FINANCIAL LEVERS IN RELATIONS BETWEEN THE AGRARIAN ENTERPRISES OF THE UKRAINIAN ECONOMICS

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Abstract: The article highlights the problems of the financial levers influence on the formation of effective organizational and economic interrelations between the agrarian enterprises of the Ukrainian economics. The approaches to the problem solving are substantiated.

Keywords: agrarian enterprise, Ukrainian economy, financial lever.

Introduction

At development of the civilized market relations the special attention is deserved by adjusting of economic processes in the agrarian sector of economy. Complication of economic situation in agriculture of Ukraine is to a great extent predefined imperfection of state levers of influence on development of industry and self-weighted not enough decisions, directed on overcoming of the negative phenomena. One of the most important problems which require exigent solving this providing of agrarian enterprises financial resources. Without financial resources cannot conduct the activity of enterprise of agrarian sphere, or as economists mark, without the financial providing the system of production does not exist in general.

In market environment finances acquire a qualitatively new content. They become an essential regulator of economic processes in society. World business practice proves that the financial mechanism for the agrarian sector in market environment is mainly aimed at distributive, controlling and defensive functions. The formation of the effective financial mechanism both in business environment and in the trading sector for agricultural production, raw materials and foodstuffs is important for further development of organizational and economic relations between agrarian enterprises.

Financing of agriculture is a difficult and at the same time necessary constituent for successful development of industry and maintenance of it at competition level with the comparatively developed agrarian countries. Most enterprises of agrarian sphere of Ukraine ran into the problem of failing, hardness availability to all types of resources. At disparity prices on an agricultural produce and industrial, capital goods and raw material, power mediums, hardness agrarian enterprises to be in charge and provide stable development and financial firmness of industry.


The aim of the article is to substantiate the impact of financial levers on the formation of effectual organizational and economic interrelations between the agrarian enterprises of the Ukrainian economics.

Results

The world experience proves that if there is rapid costs distribution by means of price disparities out of agriculture into other economic fields, economic agents fail to function properly without state financial support. The lack of such support in Ukraine nowadays affects the formation of effective interrelations between agrarian enterprises (Blagodatnyi, 2004, p. 47-62). It is reasonable to provide the financial support, like in other countries, on the national level on the basis of the conception of inability of proper agricultural
manufacturing functioning without state financial support by means of state regulation using subsidies and subventions. In addition sponsorship must be carried out within the framework of the concrete programs and projects. In principle for every separate product (or major from them) the special programs are needed. The last must take into account the presence of difficulties with the sale of products, its competitiveness, in particular in the world market. In the programs it is necessary to fix not only financial but also price, terms, order of quota but other. The grant of sponsorship (favourable credit, grants) is accompanied establishment from the side of the state of terms. This can be the level of efficiency of production, quality of products, implementation of quotas, part of agriculture, in profits, race of cattle but other.

State resources must be used with the hard observance of the having a special purpose setting, and producers which got sponsorship, to carry economic responsibility for the unproductive use of money. Therefore subsidies, grants, the sums of compensation for the favourable crediting must return at violation of terms of grant of such money.

The maximal size of sponsorship is determined in every case. It is set in a calculation on an economy, on a worker, on unit of object which is built but other.

Money is given on to compensative ration to basis. It means that the state compensates only part of charges and besides such which were indeed borne. Correlation of participation of the state and producer can differentiate depending on maintenance of project or program. In travelling building specific gravity of budgetary facilities, in obedience to experience of countries of Eastern and Western Europe arrives at maximal sizes.

State facilities on capital building it is necessary to select under projects on competitive basis, bringing over to the competitions as state so non-state enterprises. Participants and performers of projects also inlay the resources on ration principles. These projects must be effective not only from point of production but also to demand on products, by its competitiveness from positions of collision with the imported commodities taking into account possibilities of acquisition a domestic equipment but other.

In the concrete terms of Ukraine it is utterly important to attract enterprises for participating the money in projects. It is necessary, in particular, to create possibilities in a modern unfavorable situation for ration participation of investor or producer. Depending on maintenance of the program these can be tax deductions to the products which is realized, favourable crediting and state guarantees at crediting, distribution of practice of the accelerated depreciation and others like that.

During the lead through of such policy most subsidies will take character subventions, as they have having a special purpose character, return at violation of terms of grant and make only part of charges together with an own money.

The level of agricultural production development in various regions of Ukraine is different for objective reasons. Consequently, it requires various approaches to the formation of budgetary funds. We are convinced, that the principal part of budgetary funds should be concentrated in the local budgets and should be used according to the differentiation of economic and ecologic conditions of regions.

According to the performed analysis of the main types of agrarian production in all business categories due to individual regions, one can make a conclusion that Lviv region leaves behind other regions of Ukraine selected by our research in terms of the basic types of foodstuffs (Fig. 1).

The financing problem for social sector and social programs is still of vital importance for rural areas. Internal financial relations are increasingly applied as a new financial lever in market environment. These internal financial relations on the level of agricultural agents can emerge between:

- agrarian enterprises and their founders (owners) on the subject of the formation and using of statutory funds, distribution of income, etc.;
- agrarian enterprises and their separate structural subdivisions on the subject of assets leasing, agricultural lands leasing and financing of social measures;
- agrarian enterprises and their employees on the subject of the assets leasing, agricultural lands leasing and financing of social measures.

The above mentioned factors alter the content of financial levers essentially on the internal business level, which, in its turn, requires the improvement of manufacturing organization and appropriate peopleware.

It follows notices, that among all financial leverages the special place is occupied by taxes and collections with the help of which the state mobilizes a money for implementation of the functions laid on it, and also influences on entrepreneurial activity in an agrarian sphere, instrumental in investment activity of enterprises,
determines the proportions of piling up and consumption, provides the rational use of the limited natural resources and others like that.

Financial stimuli are assumed by applications of both financial encouragement and economic approvals. Encouraging funds which appear from an income, budgetary financing of effective directions of development of national economy, financing due to state facilities of the government programs, structural re-erecting of economy, preparation and in-plant training shots, research works, nature protection measures, belong to the stimuli. Encouraging funds from the income of agrarian enterprises create necessary stimuli for achievement of the best results of menage, because exactly these funds are the main source of money for financial stimulation of workings, satisfaction of social necessities and production development. Determination of priority of those or other directions of the use of net income is exceptionally the domestic affair of enterprises. The special financial privileges are also instrumental in creation of favourable terms for separate economic subjects and used mainly as a complete or partial release from taxes, application of the differentiated rates of taxation, exception of certain sums, from taxable a tax profits, grant of right on the lead through of the accelerated depreciation. In financial leverages an important place is occupied by financial approvals as special forms organizations of financial relations, called to strengthen property accountability of subjects menage in execution taken liabilities.

Trading enterprises which deal with marketing of the manufactured production are crucial for the financial mechanism of agrarian enterprises provision. 

Economic mechanisms of the agrarian trading enterprises are not aimed at the decrease of trading extra price. Therefore, the increase of retail goods turnover for foodstuff enterprises does not cause the stabilization of the trading agents financial state, namely, does not improve the financial state of foodstuff producers.

In general, the retail goods turnover for the foodstuffs enterprises has increased. It proves positive dynamics for the growth of manufacturing and consumption of agrarian production (table 1). The analysis indicates that the highest increase in 2012 in comparison with 2006 is observed for vegetables, fruits and berries and oils, accordingly, in 5,7 times, 6,6 times and 4,8 times.

We are convinced, that effectual financial management in the sphere of agricultural production, raw materials and foodstuffs trading should provide appropriate management for goods turnover expenses. We are inclined to believe, that difficulties in organizational and economic relations can be accounted for the fact that the best conditions for the formation of effective financial management are in large trading enterprises, which can be oriented at relatively low trading extra charge and receive own economic benefits at the expense of sales expansion. The trading of agricultural production, raw materials and foodstuffs is specified by the considerable number of small suppliers and retailers. It causes numerous irrational turnover expenses. In our opinion, the development of relations between retailers and foodstuffs suppliers in agricultural sector is essential for the mechanism organization of current retail trading. In its turn, it requires the necessity of

Fig. 1. Manufacturing of the main types of agrarian production for all business categories in certain regions of Ukraine in 2012, thousand tons

Financial stimuli are assumed by applications of both financial encouragement and economic approvals.
expenses optimization and logistics introduction for the whole chain of manufacturing, transporting, preserving and marketing of foodstuffs.

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<tr>
<td>Meat and meat foods</td>
<td>1499,0</td>
<td>5175,3</td>
<td>12112,9</td>
<td>13844,8</td>
<td>15872,9</td>
<td>in 3 times</td>
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<tr>
<td>Milk and dairy foods</td>
<td>564,2</td>
<td>1809,0</td>
<td>4055,1</td>
<td>5349,3</td>
<td>6157,3</td>
<td>in 3,4 times</td>
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<td>Fish and fish products</td>
<td>406,8</td>
<td>1555,3</td>
<td>3728,1</td>
<td>4515,3</td>
<td>5246,4</td>
<td>in 3,4 times</td>
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<tr>
<td>Eggs</td>
<td>204,7</td>
<td>441,5</td>
<td>1117,8</td>
<td>1308,7</td>
<td>1563,3</td>
<td>in 3,5 times</td>
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<tr>
<td>Bread and grain products</td>
<td>1830,7</td>
<td>1699,2</td>
<td>2631,5</td>
<td>2960,2</td>
<td>3501,2</td>
<td>in 2,1 times</td>
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<tr>
<td>Potatoes</td>
<td>31,1</td>
<td>190,0</td>
<td>457,3</td>
<td>536,5</td>
<td>701,5</td>
<td>in 3,7 times</td>
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<tr>
<td>Vegetables</td>
<td>123,7</td>
<td>500,8</td>
<td>1590,1</td>
<td>2196,0</td>
<td>2835,5</td>
<td>in 5,7 times</td>
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<tr>
<td>Fruits and berries</td>
<td>123,0</td>
<td>684,6</td>
<td>2609,5</td>
<td>3567,6</td>
<td>4550,3</td>
<td>in 6,6 times</td>
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<tr>
<td>Sugar</td>
<td>215,9</td>
<td>432,2</td>
<td>967,7</td>
<td>1221,8</td>
<td>1374,2</td>
<td>in 3,2 times</td>
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<tr>
<td>Oils</td>
<td>92,2</td>
<td>416,1</td>
<td>1187,4</td>
<td>1452,5</td>
<td>2002,2</td>
<td>in 4,8 times</td>
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Source: the data are compiled and calculated by authors due to the data of the Main Statistics Management of Ukraine.

It should be mentioned that credit relations are still the most complicated financial levers for agrarian enterprises (Borodina, 2010, p. 136-171). The demand for credit resources of agricultural production and raw materials producers is rather unsatisfied. It can be accounted for excessively high price for crediting. Therefore, the crediting problem for agricultural agents, mainly, raw materials producers, is complex and requires a number of coordinated measures which should comprise the basic characteristics of crediting agents. We are convinced, that such crediting system for agricultural producers should include the following main aspects: credit infrastructure oriented at agrarian sphere service; mechanism of crediting relations with commercial banks; mechanism of non-bank crediting.

It is very important to select priority directions of finance-credit support of the state. At the decision of this task it follows to mean important conformity to law: than greater amount of priorities, the more so loading on a budget and more difficult mechanism of adjusting. Taking into account the state of budget and unbalanced of adjusting mechanisms, the amount of such priorities must be sharply limited, it at first, and secondly – they must be maximally attractive for producers. The last must be instrumental in practical realization of a ration principle of participating in the programs and projects.

To our opinion, among priority directions of state support must be: structural re-erecting of agriculture and APK on the whole, foremost development of base of storage and processing, rural industry and trades; expansion of import replacing and for export types of products; assistance development of cooperative banks, credit societies, insurance co-operative companies, and in.; support of reclamation base, cultural and welfare sphere, travelling and other infrastructure.

To the major terms of grant of finance-credit resources for economies must become presence of plans or projects of reconstruction, modernization or development of base of storage and processing, presence of workers and foremost leaders with necessary qualification, documents about the state of enterprise and by the estimation of possibilities of effective production.
At the same time it is very important to guarantee certain stability of sponsorship. Because of practice which was folded, it is necessary legislatively to fasten the obligation of the state, including in the case of delay at calculations. The first approach, more hard, foresees approvals to the state at the delay of the proper grants and subsidies. Other variant is indexation of the detained financial resources after the official index of inflation. In both cases it would follow to oblige public organs to compensate the losses of enterprises, uses of trade credits related to the necessity, with approvals for ill-timed payments, by the lost benefit.

A considerable number of agricultural enterprises experience urgent need for using main means and other elements of technique and technological base, since it is usually impossible to acquire them due to the low level of implementation effectiveness in economic activity of a separate enterprise. Therefore, leasing is commonly applied in word practice for the following reasons: the reduction of liquid funds due to permanent difficulties on money markets; exacerbation of competition, which requires investment involvement; income reduction for enterprises, which restricts their abilities concerning necessary funds concentration for production expansion and technique provision; promoting leasing operations development by state structures intended to stimulate the economic growth of the sector.

The outcomes of our research on financial levers influence on the development of interrelations between agrarian enterprises prove to be effective to state, that current financial and economic mechanism of their functioning does not form conditions for effective expanding their equity capital, and, therefore, for increasing their market value. The financial structure of the majority of agricultural enterprises is deficient, which causes excessively low level of their financial stability and solvency in comparison with the economic agents in other fields. The determined inhibitory tendencies suppress the formation of effective organizational and economic relations between the agrarian enterprises.

Under these conditions the further increasing of financial levers impact on agrarian enterprises functioning involves the following:

- the state policy concerning supporting small business in the agrarian sector requires activation, first of all, in terms of the financing expansion and taxation reduction;
- it is indispensable to elaborate and implement measures on micro crediting, oriented at various small enterprises, namely those intended for processing agricultural production and raw materials and marketing of foodstuffs;
- it is necessary for the National Bank of Ukraine to create conditions for considerable interest rates reduction for bank crediting by means of appropriate regulatory policy;
- the formation by agricultural enterprises of effective dividend policy (income distribution policy) aimed at the increase in refinancing of their income and accelerated expansion of equity capital by means of namely internal sources;
- accelerated formation of equity current assets by agrarian enterprises; directing them, first of all, at debit indebtedness and money assets financing, which guarantee their proper solvency;
- activation of amortization policy by agrarian enterprises using accelerated amortization, which will promote increasing of amortization flow during the formation of financial resources for investment needs;
- diversification of sources by agrarian enterprises involving borrowed capital, increasing financial leasing.

Discussion

In modern terms in connection with a small volume budgetary financing it can be used mainly as a mechanism of start and corrections of those market processes, which are able to strengthen a state action in direction of increase of firmness of agrarian sphere. The basic measures of fiscal policy must create the certain lever of market forces and estimated after that effect of strengthening, which creates concrete state action in an economy. Providing of necessary proportions of the proof economy growing of agrarian sphere in relatively short time it is possible only on the basis of perfection of terms of production, high-quality update of facilities of labour and application of progressive technologies. Passing to the continuous innovative process will give possibility complex to settle the economic, social, technical, ecological problems of steady development of agrarian sphere.

Therefore, it should be mentioned, that highlighting the financial levers impact on the formation of efficient relations between agrarian enterprises provides both the optimization of the mechanism of their management and the minimization of total expenses as well as receiving a synergic effect. We are convinced, that it is on this basis, including financial levers, the relations between agricultural agents should be grounded.
The further researches will embrace the problems of logistic approaches formation as important basis for optimization of organizational and economic mechanisms for relations between agrarian enterprises.

References