activity of the banks, orientation of the credit activity of banks in the non-production sector, the high price of loans, limiting the term of long-term loan of 3-5 years, the low level of solvency of agricultural enterprises, the lack of a liquidity of collateral because of the high level of deterioration and obsolete fixed assets of enterprises of the agrarian sector, limiting the infrastructure of the credit market. In our opinion, the issues of improving the system of lending agricultural sector appropriate to examine through the prism counteraction or reduce the effects of the specified number of factors.

Today was formed the practice of conducting domestic agricultural business with the involvement of credit for seasonal needs, modernization and construction of new production facilities. Most of the representatives of the agricultural sector take a short- and long-term loans and feel the shortage in the current environment of significant reduction in lending activity of banks.

The primary tasks of the state is carrying out measures for the resumption of lending to the agricultural sector, as well as finding ways to improve the credit mechanism to increase the volume of lending to the agricultural sector. Consequently, their solution is of great theoretical and practical importance.

The common problems of financial and credit support of the enterprises of the agricultural sector, the theory and practice of lending are reflected in the works of such renowned scientists as Dem'yanenko M.Ya. [1], Stetsyuk P.A. [2], Gudz' O.E. [3], Nepochatenko O.O. [4]. Research to improve the mechanism of crediting of agricultural enterprises dedicated in articles Shubravs'ka O.V. [5], Oliinik L.A. [6], Gidulyan A. [7], Kolotuha S.M. [8].

Purpose of the article – to identify the major factors constraining lending to the agrarian sector, to propose ways to improve the system of lending to the agricultural

sector of Ukraine on the basis of international experience, subject to adapt to the needs and opportunities of the domestic credit market.

The issue of ensuring equitable access for agricultural producers to credit is a major factor in improving the competitiveness of agricultural production. Without free access to all the participants agricultural market to a full range of financial services is almost impossible to ensure the competitiveness of the agricultural sector [9, p. 69].

Among the major factors hindering the development of lending can be distinguished:

- the increases the level of interest rates for borrowers of agriculture from 19.2% in 2009 to 30% in 2014. At the current level of interest rates loan for 15-20 years even losing economic sense;

- limiting the term of the medium- and long-term loans in 3 years. Purchase of a new expensive equipment loans issued in such a short period is a financial burden for the majority of agricultural producers;

- seasonality of agricultural production, which leads to significant credit needs for a period of 9 to 18 months. Because of high interest rates access to credit is limited;

- a high degree of risk, which is estimated to banks is much higher than the risk level of other industries. Collateral in the form of property, including land, is illiquid, and the dependence of the financial result of the weather conditions and the agricultural market is extremely strong;

- orientation of credit policy of the majority of banks on maximize profits and to provide borrowers-landocracy the status unreliable partner. Experience shows that real partnership can only be achieved through joint ownership and corporate governance.

We need to increase the availability of credit resources for enterprises of agricultural sector through the creation of a mechanism partial or total state loan guarantee – Credit Reimbursement Guarantee Fund (hereinafter – the Fund). It is advisable that he acted independently in the status of a legal entity, responsible for guaranteeing the operation (with the direct participation of the state).

The main objectives of the Fund are to promote the lending process in banks, as well as the reallocation of credit risks [10, p. 22]. It should serve as a tool of state regulation and allocation of credit across sectors of the economy in accordance with the specific priorities of the development of the state and approved by the state programs. Provision of funds to the Fund will file a "signal" to potential investors or lenders for promising investment targets to the state .

Analysis of practice of the operation of such funds in the world has shown that in countries of Eastern Europe in the last 20 years there are already such an institution. For example, in Hungary it was established Fund Guarantee of credits lending to agriculture. Its mission – to provide access to credit for small and medium agricultural enterprises and increase their financial independence. Fund Guarantee of credits for lending to agriculture takes up to 50% risks of lending agricultural sector, separating them with the banks, as well as collaborating with 7 financial institutions. The Fund operates on the basis of quotas, amount of guarantee, calculated on the basis of the value of the assets based on an assessment of income and expenses (the amount of the guarantees to the amount of claims). Within the framework of the state program "Guarantee Fund of Rural Credits" the guarantees available to small and medium-sized enterprises, as well to individuals by the medium- and long-term of loans for projects in agriculture. Mandatory conditions for the loan: the loan term not less six months; loans through certain banks (the founders of the fund or associated members). Since the fund

itself is not engaged in the assessment of return of credits, the main element of its cooperation with the Bank is confidence between the parties.

In the Czech Republic Support Fund was established in 1994 as a joint stock company with 100% of the shares of the state. The Foundation supports the lending interest rate, depending on usage patterns, the timing and purpose of credit. The amount of subsidy on the interest rate is determined by taking into account the real financial opportunities. Support of guarantee Fund amount depends on the loan period. Thus, for short-term loans (up to 2 years) it is 30%, for long-term (more than 8 years) – up to 85%.

Experience in the implementation of programs to guarantee repayment of loans in other countries demonstrates that, on the one hand, the fund acts as accumulate of credit resources from different sources and guarantees repayment of loans by agricultural enterprises, and on the other – an additional source of credit. The effective operation of the Fund can be subject to obtaining full information on the financial and economic situation of borrowers, continuous monitoring over the using credit resources and ongoing assessment of risks.

The researchers of this idea as a borrower of the Fund offering the Cabinet of Ministers of Ukraine, because the Fund should be formed at the expense of public funds.

According to them, it is advisable to introduce the activities of the Foundation on competitive basis, to issue short-term loans to selected agricultural enterprises with providing guarantees to attract loans from other banks and investment of advanced technologies, scientific and technical developments.

Provision of credit resources with the assistance of the Fund must necessarily be targeted on of short-term loans for seasonal costs of agricultural producers; cover the difference between the market and preferential rate on the loan, the provision of guarantees to attract loans from other banks. Loans need to give out under liquid collateral (movable and immovable property, deposit funds, manufacturing equipment, inventory, and agricultural machinery of domestic or imported in operation for no more than 5 years), insurance or guarantee of third parties. Authorized bank for servicing the Fund can be the State Agricultural Bank and other state-owned bank, for example "Oschadbank." Authorized bank for servicing the Fund can be the State Agricultural Bank or other state-owned bank, for example "Oschadbank."

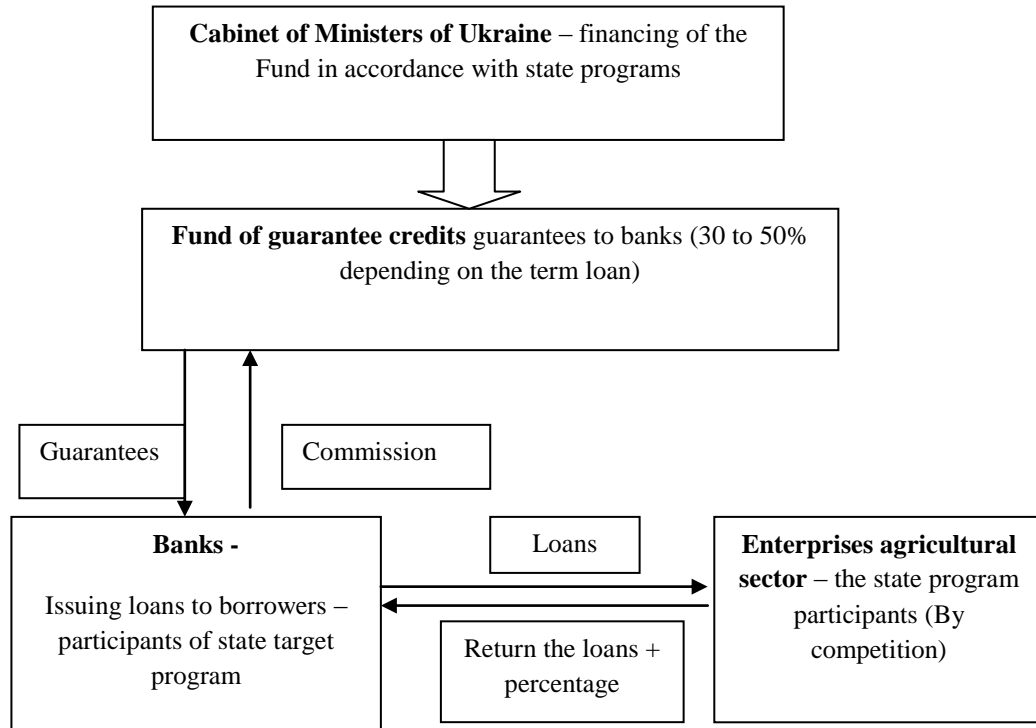
In our view, the principled moment must be to strengthen the guarantees of loans targeted programs for which funding are allocated of country budget. That is, participants of specific state programs should be prioritized among other borrowers in obtaining credit resources to meet their commitments. This will strengthen the effectiveness of the participants, as well as facilitate the process of monitoring the use and repayment of loans (see Figure).

Among the sources of the Fund are the following: 1% of the sales of products from all manufacturers of agricultural sector; the amount of repayment of previously granted loans to the state budget; receipts from the repayment of loans granted with the assistance of the Fund, interest on loans; 50% of the funds on the amount of unpaid taxes, which remain after the non-payment of the disposal of agricultural enterprises

Widening the circle of participants in the credit market of Ukraine by creating the Foundation will promote the availability of credit; overcome the crisis of confidence in the credit relationship between borrowers and creditors of the agricultural sector, as well as stabilization of the credit process in the form of guarantees.

Guaranteed possibility of obtaining credit, regardless of market conditions prevailing in the credit market (increase or decrease in lending), eventually create

conditions for the organization of systematic and predictable production of agricultural products. The presence and effectiveness institution on bank credit resources market in the agricultural sector will convince borrowers to timely completion of all stages of production. Should not there is a situation in which not satisfied with the demand for credit resources on the part of borrowers. The activities of the Fund will increase competition in the credit market and increase the interest of banks in lending to the agricultural sector.



The scheme providing for state programs of bank loans with the participation of the Fund [11].

An important problem requiring urgent solution is to create a competitive environment in the market of credit resources of the agricultural sector. An activity of «Russian agricultural bank» demonstrates that it is a specialized credit institution is effective in solving this problem. Thus, in unfavorable crisis in 2009, the growth of its loan portfolio amounted to 31% [12], while in Ukraine, the credit activity of banks has decreased and banks closed a loans program. The mission of the "Russian agricultural bank" is entrusted a conductor targeted federal programs in rural areas: land reclamation, infrastructure financing rural development, gasification, electrification. Credit policy of "Russian agricultural bank" aims to support enterprises of agrarian sphere of production at all stages of the process chain, from agricultural production to processing. In the arsenal of "Russian agricultural bank" are programs of lending an animal husbandry, crop production, purchase of agricultural machinery on bail. The main ones are: "The loan secured by the purchased equipment and / or equipment" for a period of 2 to 10 years; "Credit for the purchase of young farm animals under its pledge"; "Credit for seasonal work on the pledge products of the future crop" for a period of 1 year; "Loans for the purchase of grain for his pledge" to 1 year.

It should be noted that the credit programs of "Russian agricultural bank" as close as possible to the needs of producers and processors of agricultural products, adapted to the specific characteristics of the agricultural sector. At the heart of their development it is principle of promoting the efficiency of the agricultural business. An important difference between loan programs "Russian agricultural bank" of similar programs of commercial banks in Ukraine for the agricultural sector borrowers is that the expansion of the range and variation of the main parameters occur in parallel with changes in government programs to support agriculture. Thus, the experience of "Russian agricultural bank" shows how in practice the government carries out reforms and implement specific programs for agricultural development through the operation of a specialized financial institution.

In Ukraine, the activities of the State Agricultural Bank should be directed to meet the challenges of complex service of agricultural enterprises; approximation of financial and credit services to agricultural producers; the formation of credit resources to finance the material-technical base; implementation of targeted programs of agricultural development. Through this bank the state should implement the preferential lending to agricultural producers.

A detailed understanding of the process of agricultural production for the proper organization of lending to enterprises of the agricultural sector requires professional training for specialists on lending. Expediency attract such specialists in every universal bank is in doubt, as each industry has its own peculiarities.

State Agricultural Bank, on the one hand, must be the center, through which the government can spend public financial and credit policy in the agrarian sector of the economy, on the other – the financial center of the industry, which could accumulate all the financial resources of the industry, regardless of the sources of their formation. It could coordinate and support credit and financial flows in agriculture, to promote a regulated agricultural land market, to participate in the financing of targeted programs, attracting agribusiness investment resources – both domestic and foreign [3, p. 61].

It is obvious that only a specialized agrarian bank, which will have a clear focus on the maintenance of the agrarian sector borrower's production credit policy, is able to increase the volume of credit investments in agricultural production. Also specialization on lending to agricultural enterprises in the specialized agrarian bank through the introduction of adapted credit programs is able to develop long-term loans secured by real estate, including land.

In the area of agricultural land and arable land Ukraine ranked first in Europe. High productivity of soil determines the leading role of the land fund as one of the most important resources of economic development of Ukraine. At the same time the land is not used as a capital, and its potential owners are unable to use the land as collateral for raising loans.

Practice organization of mortgage lending in Europe shows that the involvement of loans on security of land is one of the traditional types of lending, and the share of mortgage loans in the credit market ranges from 20% to 67%. For example, in Finland, mortgage loans provide 5 private mortgage banks, in Sweden – 4 state mortgage banks, in Belgium – Central state administration of lending, in Denmark – Danish Agricultural Fund of Mortgage Lending. In Germany, Denmark, Austria, Sweden and the Netherlands, the terms of lending on security of land ranging from 10 to 30 years; the greatest demand on loans up to 15 years.

Study of development mortgage banks in the world has shown that mortgage banks are functioning as specialized lenders who funded through the use of bonds and act on

the principles of independence, or as subsidiaries of banks. The institutional structure of the system of mortgage banks is differentiated depending on the traditions of the establishment of credit systems in each country. Thus, in Ukraine, the use of land as collateral in credit operations will increase the amount of the loan and extend the loan term.

Conclusions

According to the results of this study, the following conclusions:

– The functioning on the credit market of Credit Reimbursement Guarantee Fund will increase competition and increase the interest of banks in lending to the agricultural sector;

– The development of infrastructure of market banking credit through the activities of the specialized agrarian bank is able to change the situation and improve the existing credit facility;

– Expanding the range of collateral on the loan by a pledge of land will help in solving the problem of insufficient amount of credit (the size available to the agricultural producers of the collateral) and increase the level of creditworthiness of the agrarian sector borrowers.

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