

**FINANCIAL MECHANISM
IN THE SYSTEM
OF ECONOMIC VECTORS
OF DEVELOPMENT OF UKRAINE**

Scientific monograph





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Financial relations between enterprises and the state determine the success of market processes in Ukraine to a significant extent. The growing budget deficit, inflation and capital depreciation, unprofitability, the weight of the tax burden, the national debt, the payment crisis - all these phenomena testify to the extreme relevance of the theoretical understanding of the financial relations of enterprises and the state, first of all, the relations of enterprises with the budget system, the impact on the real sector of the general the state policy of financial stabilization and new for Ukraine market financial and credit institutions (stock market, commercial banks, investment structures). The purpose of writing the monograph is to summarize the scientific research conducted by the authors from October 2019 to September 2023 at the Vinnytsia National Agrarian University.

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ACTIVATION OF FINANCIAL MECHANISMS IN THE SYSTEM FINANCIAL AND CREDIT SECURITY FOR THE DEVELOPMENT OF AGRICULTURAL ENTERPRISES

Larysa Vdovenko¹

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Abstract. *The purpose* of the article is devoted to the peculiarities of the formation of financial mechanisms and their activation in the system of financial and credit support for the development of agrarian enterprises. The economic essence and components of the financial mechanism are substantiated. In the basis of the financial mechanism as a complete system of interrelated constituent elements, the decisive place belongs to financial methods, among which financial support and financial regulation play a key role as the basis for the growth of the development potential of enterprises in the agrarian sector of the economy. *Results.* The internal and external factors of influence on the efficiency of financial mechanisms of agrarian enterprises are determined. The features of the most effective financial mechanisms for the development of enterprises in the agrarian sector of the economy are determined and the problems of their use are highlighted. An analysis of the crediting of agricultural enterprises was carried out and the main reasons for the low activity of attracting credit resources were determined. *Practical implications.* The practical significance of the obtained results is determined proposals and recommendations for the introduction of methodical approaches to the improvement of financial mechanisms. Proposals regarding the use of activities of guarantee funds, which will allow solving a number of problems of lending to small and medium-sized businesses and minimizing the risks of possible non-repayment of loans, are provided. In order to improve the financial support for the development of enterprises in the agricultural sector of the economy as a basis for increasing their financial potential, it is necessary to resort to non-traditional instruments of financing activities, which can be agrarian

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receipts, which have recently opened up new opportunities for quickly attracting funds to the process of agro-industrial production, and we are talking about obtaining financial resources especially small and medium-sized businesses. The advantages and disadvantages of such a financial instrument have been determined. *Value/originality*. Conclusions were made that a complex combination of various financial mechanisms with appropriate tools and effective levers of influence on the development of enterprises of the agricultural sector of the economy in Ukraine will create conditions for stable and effective conduct of agricultural business in Ukraine under an effective competitive environment in which the interests of the enterprises and the state as a whole coincide.

1. Introduction

The development of society requires an increase in the quality level of the formation and implementation of an effective financial policy, the implementation mechanism of which is determined by the active role of the state in the growth of the economy.

The assessment of the mechanism of financial regulation of socio-economic processes in Ukraine indicates the need to develop the financial system, increase the effectiveness of the formation and implementation of financial policy in relation to transformational economic processes [1, p. 341].

Changes that occur in a certain period in the economic environment are affected by the vectors of the financial policy of the state, which through certain measures, levers and tools determines the directions of the financial policy of enterprises of a certain industry.

The financial policy of supporting priority sectors of the economy can be considered in the aspects of creating conditions for the growth of aggregate demand and business activity in the complex of sectors of production of food and non-food products; stimulation of the concentration of financial resources in promising sectors of the economy in order to implement the mechanisms of further diversification of the economy, implementation of purposeful structural changes in order to improve its reproductive structure.

Based on this, the role of enterprises in determining the priorities of their financial policy is growing, relying on the financial policy of the state, choosing the correct management decisions regarding the application of effective financial mechanisms for the development of entrepreneurial activity.

The need to use various financial mechanisms by enterprises of a priority for the economy of Ukraine in the implementation of agricultural activities is aimed at promoting the sustainable development of the agrarian sector of the economy for the long term through the use of regulatory and ensuring levers of economic processes.

The financial mechanism is an important component of the economic mechanism, a complex of forms, means and tools for regulating the economic method of production, in particular, the use of financial resources and funds to ensure the most important socio-economic needs of individual citizens, labor groups and the entire society. The most important components (subsystems) of the financial mechanism are financial planning and forecasting, the financial management system, financial indicators, financial limits and reserves, etc. [2].

The financial mechanism is formed under the influence of changes in the economic environment of the functioning of business entities, therefore it responds sensitively to the state of the country's economy in certain periods, which determines the priority of certain components. Such components of the financial mechanism as financial methods, financial levers, regulatory and information support are distinguished.

Financial management of enterprises is carried out under the influence of the external and internal environment, which requires adaptation of enterprises to changes in the external environment and immediate response to existing challenges and making changes to the directions of the financial policy of the enterprise itself in terms of the use of methods, tools, techniques and levers at the demand of time.

2. The main trends in the medical provision of citizens

The financial mechanism as a category is a complex system of managing the activities of enterprises, which makes it possible to solve problems in the field of enterprise finance.

The financial mechanism affects the activities of economic entities and "the main vector of this influence is the relationship between the state, which produces and implements financial policy, and economic entities that ensure the production of GDP. Based on this, the financial mechanism of managing the enterprise's activities must be considered together with the financial mechanism at the state level with financial methods and

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forms, tools and levers of influence on the socio-economic development of society" [3, p. 98]. An effective financial management mechanism allows to fully implement the goals and tasks facing the enterprise and contributes to the effective implementation of financial management functions [3, p. 100].

The conditions for the effective functioning of the financial mechanism for managing the processes of social and economic development are a variety of forms of ownership of the means of production and their legally established equality, the presence of conditions for market pricing, the presence of labor, goods and capital markets, as well as self-financing of entrepreneurial activities and a clear demarcation of regulatory functions and ownership different levels of power, supported by a system of market legislation. The financial mechanism for managing the processes of economic and social development requires the existence of objectively existing financial relations that have specific forms of manifestation that are adequate to the nature of industrial relations in society. The development of market relations and entrepreneurship involves the development of competition and the creation of a free market space, the implementation of a policy of free pricing under the influence of supply and demand, the liberalization of foreign economic activity [4, p. 42].

So, the basis of the financial mechanism as an important component of the economic mechanism is the financial relations that arise in the process of managing the company's finances between two participants – the state with a formed financial policy and business entities – producers of GDP that form their own financial policy. Based on this, there is a direct dependence of the further construction of such relationships on the expected positive results of the activities of business entities under the influence of the use of effective financial mechanisms for their development. As a result of such relationships, all participants (the state, enterprises, financial institutions, etc.) will have an economic effect due to the coincidence of their economic interests.

The financial mechanism for the development of an agrarian enterprise is a set of financial forms and methods, tools and levers of influence on the socio-economic development of a complete complex of interconnected elements (enterprises, institutions, industries, etc.) [5, p. 3].

According to domestic Ukrainian practice, there are various financial mechanisms that are actively used by agricultural enterprises in a certain

area (in particular, the mechanism of state financial support, the mechanism of bank lending, the mechanism of preferential lending, etc.), the effectiveness of which can have a positive effect on the efficiency of the agricultural activity of an individual enterprise and the overall development of the agricultural sector.

In our opinion, the financial mechanisms for the development of enterprises in the agrarian sector of the economy should be understood as the complex use of a system of financial methods, tools and levers of influence of existing and new financial mechanisms on their intensive and extensive development, which contributes to the realization of the strategic goals of an individual enterprise and the agricultural sector as a whole, aimed at increasing the efficiency of operations, competitiveness on the domestic and foreign markets.

We see the main final goal of the use of financial mechanisms in increasing the efficiency of agricultural sector enterprises and competitiveness as the basis for the growth of the potential of the agricultural sector.

A prerequisite for the successful development of agricultural production is an increase in investment in innovative projects, as well as their concentration on stimulating the development and implementation of innovative products. Despite the problems inherent in the current stage of development of agricultural production, Ukraine must develop the production capacity of the sector so that in the future domestic products can enter the world market and compete with analogues, occupying their own market niche [6, p. 48].

The prospects of competitiveness of agricultural enterprises should be connected with such components as: harmonization of domestic legislation and standards with European counterparts; coordination of the system of quality control and food safety; stimulation of agricultural entrepreneurs to actively introduce European standards in their business activities [7, p. 49].

The financial mechanism of managing the agrarian economy has the following main elements: the organizational structure of financial management in the state; the current legislative and regulatory framework, which regulates the financial management of state finances, enterprise finances, and branch finances; planning of state finances by central economic bodies; planning of decentralized finances by business entities; a system of methods and forms of stimulation and restriction of financial and

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economic activity in the state; the system of audit and control bodies for the functioning of finances at all levels of management [5, p. 3].

3. Analysis the current state of financing the system protection health in Ukraine

Effective functioning of the agricultural sector and agrarian enterprise, in particular, will ensure a clear interaction of all constituent elements of the financial mechanism. The multiplicity of interrelationships between individual components of the financial mechanism, in turn, reflects the specifics of financial support and financial regulation of processes in agro-industrial production, determines the nature of the enterprise's interaction with the external environment and facilitates the management of enterprise finances.

In the basis of the financial mechanism as a whole, as a whole system of interrelated constituent elements, the decisive place belongs to financial methods, among which the key role is played by financial support and financial regulation as the basis for the growth of the development potential of enterprises in the agrarian sector of the economy (Figure 1).

Financial planning at the enterprise should be understood as the state and system of measures aimed at the implementation in the future of increasing the financial potential of the enterprise.

In the process of financial planning, the agricultural enterprise assesses its financial condition, identifies reserves for increasing financial resources and directions for their effective use. After all, with the help of financial planning, the economic justification of managerial financial decisions aimed at increasing the financial potential of agricultural sector enterprises is carried out.

Such a method as financial control is understood as a set of actions and operations carried out by specially authorized bodies for the purpose of monitoring compliance by enterprises with legal norms in the process of formation, distribution and use of financial resources.

Financial support and financial regulation (the forms of which are self-financing, bank lending, budget financing, investment) most fully reveal the advantages and disadvantages of existing financial mechanisms in the agricultural sector at the moment and will encourage the search for new directions for stimulating the development of a priority sector of the economy.

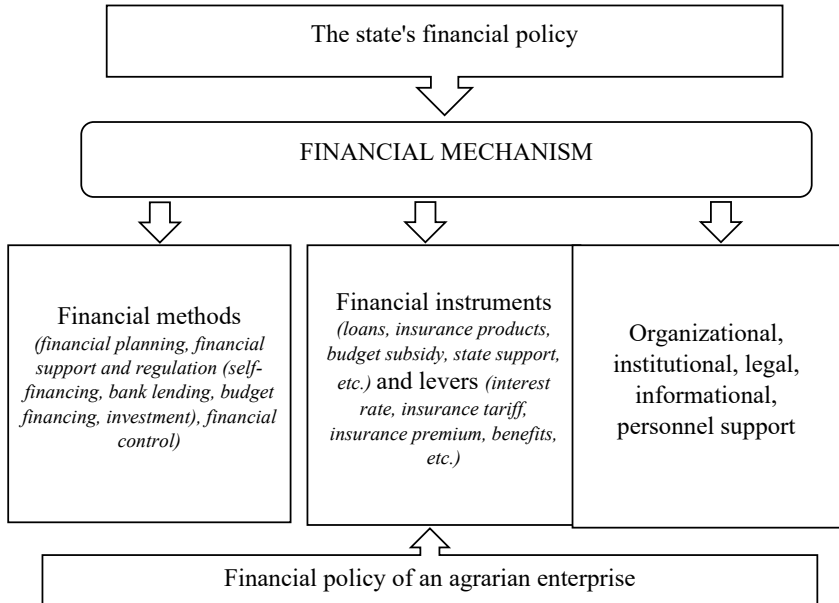


Figure 1. Components of the financial mechanism in the context of the development of enterprises in the agrarian sector of the economy

Source: composed by the author

We believe that the main purpose of the financial mechanism is financial support and financial regulation of financial and economic processes at enterprises in the agrarian sector of the economy, and financial instruments and levers of influence are components of regulatory processes.

Actually financial regulation is already a set only tools of a financial nature, which are used to influence the activity subjects management, in particular in the agricultural sector. Financial regulation of the agrarian sector of the economy of Ukraine is carried out in the first queue to increase volume production agricultural products with the help of stimulation financial potential agricultural enterprises [6, p. 45].

The functioning of the financial mechanism is based on organizational, institutional, appropriate legal, information and personnel support, a complex combination and use of these components will ensure effective

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management of the finances of enterprises to achieve defined strategic goals and objectives.

The influence of the state on financial and economic processes in the agricultural sector is implemented through financial policy, which determines the volume and structure of financial resources through appropriate tools and levers. The financial policy of the state is reflected in the financial legislation (legal provision); in the system of forms and methods of mobilization of financial resources; in the redistribution of financial resources between economic sectors, ministries and departments; in the structure of budget revenues and expenditures (organizational and institutional support).

That is, the development of the financial policy of an agricultural enterprise consists in building an effective system of managing its finances and is completely dependent on the financial policy of the state. The best option for the financial policy of agricultural sector enterprises is to use effective financial mechanisms aimed at attracting additional financial sources, which will contribute to increasing the efficiency of activities, increasing their financial potential and competitiveness on the domestic and foreign markets.

The greatest influence on the efficiency of financial mechanisms of agricultural enterprises is exerted by external factors, including the macroeconomic environment (inflationary processes, exchange rate fluctuations, volatility of the market situation, etc.), constant changes of which lead to instability of the market environment of the functioning of enterprises in the agrarian sector of the economy (Figure 2).

The effectiveness and efficiency of financial mechanisms is determined by the perfect legal framework that regulates financial relations and the creation of the appropriate market infrastructure, which is also an influential factor in the development of enterprises in the industry.

The directions of the state's financial policy are decisive for the fullness of tools and levers of financial mechanisms, their effectiveness and positive impact on the development of the agrarian sector of the economy.

The competitive environment in the agricultural sector also has a direct impact on the limited access of each enterprise to existing financial mechanisms (bank lending, state financial support, etc.). Strengthens limited access to effective financial mechanisms and underdevelopment

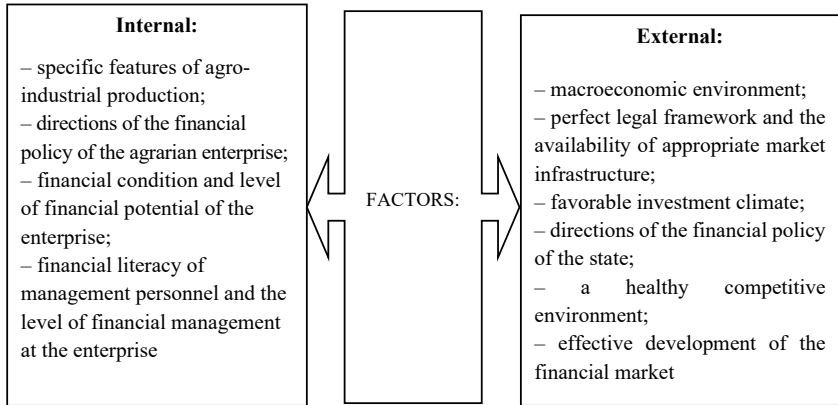


Figure 2. Factors influencing the efficiency of financial mechanisms of agricultural enterprises

Source: formed by the author

of the financial market at an appropriate level, which negatively affects their use. In particular, there are still plenty of problematic issues in the mechanism of bank lending, which leads to low activity of attracting bank loans by farmers.

Analyzing the volumes of bank lending to agricultural enterprises before the full-scale invasion of russia, it should be noted that the low specific weight of loans granted to enterprises of the industry in the total amount of loans granted to economic entities is at the level of 7.2% (average value), and this trend is practically unchanged during the last 8 years old (Figure 3).

As evidenced by the data in Figure 3, in 2022 (as of the beginning of May 2022), there is an increase in the share of loans to agricultural, forestry, and fishing enterprises at the level of 13.2% of the total amount provided by the banking system to economic entities. The loan portfolio of farmers for 2022 grew by 1.5 times.

What concerns structures lending enterprises in the field of agriculture economy, that's basically it short-term (up to 1 year), the share of which is 49% (as of October 1, 2020) and medium-term (from 1 to 5 years) loans with a share of 46%, respectively. In addition, in the structure of short-term and medium-term loans, about 70% are loans in the national currency.

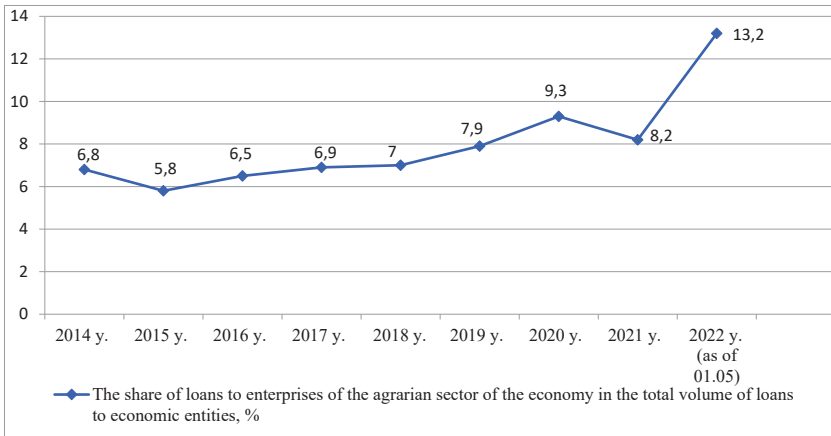


Figure 3. Dynamics of lending to enterprises of the agrarian sector of the economy of Ukraine

Source: built by the author based on [8]

Long-term loans are distributed more evenly – 52% in national currency and 48% in foreign currency [9].

The main reasons for the low activity of attracting credit resources in agricultural production from the borrower's position are the unstable financial condition of agricultural enterprises; lack of liquid collateral from borrowers, and from the position of the lender: high interest rates, availability of a limited number of credit programs for small and medium-sized businesses, failure to take into account the specifics of the industry, low level of capitalization, low level of capitalization, loss of liquidity of the banking system; operational risks of banks when cooperating with agricultural enterprises [10, p. 113]. According to the authors [10, p. 98] "the practical solution to the problems of credit provision of entrepreneurial activities of enterprises in the agrarian sector of the economy in the future requires new approaches to improve the existing mechanisms of bank lending and through the expansion of the activities of non-bank financial and credit institutions, will contribute to the strengthening of competition between credit institutions and expand access to credit resources for everyone, without excluding business structures that need financial support.

The assessment of measures, tools and levers of state policy in the field of financial support of the agricultural sector confirms the existence of a complex of still unresolved problems in their use, which is a restraining factor in the effective development of the agricultural sector.

Therefore, the role of the state in the conditions of a competitive environment to promote the effective development of the agricultural sector of the economy is growing.

As for internal factors affecting the effectiveness of financial mechanisms of agricultural enterprises, these are the specific features of agro-industrial production, which should be taken into account when forming and improving existing mechanisms, in particular, bank lending.

The directions of the financial policy must be competently predicted and developed and aimed at the final result – making a profit, increasing financial potential, while this factor is generally determined by the financial literacy of the management staff and the level of financial management capable of assessing the situation and making the right financial decisions regarding the finances of agricultural enterprises.

The use of certain financial mechanisms in the activity of an agrarian enterprise depends on the financial condition and the level of financial potential and the possibilities of its growth, which proves the connection of management functions with the strategic goals of the enterprise itself.

Modern domestic realities increasingly sharpen the issue of the further development of the agricultural sector of Ukraine as one of the most important aspects of the implementation of the long-term state policy aimed at reviving the national economy on the basis of deepening its integration with the European Union.

Therefore, the issue of state support at the appropriate level of agro-industrial production as an important component of the country's economic development in order to ensure the effectiveness of the activities of commodity producers, aimed at the production of safe and competitive agricultural products both on the domestic and foreign markets, remains relevant, which, in turn, will guarantee not only food, but also environmental and national security of the country.

The basis of the formation of a model of competitive development of the agricultural sector is the implementation of a group of functional strategies that specify and create a competitive strategy by strengthening the

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competitive advantages of each direction. It is about the expansion of the export structure, the activation of the transfer of cultivation technologies, agroservices, melioration, consulting services, the diversification of economic risks in the conditions of globalization and the improvement of the geoeconomic status of Ukraine [11, p. 25].

The mechanism of state financial support is based on regulatory and legal support for its functioning, has certain components (forms, methods, directions), the use of which collectively determines the effectiveness of their influence on the effectiveness of business entities (Figure 4).

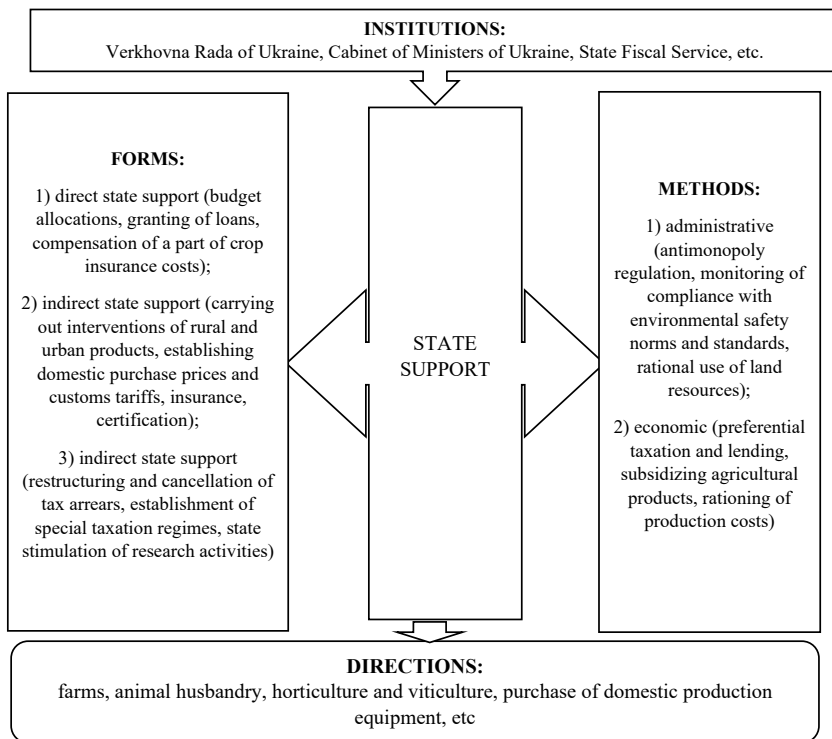


Figure 4. System of state financial support for development of the agro -industrial complex of Ukraine

Source: summarized by the author

The need to ensure Ukraine's food security requires maintaining an appropriate level of food "independence", which actually involves the use of state support for domestic producers of agricultural products and the use of import control measures to protect national producers from foreign competition. Level food security characterized as sufficient self-sufficiency in food products, as well as availability funds for them import in necessary volumes under conditions of need [6, p. 46].

The annual change in procedures and mechanisms for allocating funds from the state budget, their cumbersomeness, late approval and the introduction of repeated changes to them during the year cause untimely receipt of state financial support funds and their ineffective use and return to the state budget at the end of the year [12, p. 75].

Effective use of limited budget funds requires an adequate long-term strategy for the development of the agrarian sector of the economy, directing financial resources of budgets of all levels exclusively to priority measures to support the development of agriculture and entrepreneurship in rural areas.

In addition, the reluctance to use such tools on the part of the enterprises themselves can be a restraining factor in the development of agricultural enterprises, which to a certain extent can be explained by the low financial literacy of the management personnel of the enterprises.

Legislative support is also the main development of the agrarian sector of the economy and enterprises of the sector, in particular.

State regulation of promoting the convergence of economic interests of enterprises in the agrarian sector of the economy requires an effective institutional mechanism to ensure the realization of mutual expectations of all participants.

Specificity formation financial mechanisms and their effectiveness in many ways are determined specific branches features. Belonging enterprises to the field of agriculture finds reflection in essence money relations – the nature of formation money funds and directions their use, in the system distribution profit, relations with various branches of the state of finance Basic structural elements financial mechanisms perform different tools, levers, methods, as well as species stimulation development agricultural enterprises, which activate their activities in the field production and motivate to disclosure potential financial

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opportunities of farmers. At the same time a positive result from the use of a combination of various financial mechanisms in the activity agricultural enterprises is achieved efficiency of each of them. Action data mechanisms stimulation enterprises of the agricultural sector should be aimed at increasing efficiency activity, competitiveness on domestic and foreign markets, growth of financial potential.

Mechanisms of financial support of agricultural enterprises for each period of development of the country's economy will have their own characteristics, and therefore cannot be unchanged. After all, they depend on market conditions, on the possibilities of budgetary financing of specific programs, on state priorities for support, etc. That is why artificially transferring foreign mechanisms to Ukrainian territory or trying to preserve domestic mechanisms in new economic conditions is incorrect, because nothing discredits new mechanisms like the lack of funds for declared measures or their untimely introduction [5, p. 1].

An equally important place in the development of agricultural sector enterprises is given to credit provision, and the most problematic in this area is the mechanism of bank lending, the improvement of which will contribute to the improvement of financial and credit provision, first of all, of small producers. The need for state financial support of small producers (including through free access to cheap credit resources) is dictated by the ability to provide employment in rural areas and promote the development of rural areas.

Credit support by banking institutions of the real sector of the economy and agriculture, in particular, is a significant impetus to increase the volume of production, its effective development, growth of financial potential, increase in competitiveness and achievement of strategic goals of enterprises with inherent specific sectoral features of doing business.

The mechanism of bank crediting of the entrepreneurial activity of agricultural enterprises is a form of implementation of the crediting procedure, which is carried out independently by each commercial bank on the basis of a formed credit policy, the effectiveness of which is determined by the coincidence of the economic interests of the creditor and the borrower and as a result of achieving the ultimate goal of each subject of credit relations: for the borrower – increase in the efficiency (profitability) of entrepreneurial activity at the expense of borrowed sources, and for

the creditor – obtaining profit from the credit transaction without losing a potential client for the future [10].

It was established that the high cost of credit resources, lack of appropriate security and insufficient creditworthiness of most business entities hinders the development of credit relations for all participants (borrowers, creditors and the state).

Another problem of the development of enterprises in the agrarian sector of the economy is the limited access to financial resources of small producers, whose share is significant in the total number of enterprises in the industry, which increases the need to provide significant support to such enterprises.

One of the restraining factors of lending by banking institutions to small and medium-sized business entities is the lack of reliable collateral, the presence of which "can provide the lender with better protection" and which "is associated with longer repayment terms of credit lines" [13].

In our opinion, the limited possibilities of access to financial resources of small and medium-sized enterprises require the use of other non-traditional financing tools and improvement of the bank lending mechanism through the coordinated work of all links of the credit-guarantee system.

In different periods of the functioning of the economy, the ratio between market mechanisms and mechanisms of state regulation of agrarian enterprises can be different and depends mainly on trends in the market situation, on the state's intentions to support industries, and on the possibilities of budget payments. Currently, significant changes are taking place in Ukraine in the policy of formation and distribution of state budget funds, which is caused, on the one hand, by military actions on the territory of the country and, accordingly, by the priorities of protecting the territory; and on the other – by a change in the phase of the country's economic development (the crisis is gradually replaced by a revival phase), and therefore, by changes in the formation of the revenue part of the budget [14].

Thus, summarizing the above, we note that the activity of agricultural enterprises is risky due to the specific nature of their activity, therefore the use of various financial mechanisms and their effectiveness will help reduce risks and improve the financial support of the industry (state financial support, bank lending, use of agricultural receipts, etc.).

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Therefore, the investigated financial mechanisms have characteristic features of formation, and the identified shortcomings indicate the need for their improvement in order to ensure the development of enterprises in the agrarian sector of the economy.

The basis of the further development of enterprises in the agrarian sector of the economy should be the concept of the functioning of the agricultural sector with the comprehensive use by enterprises of effective financial mechanisms, without which effective agricultural activity is impossible, which will contribute to the implementation of strategic goals aimed at increasing the efficiency of activities, increasing financial potential, competitiveness on the domestic and foreign market.

The main measures taken and improved tools and levers of financial mechanisms to stimulate the development of enterprises in the agrarian sector of the economy will relate to: increasing financial potential, budget financing, insurance protection of agrarians, increasing competitiveness.

The formation and use of financial mechanisms largely depends on the established financial policy of the state and individual enterprises, in particular.

The development of new financial mechanisms for the effective functioning of the agricultural sector should be preceded by the development of a policy for the development of the agricultural sector for the future and the establishment of methodological foundations, which should ensure the implementation of this policy through the system of economic mechanism.

When developing measures, tools and levers of financial mechanisms, the influence of internal and external factors on their formation and effectiveness of use should be taken into account. An important internal factor that should be taken into account when forming financial mechanisms for the agrarian sector of the economy are the sectoral features and specific features of agro-industrial production (comparatively lower than in other sectors of the economy, production capital security and a lower level of wages).

As for other internal factors of influence (directions of the financial policy of an agrarian enterprise; financial condition and level of financial potential of the enterprise; financial literacy of management personnel and the level of financial management at the enterprise), they affect precisely the use of certain financial mechanisms by agrarian enterprises. That is, the financial

condition and financial capabilities of an agricultural enterprise are decisive when building the enterprise's financial relations with insurance companies (using the mechanism of insurance protection), banking institutions (using the mechanism of bank lending), which determines the directions of the financial policy of this enterprise and reinforces them, which is no less important, financial literacy of management personnel when making the right management decisions, including when using the mechanism of state financial support.

Therefore, agricultural enterprises need effective financial mechanisms to improve the financial support of agricultural activities.

In order to improve the financial support of enterprises in the agrarian sector of the economy, in particular, small and medium-sized businesses, and to increase the share of bank loans, we suggest using the activities of guarantee funds, including in the field of lending, which will allow solving a number of lending problems and minimizing the risks of possible non-repayment of loans.

Loan guarantee funds (LGF) are a tool stimulation investment small enterprises with the help of partial acceptance of credit risks financial institutions. At the same time, they are a form of protection financial institutions from tall risks lending small enterprises, especially for the medium and long term periods [15, p. 206].

In our opinion, by LGF, we mean a financial intermediary in matters of lending to small and medium-sized businesses with the most limited access to credit resources by assuming credit risks through the provision of guarantees (guarantees) to creditor banks for loans granted.

4. Findings

In general, in the EU, guarantees are provided to micro and small enterprises with limited financial capabilities that do not have the required level of creditworthiness, and the range of guarantees offered depends on various factors, which include risk assessment procedures, the legal environment in the country, the guarantee period, its scope of coverage and associated costs.

The average size of the guarantee when providing credit support to small businesses in the EU countries, as the analysis showed, was from 25,000 to 200,000 euros... The guarantee in the EU countries can be presented in

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different forms, as its methodology involves adapting the essential characteristics of the guarantee to different business situations. This gives a significant advantage if the warranty product is adapted to the specific situation of a small business. The provision of more complex guarantee products during the implementation of guarantee schemes in the EU is usually accompanied by additional functions, such as coaching, mentoring for the beneficiary of a small business [15, p. 209].

Taking into account the priority of the agricultural sector for the economy of Ukraine and the need to support it for the further effective development of agricultural enterprises, we consider it necessary to develop the infrastructure of guarantee funds as credit support institutions for farmers in the conditions of the existing unfavorable environment for their credit provision (high amount of collateral, high interest rates, etc.).

Our meal offer consists of, like experience foreign countries, to create a system of loan guarantees for enterprises with limited possibilities of access to credit resources. Benefits the formation and functioning of such financial structures will consist of secured economic interests everyone subjects (banking institutions, LGF, agrarian enterprises and state) (Figure 5).

We offer form funds guarantee loans on the terms of public-private partnership with the participation of state (organs local self-government), banks, credit institutions or others financial institutions, in particular, a private investment fund.

We offer guarantees (guarantees) for a fee basis (as a percentage of the amount given guarantees (guarantees) taking into account the term and amount guarantees) and the payer we will support them Agra is not an enterprise.

Studying world experience, we came to the conclusion that the amount of the guarantee fee ranges from 0.5% to 5%, but we offer set a provision fee guarantees at the level of 0.5-1.5% of the loan amount, taking into account the term and loan amount.

The positive side when using LGF is that it is formed initial capital will have possibility to be replenished at the expense of placing on deposits accounts in creditor banks, which is advantageous, first of all, for the banking institution.

As for the financial interests of LGF, due to the established fee for guarantees (0.5%-1.5%) and due to the interest accrued on the deposit

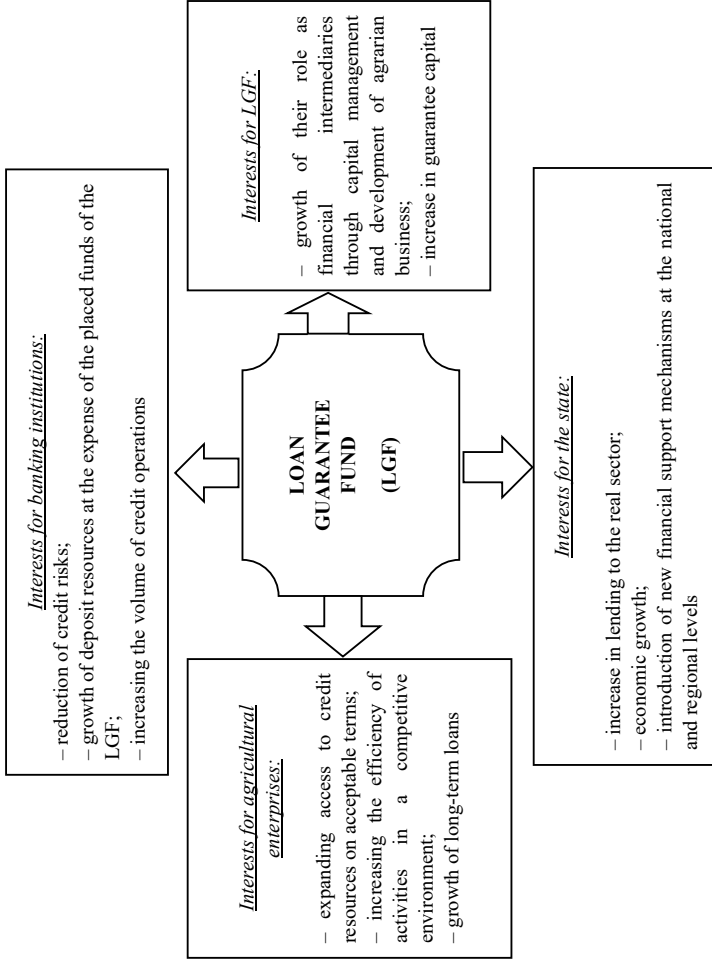


Figure 5. Software economic interests subjects during the functioning of the Guarantee Fund loans in the industry rural of the economy

Source: compiled by the author

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account where the guaranteed capital will be placed (50-65% of the loan amount and term) it will act and spend.

Regarding the legal status of LGF, guarantee funds can be structural subdivisions of other legal entities with a certain management structure, the main functions of management bodies will be the current activity of the fund, which involves the organization of close relations with banks or other financial institutions on issues of providing guarantees.

In order to consider the issue of providing guarantees for loans to farmers, a relevant commission will be created, which will study the documents and make a decision on providing such a guarantee.

The basis of the activities of the guarantee funds is the support of small and medium-sized businesses and other agricultural enterprises that do not have adequate security, but need credit resources.

A typical scheme for providing a guarantee to an agricultural enterprise and the sequence of main actions is shown in Figure 6.

The sequence of actions when providing a guarantee (surety) to an agricultural enterprise is as follows:

- 1) appeal of an agricultural enterprise with an application for a bank loan;
- 2) consideration of the application and adoption of the bank's decision together with the LGF;
- 3) a notification from a banking institution about the possibility of obtaining a loan, subject to the provision of appropriate security by the LGF;
- 4) submission by an agricultural enterprise of a package of documents for obtaining a guarantee (guarantee) to the LGF;
- 5) the agricultural enterprise pays a fee for providing a guarantee (surety) in the amount of 0.5-1.5% of the loan amount;
- 6) conclusion of a guarantee (surety) agreement between the banking institution and the LGF with simultaneous placement of the guarantee capital (50-65% of the loan amount) in the bank's deposit accounts;
- 7) drawing up a credit agreement;
- 8) control by the LGF over the intended use and the order of repayment of the loan by the agricultural enterprise provided as security;
- 9) fulfillment of obligations to the bank under guarantee (surety) contracts.

In addition to the application submitted to the LGF for obtaining a guarantee (surety), the agricultural enterprise attaches the following documents:

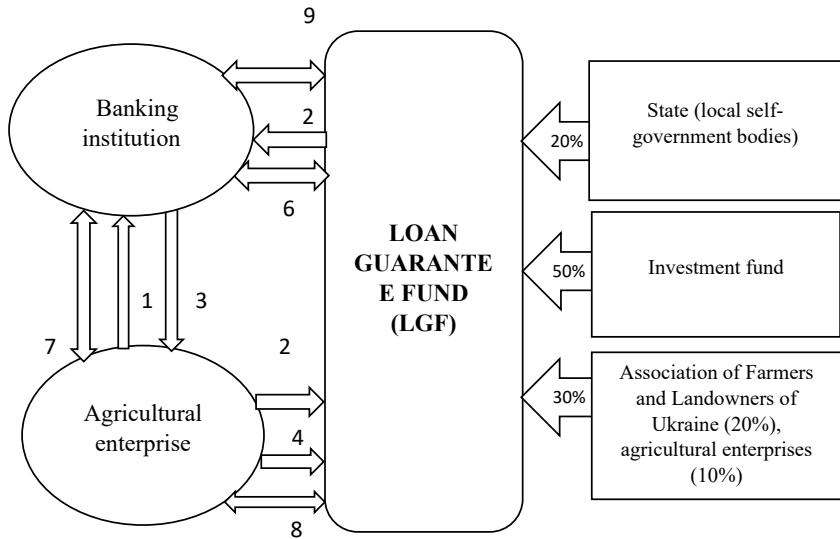


Figure 6. A typical provision scheme LGF guarantees to an agricultural enterprise

Source: written by the author

- the bank's guarantee letter confirming its intentions to grant a loan;
- copies of founding documents and documents on the registration of an agrarian enterprise;
- financial reporting of an agricultural enterprise;
- justification of the need for credit.

It is also not an exception that there are cases in which an agricultural enterprise will be refused a guarantee (surety):

- in case of providing unreliable data about the enterprise;
- in the case of debts to the enterprise for loans, the budget;
- in case of liquidation, reorganization or bankruptcy of the enterprise.

With the proposed scheme, the distribution of risks between the banking institution and LGF is positive, which will contribute to increasing the level of responsibility of the parties for this credit transaction. At the same time, the guarantee increases the cost of financing, but compensates for the lack of guarantees of the borrower-agricultural enterprise. At the same time, the

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increase in the cost of credit will help competition between banking institutions regarding lending to agrarians in the event not systematic use LGF.

Therefore, it is necessary to highlight the positive aspects of the LGF activity for enterprises with the most limited access to credit resources of banking institutions, which are:

- compensation absence of small and medium-sized enterprises agribusiness collateral security;
- increasing access to financing small and medium enterprises agribusiness (start-up entrepreneurs), which are available sufficient pledge have installation difficulties _ equal their creditworthiness.

The activity of LGF is carried out on the basis of the formation of initial guarantee capital.

We believe that the optimal structure will be in which the largest specific weight (50%) will be the funds of a private investment fund, 20% – funds of local self-government bodies) and 30% – funds of the Association of Farmers and Landowners of Ukraine (20%) and agricultural enterprises (10%).

For the effectiveness of the proposed scheme of providing guarantees of the LGF and expanded access to credit resources of banking institutions of most enterprises of the agricultural sector, it is necessary to establish restrictions that relate to the maximum amount of obligations under the guarantee scheme, the maximum amount of the guarantee to one borrower, the maximum period of validity of the obligation (from 5 up to 15 years), the average repayment term of a loan secured by a guarantee (10 years).

We believe that control over the legitimacy of the formation of LGF monetary funds and the fairness of the implementation of financial support using guarantee schemes should be entrusted to the NBU.

Also, an important step in the expansion of the activities of LGF will be the diversification of guarantee conditions to provide support to small and medium-sized agribusiness enterprises in priority areas, for example, those enterprises that implement the latest technologies for the production of ecologically safe agricultural products, which is a step to increase their competitiveness as the basis for the development of enterprises agricultural sector of the economy and improvement of financial mechanisms.

In our opinion, participation under the proposed scheme of the state body will allow to guarantee legitimacy, transparency and fairness

implementation financial support farmers. That is, trace to form a single management system that carries out coordinated work of all credit-guarantee branches scheme that will provide effective functioning financial mechanisms support enterprises of the agrarian sector of the economy.

In order to improve the financial support for the development of enterprises in the agricultural sector of the economy as a basis for increasing their financial potential, it is necessary to resort to non-traditional instruments of financing activities, which can be agrarian receipts, which have recently opened up new opportunities for quickly attracting funds to the process of agro-industrial production, and we are talking about obtaining financial resources especially small and medium-sized businesses.

Thus, we see that the most interested in such a financial instrument – the most limited in access to credit resources – are small and medium-sized businesses.

In general, since 2015, Ukrainian agricultural producers have issued 2,063 agricultural receipts for the total amount of UAH 14.2 billion, and a total of 995 agricultural producers have used the tool, 90% of which are small in size. This became possible, in particular, thanks to the active involvement of creditors in working with the instrument [16].

During 2019, the positive dynamics regarding agricultural receipts continued: the number of creditors providing financing under agricultural receipts more than doubled: from 62 creditors to 130; since the beginning of the year, 1,212 agricultural receipts were issued for a total amount of UAH 7.8 billion. In 2019, agricultural receipts for the amount of UAH 11.8 billion were issued in Ukraine [16].

At the same time, both creditors and debtors are in the process implementation and use agricultural receipt encountered a number of problems:

– lack of sufficient informational support for the widespread introduction of agricultural receipts through mass media. Seminars, round tables and trainings are held today, where attendees receive more detailed information. However, in order to build trust in the new financial instrument, it is recommended to involve sources of information that farmers trust: reports with the participation of those who already use receipts and can share their achievements, those who issued receipts and have positive repayment experience. Both parties should be motivated. Not only agricultural

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producers, but also notaries, representatives of supplier companies, commercial banks, and grain traders should be invited to participate;

- in most regions there are not enough certified notaries for registration and work with agrarian receipts;

- the unified practice of working with documents for issuing agrarian receipts is insufficiently developed;

- since agricultural receipts are just entering circulation, their accounting is not fully understood;

- the issue of double taxation of VAT when involving a third party in the calculations remains open [17].

Constant legal and organizational reforms, the lack of a balanced, effective strategic state agrarian policy in terms of financial support for existing and especially newly created agricultural formations require the search for new approaches to their functioning. Medium and small organizational forms of agricultural enterprises are forced to constantly fight for survival in competition with large enterprises. And, predictably, their chances are slim. As a result, there is an imbalance in the development of the agricultural sector of the economy, social problems related to the decline of the Ukrainian countryside, loss of interest of investors, etc. Over time, these factors can seriously affect the country's national security [18].

So, agricultural receipts are a method of non-bank lending specifically to small and medium-sized businesses. The main advantages and disadvantages of such a tool can be seen in Figure 7.

To introduce an agrarian receipt into circulation, it should be notarized, and the notary, in turn, must enter information about the obligation in the State Register of Encumbrances of Movable Property and in the newly created Register of Agrarian Receipts. An agrarian receipt is considered issued from the moment of its registration in the Register of Agrarian Receipts. Currently, 26 notaries from four regions of Ukraine are connected to the Register of Agrarian Receipts. But taking into account the growing dynamics of the use of agricultural receipts and the low cost of connecting to the registry, an increase in the number of notaries with access to such a registry should be expected in the near future.

Financial instruments in the agricultural sector play an important role in the process of economic activity, help to avoid possible risks in the agricultural market, while ensuring the maximum possible economic effect.

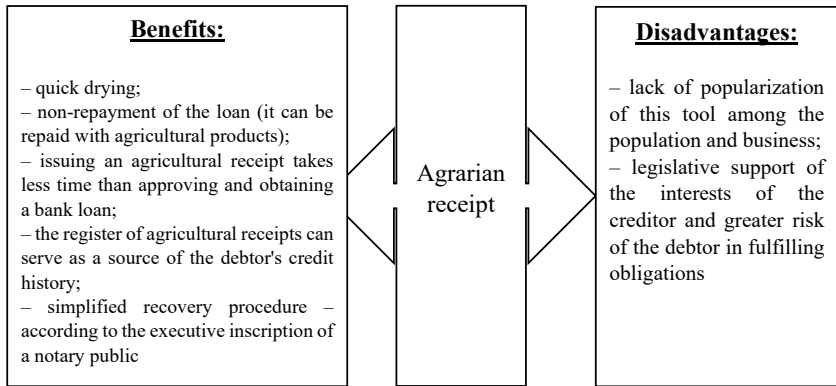


Figure 7. Advantages and disadvantages of agricultural receipts

Source: summarized by the author

Despite such a relatively new financial instrument for domestic practice as an agricultural receipt, it has already proven itself as an alternative lending mechanism, however, in our opinion, the interests of the creditor, rather than the debtor, are taken into account the most in both draft laws, since the enforcement of the debtor's obligations by collateral is exclusively the future harvest of agricultural products in the conditions of a low level of insurance protection for farmers and growing risks in agriculture can lead to the alienation of property immediately, or in the case of multi-year receipts (execution of which will take place in parts over several marketing periods) putting the activities of small and medium-sized businesses at a "dead end" in the event of adverse natural and climatic conditions.

Therefore, the widespread introduction of agricultural receipts as an alternative lending mechanism for small and medium-sized businesses should be accompanied simultaneously with alternative collateral insurance instruments with the mandatory participation of the state as a guarantor of such relations, which will be considered a step of state support for the activities of these enterprises.

Therefore, a complex combination of various financial mechanisms with appropriate tools and effective levers of influence on the development of enterprises of the agrarian sector of the economy in Ukraine will create conditions for stable and effective conduct of agrarian business in Ukraine

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under an effective competitive environment in which the interests of the enterprises and the state as a whole coincide.

5. Conclusions

1. It is suggested that financial mechanisms for the development of enterprises in the agrarian sector of the economy should be understood as the complex use of a system of financial methods, tools and levers of influence of existing financial mechanisms on their intensive and extensive development, which contributes to the realization of the strategic goals of an individual enterprise and the agricultural sector as a whole, aimed at increasing operational efficiency, increasing their financial potential and competitiveness on the domestic and foreign markets. The multiplicity of relationships and clear interaction between individual components of the financial mechanism reflect the specifics of financial support and regulation of processes in agro-industrial production, determine the nature of the relations of enterprises with the external environment and facilitate the management of enterprise finances.

2. The use of certain financial mechanisms in the activity of an agricultural enterprise depends on its financial condition, the level of financial potential and its growth opportunities, which proves the connection of management functions with the strategic goals of the enterprise. The greatest influence of external factors was revealed, in particular, the favorable financial policy of the state regarding the development of the agricultural sector and the establishment of the foundations for ensuring its implementation through a system of appropriate tools and levers of influence on the priority sector for the economy – agriculture. The formation of financial mechanisms and their capacity (structural elements) should take into account the phases of the economic cycle, the nature of supply and demand in agricultural markets, the state of the industry in order to regulate its development and support it in a certain period, which will indicate the effectiveness of approaches to the development of the state's financial policy.

3. The specifics of the formation of financial mechanisms and their effectiveness are largely determined by the sectoral features of the sphere of use, and the action of the mechanisms for stimulating the development of agricultural sector enterprises should be aimed at increasing the efficiency of operations, competitiveness, and the growth of the financial potential of

economic entities. The most influential on the results of agricultural activity are the financial mechanisms of agricultural enterprises (mechanism of bank lending, mechanism of state financial support) in the modern conditions of conducting agrarian business, which makes it possible to determine their specific functions (formation of relations for the distribution of financial resources at the macro level in compliance with established rules by agricultural enterprises; ensuring the needs of agrarian enterprises and achieving efficiency parameters; functioning within the time parameters of action; coordination with the financial policy of the state) and identify structural elements in order to identify ripe problems and propose ways to solve them in order to strengthen the effectiveness of the influence of existing mechanisms on the development of industry enterprises.

The process of formation and opportunities for increasing the financial potential of the agricultural sector depend on changes in the economic environment of the functioning of enterprises, which requires taking into account this factor in order to effectively use the financial mechanisms of the development of enterprises, based on the strategic goals of their activities.

4. Was found that potential agricultural access opportunities enterprises to banking loans are determined, first of all, by them cost and availability provision. Given the limited access to bank credit resources of most small and medium-sized enterprises due to certain factors, one of the key factors of which is the lack of reliable security, it will be useful to improve the financial security of such enterprises in the field of bank lending by using the Credit Guarantee Fund, which will take over credit risks of financial institutions, which will contribute to solving a number of problems in this area.

5. The improvement of financial support can also be seen in the introduction of agricultural receipts – tools for quick attraction of funds in agricultural business using another procedure, contrary to domestic banking practice. In the legislation, as the study showed, the interests of the creditor are taken into account to the greatest extent, and the greater risk of such relations is borne by the debtor in relation to his obligations, therefore such a financial instrument as an agricultural receipt will have the effect of widespread introduction into the activities of small and medium-sized businesses, provided that it is accompanied at the same time with alternative collateral insurance instruments with the participation of the state, which will be considered a step of state support for the activities of these enterprises.

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