



**FINANCIAL MECHANISMS  
IN THE SYSTEM  
OF ECONOMIC VECTORS  
OF DEVELOPMENT OF U**

Scientific monograph



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

Scientific monograph

Rīga, Latvia  
2023

UDC 33(477)(08)  
Fi610

- Title:** Financial mechanism in the system of economic vectors of development of Ukraine
- Subtitle:** Scientific monograph
- Scientific editor and project director:** Anita Jankovska
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- Publisher:** Publishing House “Baltija Publishing”, Riga, Latvia
- Available from:** <http://www.baltijapublishing.lv/omp/index.php/bp/catalog/book/307>
- Year of issue:** 2023

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Financial mechanism in the system of economic vectors of development of Ukraine : Scientific monograph. Riga, Latvia : “Baltija Publishing”, 2023. 220 p.

ISBN: 978-9934-26-291-3

DOI: <https://doi.org/10.30525/978-9934-26-291-3>

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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DOI: <https://doi.org/10.30525/978-9934-26-291-3-5>

**Abstract.** *The purpose* of the study is to substantiate and clarify approaches to the definition of modern approaches to ensuring the competitive development of agrarian business enterprises. Special attention is paid to the problems of financial support, the influence of financial instruments on the effective economic development of agricultural enterprises in the context of the use of alternative forms and financing. The impact of financial support on the competitiveness of economic entities in the agrarian sector is determined. The importance and possibilities of state financial support for financial support of the competitiveness of agrarian business enterprises have been clarified. **Goal.** Development of mechanisms for the formation of financial resources of enterprises in the context of their effective functioning on the basis of a conceptual approach, which includes the principles, purpose, objectives and directly the mechanisms for managing the financial security of enterprises. *Method (methodology).* The research used general scientific methods, in particular, a systematic approach, abstract-logical method, including methods of analogy, comparison, induction and deduction, statistical method; methods of analysis and synthesis; comparison method; system-analytical. All these research methods complement each other and together provide an opportunity to comprehensively consider the subject of research. *Results.* The publication explores groups of sources of financial resources. As a result of research on the basis of the conceptual approach constituent elements of the concept of improvement of management of financial maintenance of the enterprises are developed. Its main goal is to: ensure effective management

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decisions to attract sufficient financial resources to maximize profits and increase the market value of businesses. The direction of further research is to develop methods for assessing the effectiveness of financial support for enterprise development. New, revolutionary approaches to the use of financial instruments for the successful conduct of agribusiness. It has been established and proven that precisely progressive approaches will enable the competitiveness of agrarian business. The purpose and possibilities of financial support for financial support of the competitiveness of agrarian business enterprises.

### **1. Introduction**

The realities of the economic development of the agrarian sector of Ukraine are positioned as the starting point of the economic systems of the countries of the world with a market economy. Transitional reformatting of the nature of relations between subjects of the agrarian industry leads to the replacement of traditional financial mechanisms with new ones better adapted to market economic realities.

Financial security and the positive effectiveness of the use of financial resources are extremely important in the economic activity of agricultural enterprises, in ensuring their competitiveness, because the effectiveness and competitiveness of agricultural production largely depends on timely, stable, balanced, affordable financial support. Therefore, referring to the above, there are reasons to believe that the study of issues of modern approaches to ensuring the competitive development of agrarian business enterprises is timely, relevant and timely.

After all, the intensification of the processes of globalization and the gradual liberalization of foreign trade open the prospects of access of domestic agricultural enterprises to highly competitive world food markets, and also create prerequisites for the entry of foreign producers into domestic markets. At the same time, the heterogeneity of the operating conditions of enterprises, which differ in organizational and legal status, size, resource base, and investment opportunities, causes unevenness in their development. Therefore, the development of methods and mechanisms of competitive positioning of agrarian business entities with mandatory consideration of their resource potential and specifics of activity is gaining relevance. Maintaining stable competitive positions of agricultural enterprises requires

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an economically justified redistribution of producers' resources in the direction of reducing the cost of production, ensuring its compliance with international quality and safety standards, improving business efficiency.

The above determines the objective necessity of developing new modern approaches to the formation and maintenance of the competitiveness of agricultural enterprises in the global economic environment. The development of the competitiveness of agricultural enterprises is formed at the expense of powerful production potential and natural resources.

Transformational transformations of the system of economic relations, caused by global and local factors, give rise to the need to increase the level of competitiveness, primarily due to the full financial support of the main activities of enterprises. An important condition for ensuring the competitiveness of enterprises is the effective use of its production potential, personnel qualifications, achievements of modern management, innovative, financial and informational capabilities, technical and organizational development, which affect the final production results.

The issues of competition and competitiveness have received attention in the scientific studies of many domestic and foreign scientists. First of all, it is necessary to note the contribution of well-known representatives of classical political economy, Adam Smith (2005), to the study of the outlined issues. In his fundamental work, formulated the concept of competition.

D. Ricardo (1955) developed the theory of relative advantages, which can be used at the level of individual producers. Using the example of foreign trade as a basis, he proved that ensuring success in competition requires specialization in the type of products whose production is the cheapest. Scientists have also substantiated the existence of an inverse relationship between wages and the level of profit.

Modern dynamic conditions in which economic entities operate require them to maintain stable positions on the market with product quality, profitable activities, investment attractiveness, image among counterparties and consumers, which requires rethinking the economic essence of competitiveness and financial support of this process.

In the fundamental work edited by A.S. Galchynskyi (2012), competition is the driving force of a market economy. In the conditions of competition, the one who creates high-quality products at the lowest

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production costs wins. Competition is an objective economic law of developed commodity production, the forms of which are manifested in the struggle for survival, for obtaining a place on the market, for attracting the attention of consumers to their products. Traditionally, competitiveness is interpreted as the ability to operate in the conditions of market relations and at the same time obtain a profit sufficient for scientific and technical improvement of production, stimulation of employees and maintenance of products at a high quality level.

V. Savchuk (1995) successfully characterizes competitiveness as a set of its qualitative and cost characteristics that ensure the satisfaction of the specific needs of the consumer and differ favorably for the consumer from similar products of competitors. It has been proven that agricultural production for many years is considered a driver of economic development, which demonstrates positive annual dynamics, excluding years of negative impact of natural and climatic conditions. In general, this sector of the economy acted as a kind of fulcrum for the economy of Ukraine during difficult crisis years.

Versal N., Shorokhova G. (2020) definition deserves attention, which is presented as the ability to adapt to new economic conditions and use one's competitive advantages in the competition on the markets of agricultural products and services, as well as effectively use land resources and, applying the analysis of the market structure, respond to changes in its conjuncture and maximally satisfy the needs of consumers.

The strengthening of the processes of globalization and the aggravation of the problems of food supply of the world's population require the further development of the domestic agro-industrial complex and its integration into the world food system. Today requires not only consolidation of the obtained results of the development of the agrarian industry, but also ensuring qualitative growth in its development.

Ukraine, unlike developed countries (USA, Canada, EU countries), uses only a third of its powerful natural resource potential. This is evidence that Ukraine significantly lags behind developed countries in terms of indicators of the efficiency of domestic agricultural producers, in particular crop yield, livestock productivity, environmental protection and reproduction of natural resources, increasing the level of employment of the rural population, creating new jobs, etc.



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This is considered the starting point for the need for a more in-depth study of modern approaches to ensuring the competitiveness of agrarian business enterprises in today's conditions.

### **2. Assessment of the current state of financial support for the competitiveness of agricultural business entities**

Referring to the FAO indicators, it can be stated that Ukraine is almost twice as inferior to its competitors on the global agri-food market (in particular, in terms of cow productivity compared to Canada, in terms of grain yield compared to the developed countries of the EU and the USA). In other words, in the event of an increase in productivity, agriculture could generate a more significant contribution to the development of the state's economy, which is extremely important, both for Ukraine as a whole and for its individual regions.

Therefore, the issue of assessing the state of financial support for the competitiveness of agricultural enterprises, identifying priority vectors for improving financial support and the main trends of increasing competitiveness at the global level in the face of modern challenges is important.

In order to monitor and evaluate the financial support of the competitiveness of agricultural enterprises, the primary priority is to determine a set of economic and financial indicators that reveal the state of the peculiarities of their financial support, which are quite specific.

An essential factor in ensuring the potential competitiveness of agricultural enterprises is labor productivity, the level of which is characterized by the volume of gross production.

According to the calculated statistical indicators, we can state that the total volume of production of agricultural products, as in the structure of all categories of farms, has a tendency to increase. Production of agricultural products in 2020 compared to 2019 decreased by 10.1%, including crop production by 18.8%, livestock production by 2.5%. There is a tendency to decrease the production of products by agricultural enterprises by 12%, including crop production by 14.2%, livestock production by 0.68%. As for households, in 2020, the production of agricultural products decreased by 6.4% compared to 2019, including the decrease of 7.2% in crop production and 4.5% in livestock production. At the same time, it should be noted that in 2019, compared to 2018, the production of agricultural

Table 1

**Gross production of domestic agricultural producers, (2015–2020),million UAH**

Industry/years	2015	2016	2017	2018	2019	2020	Average annual growth rate, %
Agricultural products	596,8	634,4	620,5	671,3	681,0	612,1	0,51
Products of crop production	453,0	494,5	480,2	529,3	538,7	473,4	0,88
animal husbandry products	143,8	140,0	140,3	141,9	142,3	138,7	-0,72
Enterprises							
Agricultural products	367,7	403,2	391,0	438,0	449,8	395,7	1,48
Products of crop production	299,4	336,6	323,7	367,7	376,8	323,2	1,54
animal husbandry products	68,4	66,7	67,3	70,3	73,0	72,5	1,19
Farms							
Agricultural products	55,0	64,3	63,3	73,2	79,1	68,2	4,41
Products of crop production	52,3	61,5	60,5	70,2	75,8	65,0	4,45
animal husbandry products	2,7	2,8	2,8	3,0	3,2	3,2	3,62
Households							
Agricultural products	229,1	231,2	229,5	233,3	231,2	216,4	-1,13
Products of crop production	153,6	157,9	156,4	161,7	161,9	150,2	-0,46
animal husbandry products	75,4	73,3	73,0	71,6	69,3	66,2	-2,57

products generally increased, thanks to the increase in the production of agricultural enterprises. The share of production by agricultural enterprises in 2020 compared to 2019 decreased by 1.4%, from 2018 by 0.6%.

Accordingly, the average annual growth rates for agricultural enterprises amounted to 1.48%, which is 0.97% more than for agricultural products as a whole. Farms occupied leading positions. Ensuring competitiveness involves the systematization of all factors affecting it and their further analysis in terms of a separate agricultural enterprise. At the same time, the primary priority is the selection of factors of direct action that form competitive advantages and, accordingly, the competitiveness of the business entity.

The distribution of farms of different organizational and legal forms, given in the table, in terms of production volumes, gives us reason to assert that during the analyzed period there was an increase in the production of oil crops, and a decrease in the production of buckwheat and sugar beet.

Table 2

**Production of the main types of crop production by domestic agricultural producers, (2015–2020), thousand t**

Indicators	2014	2015	2016	2017	2018	2019	2020	Average-annual growth rate	2020 en 2014, %
Farms of all categories									
Cereal and leguminous crops	63859	60126	66088	61917	70057	75143	64933	0,33	101,7
wheat	24114	26532	26043	26158	24606	28328	24877	0,63	103,2
rye	478	391	392	508	394	335	457	-0,90	95,6
barley	9046	8288	9436	8285	7349	8917	7636	-3,33	84,4
oat	613	489	500	471	419	422	510	-3,60	83,3
millet	178	213	190	84	81	170	256	7,55	143,9
buckwheat	167	128	176	180	137	85	98	-10,23	58,3
corn for grain	28497	23328	28075	24669	35801	35880	30290	1,23	106,3
leguminous crops	481	502	877	1239	955	710	600	4,52	124,7
Factory sugar beet	15734	10331	14011	14882	13968	10205	9150	-10,27	58,2
Oil crops	16334	16962	19192	18411	21440	22292	18501	2,52	113,3
Enterprises									
Cereal and leguminous crops	49903	46507	52022	47905	56096	59982	51718	0,72	103,6
wheat	18751	21368	21144	20774	19495	22578	19683	0,98	105,0
rye	276	198	216	329	229	179	305	2,03	110,6
barley	5535	4840	5711	4600	4233	5369	4281	-5,01	77,3
oat	321	213	211	181	138	133	194	-9,61	60,3
millet	122	170	142	49	52	131	219	12,42	179,5
buckwheat	122	95	136	143	83	33	53	-15,33	43,5
corn for grain	24131	18969	23319	20389	30706	30664	26280	1,72	108,9
leguminous crops	404	426	785	1146	875	623	514	4,92	127,1
Factory sugar beet	14599	9554	13349	14227	13317	9658	8627	-9,99	59,1
Oil crops	14622	15043	16983	16482	19075	19729	16566	2,53	113,3

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(End of Table 2)

Indicators	2014	2015	2016	2017	2018	2019	2020	Average-annual growth rate	2020 en 2014, %
Farms									
Cereal and leguminous crops	7693	7650	8881	8686	10105	11490	9649	4,63	125,4
wheat	3446	3911	4064	4213	4252	5050	4593	5,91	133,3
rye	44	28	32	52	36	33	64	7,88	146,1
barley	1490	1333	1630	1285	1220	1583	1225	-3,85	82,2
oat	66	48	45	42	32	32	42	-8,71	63,4
millet	37	49	43	15	14	40	61	10,73	166,5
buckwheat	32	23	33	43	23	9	13	-16,16	41,4
corn for grain	2465	2162	2853	2793	4334	4560	3509	7,32	142,4
leguminous crops	69	75	145	210	161	139	113	10,29	163,2
Factory sugar beet	1087	619	973	1105	961	460	423	-17,22	38,9
Oil crops	2986	3107	3572	3479	4146	4435	3506	3,26	117,4
Households									
Cereal and leguminous crops			14066	14012	13960	15161	13215	-1,09	94,7
wheat	5363	5164	4899	5384	5111	5750	5194	-0,64	96,9
rye	202	193	176	179	164	155	152	-5,55	75,1
barley	3512	3448	3725	3685	3116	3548	3355	-0,91	95,6
oat	291	275	289	291	281	289	316	1,66	108,6
millet	56	44	47	36	29	39	38	-7,81	66,6
buckwheat	45	33	41	38	54	52	45	-0,40	98,0
corn for grain	4365	4358	4756	4280	5095	5216	4010	-1,68	91,9
leguminous crops	77	76	92	93	80	87	87	2,30	112,0
Factory sugar beet	1135	777	662	654	651	546	523	-14,35	46,1
Oil crops	1712	1919	2210	1929	2365	2563	1936	2,49	113,1

Nadia Hryshchuk

Table 3

**Production of the main types of livestock production by domestic agricultural producers, (2015–2020)**

Indicators	Year							Average-annual growth rate	2020 en 2014, %
	2014	2015	2016	2017	2018	2019	2020		
Farms of all categories									
Meat (slaughter mass), thousand tons	2359,6	2322,6	2323,6	2318,2	2354,9	2492,4	2477,5	1,3	106,7
including									
beef and veal	412,7	384	375,6	363,5	358,9	369,5	345,4	-2,1	89,9
pork	742,6	759,7	747,6	735,9	702,6	708,3	697,2	-1,7	91,8
poultry meat	1164,7	1143,7	1166,8	1184,7	1258,9	1381,4	1404,7	4,2	122,8
Milk of all types, thousand tons	11133	10615	10382	10281	10064	9663	9264	-2,7	87,3
Eggs of all kinds, million pcs	19587	16783	15100	15506	16132	16678	16167	-0,7	96,3
Enterprises									
Meat (slaughter mass), thousand tons	1451,8	1463,4	1489,9	1483	1533,6	1697,9	1704	3,1	116,4
including									
beef and veal	98,4	93,7	99,2	94,8	87,7	101,7	84,8	-2,0	90,5
pork	377	400,3	397	372,6	359,8	384,8	385,1	-0,8	96,2
poultry meat	974,4	967,7	992,4	1014,1	1084,6	1209,7	1232,2	5,0	127,3
Milk of all types, thousand tons	2648	2669	2706	2766	2756	2729	2761	0,7	103,4
Eggs of all kinds, million pcs	12536	9762	8068	8365	8900	9358	8914	-1,8	91,3

(End of Table 3)

Indicators	Year							Average-annual growth rate	2020 en 2014, %
	2014	2015	2016	2017	2018	2019	2020		
Farms									
Meat (slaughter mass), thousand tons	56,6	52,3	56,3	58,2	60	69,2	77,4	8,2	148,0
including									
beef and veal	8,7	8,1	10,1	9,9	7,6	8,4	7,5	-1,5	92,6
poultry meat	28,4	25	25,1	27,2	33,3	40,4	45,6	12,8	182,4
Milk of all types, thousand tons	167	177	184	195	202	209	224	4,7	126,0
Eggs of all kinds, million pcs	76	76	95	89	117	134	133	12,0	175,9
Households									
Meat (slaughter mass), thousand tons	907,8	859,2	833,7	835,2	821,3	794,5	773,5	-2,1	90,0
including									
beef and veal	314,3	290,3	276,4	268,7	271,2	267,8	260,6	-2,1	89,8
pork	365,6	359,4	350,6	363,3	342,8	323,5	312,1	-2,8	86,8
poultry meat	190,3	176	174,4	170,6	174,3	171,7	172,5	-0,4	98,0
Milk of all types, thousand tons	8485	7946	7676	7515	7309	6935	6502	-3,9	81,8
Eggs of all kinds, million pcs	7051	7021	7033	7141	7232	7320	7254	0,7	103,3

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The current state of development of the agricultural sector is accompanied by structural changes in the share of specific weight in the gross agricultural output in favor of the plant sector, accordingly, the decline of the livestock sector is taking place.

The change in the structure of the main industries that provided the demand for agricultural products in the food market led to a reduction in milk and meat production. The explanation for this situation is a decrease in the purchasing power of the population and, accordingly, a preference for cheaper types of meat.

We carried out Identification of qualitative, quantitative and cost parameters of agricultural products.

Identification of qualitative, quantitative and cost parameters of resources of agrarian business enterprises, which are sources of competitive advantages.

However, in addition to the existing advantages of certain types of products, the competitiveness of the enterprise depends on whether it is able to ensure the maximum efficiency possible with the available resources.

That is why the process of forming competitive advantages of agricultural products must be preceded by the justification of the branch structure of the enterprise, the desired quality and cost characteristics of the manufactured products, as well as the organization of economic activity. This is the only way to ensure maximum results and stable market positions for a long time. The competitive advantages of a product are directly related to its ability to satisfy consumer needs. With this in mind, the 4C concept was used to identify competitiveness factors that arise at the sales stage – product, price, place and promotion, which can be considered not as characteristics of the product offered by the company to the consumer (typical of the 4R concept – consumer desires and needs, value for the consumer, convenience of purchase and communication – these are challenges for our time.), but as characteristics formed by the needs and requests of potential buyers. they include (Table 4).

- product quality, trademark, packaging (storage period, environmental friendliness, reliability), labeling (as a way of informing the consumer about the advantages and differences of the product);

- the price that reflects not the costs and benefits of enterprises, but the consumer's costs for purchasing this product;

Table 4

**Factors of competitiveness of agricultural enterprises**

The sphere of formation of competitive advantages Competitive advantages of products	Factors of competitiveness		
	quality	quantitative	valuable
Competitive advantages of products			
Production, processing of agricultural products	Physical, chemical, biological properties of agricultural products, processing products. Environmental friendliness of products and production technology	Volume of production Volume of goods at points of sale (taking into account demand).	Production cost
Realization	Quality, packaging, trademark, product marking. Consumer awareness of the advantages and unique properties of the product	Sufficient batches of homogeneous products	Total cost, product price
Competitive advantages of the enterprise			
Enterprise management	Competitive strategies. Synergistic effect from the combination of advantages of different types of products (arising as a result of a well-founded production structure and assortment); product availability (distribution network) and consumer awareness of benefits are a unique characteristic of the enterprise (communication structure, positioning system, brand), which are provided by effective marketing.		

Source: author's generalization



– availability and maximum satisfaction of demand, which is associated with the determination of agricultural product sales channels that are the most convenient for buyers and ensuring the maximum efficiency of the producer.

The methods and place of implementation should be determined taking into account the availability of agricultural products for the consumer, as well as the timeliness and completeness of satisfying his needs. As noted, the integration of product benefits provides enterprise benefits that are characterized by the highest level of value and can provide significantly higher efficiency and competitiveness compared to competitors.

Such advantages are formed in the field of management by coordinating activities at separate stages of management, with the aim of forming and maintaining key competitive advantages based on the effective attraction and use of resources and technologies.

The management factors that determine the competitiveness of the enterprise include the production structure, the product range, the presence and structure of the trade network and the used sales channels, the communication structure, and the presence of the brand.

Consolidation of information about the uniqueness and advantages of both individual types of products and the enterprise as a whole in the minds of consumers is carried out through their positioning.

The list of internal factors is limited to economic risks, which are associated with the effect of the uncertainty of the internal business processes of the economic entity.

The most informative and adapted to the needs of the competitiveness formation process is the distribution of factors depending on the source of origin. Within this classification, it is advisable to group the factors according to the possibility of their regulation.

After determining the factors of direct influence on competitiveness, it is necessary to identify factors that have an indirect, i.e., indirect effect, and to distribute these factors depending on the ability of the enterprise to regulate their effect (Table 5).

It was established that the vast majority of external factors are beyond the control of the enterprise. However, a timely and adequate response to their changes can provide the business entity with additional advantages.

Table 5

**Factors of indirect influence on the competitiveness of agricultural enterprises**

The essence of possible regulation	Sources of origin	
	external	internal
Unregulated	Natural (natural and climatic, soil conditions), political, social economic (antimonopoly policy, investment attractiveness of the economy, level of innovative development, solvency of demand, policy of other countries); financial (credit policy, tax, fiscal policy, inflation); market (land market development, market infrastructure) factors	Assortment, variety, quality
Weakly regulated (on the basis of co-competition)	Socio-economic (investment attractiveness, development of technology transfer, labor potential, transport system); market (conjuncture in domestic markets, type and intensity of competition on the market)	Credit and investment markets
Regulated	Currency parity	Credit history, the level of innovative development of the enterprise, the efficiency of production as a whole of economic activity, the investment attractiveness of the enterprise, production and market risks

*Source: own generalizations*

So, the basis of the systematization of the factors of competitiveness of agricultural enterprises is the distribution of factors that directly influence the advantages of products and the advantages of the enterprise as a whole. Product advantages are formed within the operating cycle, the stages of which are characterized by quantitative, qualitative and cost parameters of land, labor, investment and information resources; agricultural products, products of their processing and goods.

The enterprise's ability to create effective and unique combinations of product advantages provides the advantages of its management sphere (that is, the advantages of the enterprise directly). Features of direct action factors determine indirect factors, most of which are unregulated or weakly regulated.

The creation of new competitive advantages and the maintenance of existing ones involves targeted influence on the above-mentioned factors in order to ensure a high level of adaptability of enterprises to external challenges and the ability to compete on domestic and foreign markets.

This interpretation of the process of forming competitiveness corresponds to the generally accepted interpretation of managerial activity.

Thus, in our opinion, the competitiveness of enterprises is their ability to develop and purposefully implement organizational-marketing and structural-functional measures to use existing competitive advantages on the basis of the optimality of financial, material and technological support in a synergistic combination of opportunities and the ability to produce in the necessary quantities deliver a high-quality, environmentally friendly, affordable product to the market in a timely manner.

### **3. Problems of the influence of financial instruments on the effective development of agrarian business enterprises**

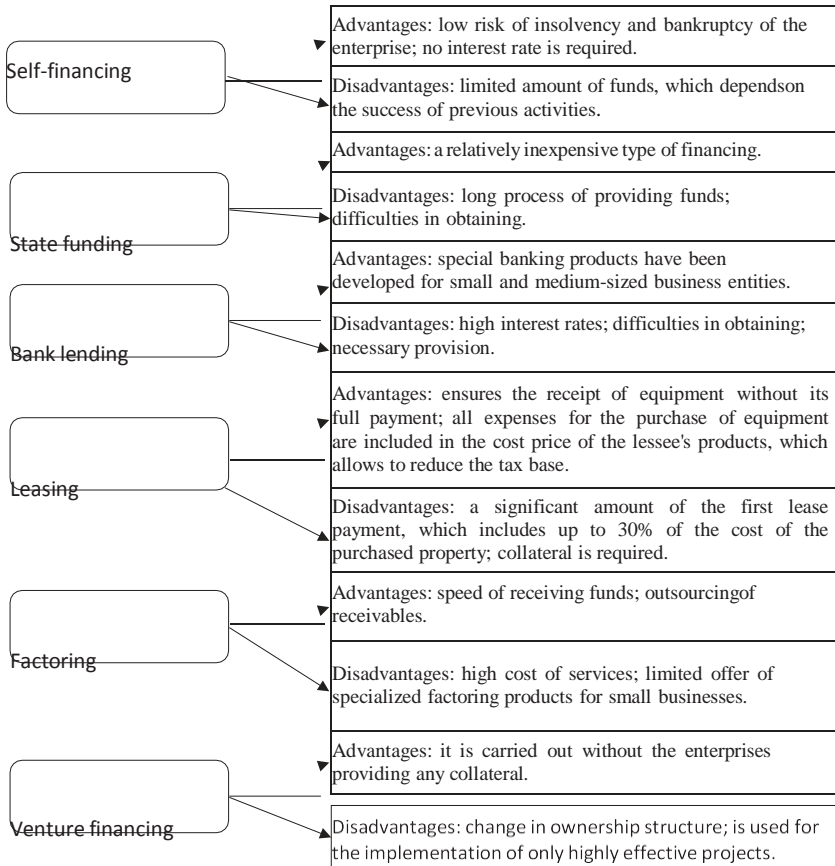
One of the most important modern trends of socio-economic development and economic stability in Ukraine is the growth of competitiveness of all branches of the national economy. The agricultural sector has become the locomotive of the national economy, which has a leading role in the formation of export potential, in ensuring food, energy, environmental security and economic growth, as well as social balance in society. The high positive effectiveness of the functioning of the agrarian industry, the strengthening of the competitive positions of Ukrainian agricultural production on the world market are made possible by the development and implementation of an appropriate development strategy and the effectiveness of tools and mechanisms for its implementation.

The effectiveness of the functioning of agricultural enterprises, their positive financial performance and development are key issues of the functioning of the agricultural industry and the national economy as a

whole. This is explained by the fact that agriculture occupies one of the first places in terms of ensuring the development of the processing industries of the state, is a source of the raw material base and a partner in the activities of agricultural and industrial formations, and is also an important strategic and economic basis for solving food security and the rise of regional agricultural production. The successful solution of the strategic tasks of food supply of the population and food security of the country depend on the stable and effective functioning of agricultural enterprises, their sufficient resource provision, first of all, provision of financial resources. The competitiveness of agricultural enterprises is primarily a process in which a system of goals reflecting the interests of key "subjects of influence", determines the indicators of the assessment of effects, according to which the internal potential of the enterprise, which forms competitive advantages that ensure the competitiveness of the enterprise, is indicated. Financial security and the positive effectiveness of the use of financial resources are extremely important in ensuring the competitive development of agrarian business enterprises. The multifaceted nature of financial resources and their use in the process of functioning of agricultural enterprises at the current stage of economic development requires a new reliable theoretical and practical foundation for the development and implementation of practical solutions regarding the financial support of their activities and further competitive development.

Financial support of agrarian business enterprises in the conditions of modern economic challenges does not contribute to the improvement of the financial condition and provision of financial resources of agrarian enterprises, therefore, credit resources play a decisive role, because they cause a seasonal gap between investment and receipt of funds, the continuity of reproduction processes, a significant need for working capital, which turns credit into the main source of replenishment of financial resources. The limitation of own funds forces agrarian business enterprises to hope for support from banks through their forms of lending.

In modern scientific studies, the following methods are distinguished: self-financing, financing through capital market mechanisms, bank lending, budget financing, as well as alternative methods of financing (leasing, factoring, venture financing). Advantages and disadvantages of methods of financing small business entities:



**Figure 1. Ways of financial support of agrarian business enterprises**

A bank loan is a traditional loan source of financing the economic activity of any enterprise. However, banks currently do not play a proper role in providing agricultural entrepreneurship with sufficient amounts of financial resources. The agricultural sector generates almost half of Ukraine's foreign exchange earnings and at the same time operates in conditions of a shortage of funds – at the same time, according to the NBU, in the IV quarter of

2020, agricultural enterprises accounted for only 9% of the loan portfolio of Ukrainian banks (about UAH 70 billion) This is hindered by the high cost of credit resources, lack of appropriate collateral and insufficient creditworthiness of most small and medium-sized agricultural enterprises.

Table 6  
**Profitability of agricultural enterprises in 2013–2020**

<b>The studied years</b>	<b>The level of profitability of operational activity enterprises</b>	<b>The level of profitability of all activities enterprises</b>
2013	11,7	8,3
2014	21,4	9,2
2015	43,0	30,4
2016	33,6	25,6
2017	23,2	16,5
2018	18,9	14,2
2019	19,8	16,6
2020	19,1	14,0

The system of support for agricultural enterprises in Ukraine has undergone constant changes in recent years. Until 2017, more than 90% of all state support was tax benefits. From January 1, 2017 to January 1, 2022, state support for agricultural enterprises is implemented through the provision of subsidies. State financing of the agricultural sector in Ukraine is ineffective and does not even provide an opportunity for enterprises to compensate for the costs of trade and price disparity, insufficient targeted financing of the agricultural sector of the economy occurs due to a small amount of budget funds to support the development of the industry and budget imbalances that are often corrected by credit programs.

The program allocations of state budget expenditures for 2020 were also significant, in particular for financing such targeted programs, which are listed in Annexes 3 and 4 to the Law of Ukraine "On the State Budget of Ukraine for 2020. Thus, in the State Budget-2020, more than UAH

14.1 billion was provided for financing the expenses of the Ministry of Agrarian Policy, in particular, the expenses for state support of agricultural producers, in 2019, almost UAH 9.5 million were allocated for these needs.

Table 7

**Credit programs of commercial banks to improve the financial support of agrarian business enterprises**

№	Banking institutions	Type of credit software	Terms and benefits of lending
1	STALEMATE "PrivatBank"	Credit line "Agro season"	Lending with "living" money, use of funds for various needs of the agricultural cycle, the schedule of the use of funds and debt repayment adapted to the stages of the agricultural cycle, the execution of financing stages in a period convenient for you depending on the needs of the agricultural cycle.
		"AgroKUB"	The program allows you to receive up to UAH 500,000. for a period of 1 year without collateral in a few days and provides preferential conditions for farmers. PrivatBank also offers agricultural machinery leasing services, under the terms of which the client has the opportunity to buy the best machinery at low interest rates, namely from 0.1% per annum.
		"Guaranteed payments"	Provides financing for farmers for up to 365 days at 4% per annum.
2	STALEMATE "Megabank"	"Agromicrocredit"	Financing on the terms of "Agromicrocredit" can be used both to replenish working capital and to purchase fixed assets. The maximum possible loan amount under the program is UAH 5 million. (or equivalent in US dollars, euros), the term cannot exceed up to 60 months.
3	"Credit Agricole"	Comprehensive program for agribusiness from "Syngenta", SK "Aha Insurance"	Enables farmers to effectively protect their crops, and therefore profits, from the risks associated with growing crops. Currently, the program is available to agricultural producers in Poltava, Cherkasy and Vinnytsia regions.

Table 8

**Absorption of problems due to the distribution of expenditures on agriculture according to program classification**

Codes	Name of expenditures by program classification	Years			
		2017	2018	2019	2020
	Programs to support the development of agriculture	5448,1	4283,9	5963,3	4000
GENERAL FUND					
2801030	Financial support for agro-industrial activities complexes by making loans cheaper	300	266	127,2	1200
2801180	Financial support for agro-industrial activities complexes	55	-	-	-
2801230	Financial support for the development of farms farms	-	210	800	400
2801350	State support for development, establishment of young gardens, vineyards and berry orchards and their supervision	299,3	400	400	400
2801460	Provision of loans to farms	25		200	
2801540	State support for the livestock industry	170	2401	3500	4300
2801580	Financial support of agricultural producers	1248,7	955	881,8	380
SPECIAL FUND					
2801180	Financial support of activities in the agro-industrial complex	5	5	5	5
2801350	State support for the development of hops, vegetable growing, the establishment of young gardens, vineyards and berry orchards and their supervision	-	-	-	-
2801370	Increase in the authorized capital of NJSC "Ukragroleasing" for the purchase of technical means for the agro-industrial complex with their subsequent transfer under the terms of financial leasing	-	-	-	-
2801460	Provision of loans to farms	40	43,1	44,5	67
2801490	Financial support for agro-industrial activities complexes on the terms of financial leasing	3,8	3,8	4,8	4,7
2801540	State support for the livestock industry	-	-	-	-
2801560	Formation by the Agrarian Fund of the state intervention fund, as well as procurement of material and technical resources for the needs of agricultural producers	-	-	-	-
2801580	Financial support of agricultural producers	3301,3	-	-	-



The main source of resource provision for any enterprise, regardless of its organizational and legal form or form of ownership, is internal financing at the expense of reinvested profits. However, the disadvantage of this source is the limited amount of involvement, which does not allow for a significant expansion of operational and investment activities in periods of favorable market conditions or at certain stages of the life cycle. In addition, in recent years, there has been a steady trend towards a decrease in the amount of profit received by domestic enterprises and an increase in the share of unprofitable economic entities.

Centralized financial resources (funds from state and local budgets; funds from state extrabudgetary funds, funds from charitable funds) can be sources of financing for enterprises, which will ensure the competitiveness of enterprises in the future. Since February 24, 2022, it is very difficult to count on the possibility of meeting the need for financial resources through state financing or obtaining loans on acceptable terms.

Therefore, business entities face the question of finding non-traditional sources of financial resources that are alternative for the domestic economy.

#### **4. Modern financial instruments to ensure the competitiveness of agrarian business enterprises**

The current situation on the lending and investment market promotes the development of companies in the field of alternative finance. Fluctuations in the hryvnia exchange rate and inflation slow down economic growth, thus inhibiting classic bank lending, and hence the possibility of expanding preferential lending. In particular, the number of non-performing loans on bank balance sheets has been increasing since 2014, reaching 57% in 2020. Moreover, banking institutions are reluctant to lend funds even to relatively reliable borrowers. Under these conditions, the state can use other measures to stimulate and support the competitive environment of product manufacturers.

In connection with the decline in production and the deterioration of the economic situation in Ukraine, the tools and means of increasing the competitiveness of the national economy are gaining great importance. Non-traditional (alternative) sources of financial support for competitive

development include: venture investment, mezzanine financing, financial leasing, bridge financing, use of guaranteed promissory notes.

Venture financing is one of the measures to stimulate and support the competitive environment.

The mentioned instrument of financial support not only solves the task of attracting financial resources for innovative activities, but is one of the effective means of selecting the highest quality investment projects that have significant growth prospects, because financing through venture capital has significant differences from traditional bank lending. It is known that in order to start his own business, an entrepreneur must be guided by a viable goal and have funds to finance its development and implementation. If the entrepreneurial idea is connected with scientific and technical innovative developments, then finding investments for its implementation becomes many times more difficult. This is obvious, because it is related to the duration of the cycle, development, planning, implementation, entering the market with new products, services, and technology. Venture entrepreneurship acts as an intermediary between investors and enterprises-recipients of risky capital, beneficiaries of venture capital. The activity of the venture fund takes place according to the traditional method of this activity:

- search for investors and attracting funds;
- search for a firm or company for investment;
- formation of added value on invested capital;
- sale of shares and return of funds to investors.

Traditionally, venture financing is carried out in two stages. First, they accumulate assets from various sources of enterprises, insurance companies, pension funds, private investors, commercial banks and venture capital funds. Next, the accumulated funds are distributed among projects that are chosen based on the results of the examination.

Venture capital is provided by investors on terms of term, that is, for a certain period; upon sale of shares of the recipient enterprise, the investor receives part of the venture amount; a venture capitalist can spend only a part of the total size of the fund on the selection of projects with increased risk.

Among the advantages of using venture financing is that small firms get access to additional financial resources, the opportunity to receive

consultations on production, financial or other issues that provide flexibility in management and speed of decision-making.

Venture financing of innovative activities of small businesses is a relatively new direction for Ukrainian economic practice, although the venture capital market in Ukraine began to form in the 1990s. The legal and organizational basis for the creation and operation of venture capital funds in Ukraine is defined in the Law of Ukraine "On Joint Investment Institutions". The main tasks of venture capital are mobilizing entrepreneurial activity, providing financing for innovative companies and transforming them into competitive companies with great potential for business growth and capitalization.

Venture capital in Ukraine is developing rapidly. Starting from 2018, the number of venture funds amounted to UAH 289.4 billion, and in the future until 2020 it amounted to UAH 407.4 billion.

The value of assets of venture capital funds, despite the deterioration of business activity, continued to grow (Table 9).

Table 9

**Dynamics of assets of venture capital companies and business entities (2018–2020)**

Indicators / Years of research	2018	2019	2020	Deviation, +, - (2020/2018)
Venture capital, billion UAH	289,4	331,6	407,4	118,0
Growth rate, %	113,0	114,6	122,9	9,9
Industrial assets, billion hryvnias	3431,9	3639,0	3346,5	-85,4
Growth rate, %	109,2	106,0	92,0	-17,2
Ratio of venture capital to GDP, %	8,1	8,3	9,7	1,6

*Source: author's generalization based on statistical data*

However, the growth of venture capital was somewhat lower compared to the rate of growth of capital in industry.

The research of domestic scientists Zh.V. Harbar, V.A. Harbar (2019), their scientific intelligence indicates the growing scale of venture capital volumes and allows us to consider the venture financing market as one of the most effective and significant tools for stimulating the growth of the innovative economy.

In the global practice of investment activities, there are the following methods of financing innovative projects in general and venture projects in particular:

- self-financing: own resources are used to finance investment and innovation activities;
- debt financing: obtaining resources of investment funds, associations, banks, private investors on a revolving basis by accepting obligations in the form of loans, bond loans, factoring, etc.;
- partial financing: sale of a share of the authorized capital or a block of shares (auction partial financing);
- budget financing: receiving grants, funds from specialized budget funds for financing scientific and innovative activities;
- mixed financing: a combination of the above financing methods in different proportions.

In the conditions of economic transformations, the restraining factor of the development of innovative entrepreneurship in Ukraine is the insufficient amount of funding:

- lack of significant long-term resources in enterprises for the implementation of innovative projects;
- significantly large resources of monetary capital, which are at the disposal of financial market subjects.

For the effective development of the lending system in the agrarian sphere, it is necessary to soften the conditions of bank lending to businesses, which experience a high interest rate compared to other branches of the national economy. Increasing the competitiveness of bank lending can be facilitated by the acceleration of service, logistics, improvement of credit products, complex solutions, including taking into account the individual characteristics of regional clients. In this regard, the problem of stimulating the involvement of regional banks in lending to agrarian business enterprises, which are better adapted to the regional customers of the peculiarities of doing business in the region, is being updated. The development of mutually beneficial cooperation between banks and business entities is possible on the basis of the development of lending programs, a variety of collateral security, and the formation of a tariff policy that takes into account real risks. At the same time, in order to provide financial resources, various forms of lending to agribusiness enterprises should be developed.

One of these types is mezzanine financing. Mezzanine financing refers to hybrid forms of financing that combines the characteristics of various forms of financing and involves not only a combination of own and loan sources of financing, but also a combination of credit and equity financing, as well as the use of securities and/or derivative financial instruments in the process implementation of the agreement.

The term "mezzanine financing" is used in global practice to denote investment schemes that occupy an intermediate place between direct debt financing of the company and investments in its capital.

This is a relatively new financial instrument that began to be used in developed countries only in the 70s and 80s of the 20th century to finance deals on the acquisition of companies. The first users of this mechanism were insurance organizations, credit and savings associations and specialized investment funds. Later, this mechanism was extended to finance the processes of entrepreneurship development, restructuring of share capital and other areas where there were difficulties in attracting a bank loan. The mechanism of mezzanine financing is especially actively used in periods of economic crises, which was especially noticeable during the financial crisis of 2007–2008. As a rule, mezzanine investors are pension and investment funds, insurance companies that accumulate investors' funds, and specialized bank structures.

The debt part of the mezzanine can be represented by both a secured and an unsecured loan, as well as a subordinated loan, which provides repayment after meeting the requirements under other loan agreements or bonds. In most cases, first of all, due to the prevalence of bank lending, the debt part of the mezzanine is represented by a bank loan, but it can be replaced by a loan from third parties, which will also correspond to the essence of mezzanine financing. Currently, banks, as the main creditors of domestic manufacturers, mainly issue loans to secure material assets, at the expense of the future harvest or manufactured products. Therefore, it is expedient to expand lending opportunities using the mezzanine financing mechanism.

Most often, mezzanine financing involves obtaining credit resources as collateral. In this case, assets of agrarian business enterprises, such as real estate, machines, equipment, and much less often securities, can serve as security. The specific main means of agricultural enterprises – livestock –

will almost never be used as collateral due to the high risks inherent in it, and land plots, on the contrary, are one of the most desirable assets for creditors to ensure the return of loan resources. Therefore, we consider it expedient to take into account:

– firstly, the presence of mezzanine debt. The lack of security or a negative assessment of the debtor's condition does not allow him to count on receiving a loan, and the attraction of direct investments, due to certain circumstances, has become impractical for potential entrepreneurs-borrowers. Mezzanine debt, compared to direct investment, may have security, but it is usually weaker compared to a bank loan. Repayment of mezzanine loans is mainly carried out at the expense of the funds received as a result of the sale of assets and shares of the debtor, and in the case of loans, the repayment is financed using the money obtained in the process of carrying out the main activity. Mezzanine financing is carried out exclusively with the use of instruments that are determined based on the results of negotiations between the investor and the borrower;

– secondly, a certain part of the mezzanine must be represented by such a financial instrument, which will give its owner the right to purchase shares of an agro-industrial company upon the occurrence of certain circumstances and / or at a certain time (within a certain time) at a predetermined price. Options (as derivative financial instruments) and options of the issuer (as securities) can play the role of such a financial instrument. As a rule, it depends on many circumstances, external and internal factors and individual specifics of each separately considered agrarian enterprise;

– thirdly, financial instruments are mixed within the framework of mezzanine financing not simply through closed subscription, but, in fact, in a limited way: they are issued and transferred to one person, who combines the functions of a creditor and an investor. It is believed that such instruments are completely illiquid. However, this can be questioned, because both the option and the issuer's option, respectively, are a derivative financial instrument and a security, and can theoretically circulate freely on the financial market. Of course, mezzanine financing does not imply that the creditor-investor will seek to sell the specified financial instrument owned by him, but nevertheless, this cannot be ruled out;

– fourthly, the average debt repayment period is 5-7 years, and at the beginning of the credit period, a deferment is granted for the repayment

of the debt, which allows agrarian enterprises to invest funds in business development, and not give them to repay the loan. This is extremely important due to the specificity of agrarian business, which requires constant serious replenishment of not only fixed assets, but also current assets. In the future, when the company will reach relatively stable indicators of its activity, loan payments will increase precisely due to repayment of the debt.

Mezzanine does not involve the participation of investor-creditors in the management of the enterprise receiving resources, which can also be its competitive advantage if the owners of the enterprise want to manage it exclusively on their own.

Therefore, the debt part of the mezzanine is always present, but the equity part may be absent if it is impractical for the creditor-investor to exercise the rights under the option or the issuer's option. Other things being equal, the creditor-investor is interested in using a financial instrument as part of the mezzanine financing mechanism, if the loaned enterprise develops successfully and in the long run will bring in more income than from the loan.

Thus, the mechanism of mezzanine financing provides for quite flexible conditions and can be applied to various operations in agrarian business, starting from those related to the development of the innovative component of agro-industrial clusters and ending with large mergers and acquisitions. It is quite obvious that this tool is attractive for large forms of management, including agricultural holdings. This tool can also be adapted and used for farms, personal farms, family farms, individual entrepreneurs, etc.

In the conditions of tough competition and competitive progress, such tools as bridge financing are becoming widespread.

The essence of bridge financing is the conclusion of a short-term loan agreement for a term of 1 year for the issue of securities, the proceeds from the sale of which serve as a source of repayment and payment of high interest. Bridge financing allows the borrower to adjust the amount of borrowed funds depending on needs. The lender undertakes to provide a bridge loan in full or in parts, which enables the borrower to regulate the amount of borrowed funds in accordance with his solvency. Bridge financing is a form of attracting financial resources from the outside, in which banks (or other financial and credit institutions) lend business entities for the amount of debt securities (bills, bonds, etc.) issued in the future. This financing scheme gives companies

quick access to "long" money, but it is one of the most expensive. Most often, bridge financing is used by enterprises that intend to organize a significant issue of bonds, but they need the funds now.

Bridge financing is carried out mostly in the form of debt notes, which must be paid and repaid after the receipt of funds from the placement of securities of the issuer-borrower on the financial market. The interest rate (can be both floating and fixed) on debt notes accumulates and is paid upon their repayment.

When using a floating interest rate, its dependence on interest on bank loans is established. This type of financing is available only to large enterprises planning an IPO.

When granting convertible loans, the loan funds are converted into shares (shares) of the innovative company. The provision of convertible loans allows for quick cash flow, ensures the protection of investors' rights, and also allows for compensating for a temporary lack of liquidity. For a venture capital fund, the main interest in providing convertible loans is not the return of funds, but the purchase of company shares, the rate of which has significant growth prospects.

Leasing is currently the most common source of financing alternative to bank lending. The relevance of the development of leasing relations in Ukraine is due to the unsatisfactory state of material and technical support of enterprises.

Leasing is one of the types of long-term credit provided in kind, and can be an ideal mechanism for attracting significant capital resources for agricultural business entities.

Compared to other forms of investment, it has indisputable advantages for all participants of the leasing agreement. The development of leasing stimulates innovative processes, including innovations related to scientific and technological progress. Thanks to leasing, the period of moral obsolescence of equipment is reduced. So, if the lease provides for the return of the property to the legal owner or the preservation of ownership of the property by him until the end of the agreement, then with some forms of leasing, it is possible to replace the leased equipment with another, more progressive one during the term of the agreement.

Leasing in this case opens up access to the most advanced technology and resolves the contradiction between the need to use such technology in conditions of competition and its rapid moral obsolescence.



Today, leasing is a simple and effective financial scheme that combines the interests of the owners of financial capital and manufacturers. Through the use of leasing operations, about 15% of investments in the world and 35% of investments in developed economies are realized. For agricultural producers, financial leasing is the most optimal, attractive and flexible way of technical re-equipment. Leasing services contribute to the mobilization of funds for the expansion of economic activity. The amount of leasing financing involved and the amount of leasing payments are fully included by the lessee in the cost of products produced with the help of the leased item or in expenses related to the main activity. Leasing investment schemes provide an opportunity to use the mechanism of accelerated depreciation. In Ukraine, leasing as a form of commodity lending is at the stage of formation, and the market of leasing services has great potential. Today, the most active operators in the vehicle leasing market are such leasing companies as: "Persha Leasingova/Hertz", "Avis Rent a Car", "Optima Leasing". Ukrainian Leasing Company, created as a subsidiary of Ukrsibbank, is the leader among equipment and equipment lessors. The largest Ukrainian leasing companies also include "Ukrainian Financial Leasing Company", "Ukrderzhleasing", "Ukreximleasing". The leasing market in Ukraine for agricultural production is a more difficult problem than for other sectors of the economy. This is due to the fact that agricultural products are irreplaceable and the demand for them is inelastic. The significant potential of the agricultural sector creates further prospects for the development of export activity. The slow progress of this process in the agricultural sector is largely explained by the ambiguous ratio of advantages and disadvantages of leasing activity, which can be presented in Table 10.

In the conditions of an unstable market economy and tough conditions for the survival of agrarian business, there are almost no domestic capital markets in Ukraine today, which forces leasing companies to limit themselves to bank credit lines to attract external financing, which by its nature is short-term and not cheap. Ukrainian leasing companies should look for new sources of replenishment of their financial resources both on the domestic capital markets and from international financial institutions.

Taking into account the experience of the developed countries of the world and analyzing the problems of leasing development in Ukraine, the

Table 10

**Ratio of advantages and disadvantages of leasing activity in agrarian business**

Advantages	Disadvantages
leasing makes it possible to use new high technologies without significant additional capital investments. It can be compared to lending that does not need immediate start of payments;	high cost of leasing services, limited access to domestic leasing companies to cheap financial resources;
the main advantage over lending is lower collateral requirements, since in leasing only the equipment is the subject of collateral without any additional provision that significantly increases the availability of new equipment;	imperfect legislative framework for regulating the functioning of the leasing market;
leasing payments are included in the cost of production in full, which reduces taxable income;	difficulty of accessing the leasing market enterprises;
commercial banks engaged in leasing operations have all the advantages inherent in leasing: minimization of credit and other risks, attraction of an additional number of financially secure clients, increase of competitiveness in the market and generally profitable investment;	value added tax on commissions and interest under leasing contracts;
investment in the form of property, in contrast to a monetary loan, reduces the risk of non-return of funds, while the lessor retains ownership rights to the transferred property;	lack of state incentives for enterprises to use leasing as a source of renewal of fixed assets;
for the lessee, the risk of moral and physical aging of the property is reduced, because the property is not purchased for ownership, but is taken for temporary use; at in leasing relations, the lessee deals with accelerated depreciation of property;	inconsistency of state legislation with international norms on leasing
leasing does not limit the possibilities of the enterprise in obtaining loans; lower risks compared to loans, since the property that is the subject of leasing at the same time serves to ensure the fulfillment of obligations under the agreement; leasing also allows you to use machines first and then buy them, and equipment in seasonal industries can be rented only for the period of its actual operation	inconsistency of state legislation with international norms on leasing

main role in the development of the market of leasing services should be played by the state, using for this purpose, practically the entire arsenal of its economic and legal levers. Thus, the main direction of adapting the foreign experience of leasing development to domestic realities is the introduction of tax benefits, discounts and subsidies for all participants of the leasing agreement (the lessor and the lessee), a special place here should be tax incentives for commercial banks, as the most creditworthy and capitalized financial institutions.

## **5. Finding**

In Ukraine, there is also, albeit insignificant, positive work experience in terms of the use of such alternative financial instruments as bank guarantees of promissory notes. The main area where guaranteed promissory notes are currently used is payments for plant protection products, seeds and fertilizers from well-known global manufacturers. In recent years, these of such calculations has gained some popularity, because the use of a promissory note in calculations provides significant advantages for both farmers and suppliers. Settlement with a guaranteed promissory note also has advantages over commercial credit, because the promissory note clearly fixes the amount of the payment and it is possible to get an attractive price, and also guarantees the supplier timely receipt of payment in full value, because aval is a guarantee of the bank to make payment on the promissory note in the event of default by the payer their payment obligations to him. The process of using validated promissory notes is quite simple and transparent. The promissory note endorsement program for the agricultural sector has proven its high efficiency and convenience for all market participants in recent years.

This financial instrument makes it possible to optimize the costs of the capital involved, which is especially relevant in the period of significant volatility in the market and the high cost of traditional financing. Over the years 2015–2020, the amount of avalorized bills at Raiffeisen Bank Aval has increased significantly and amounts to over UAH 1.5 billion. In our opinion, such financing is evidence of strong support for the agro-industrial complex, because the bank has a solid and reliable reputation and is ready to work with farmers with a land bank of 200-300 hectares, while buildings, machinery, as well as warehouse receipts for finished products can serve as

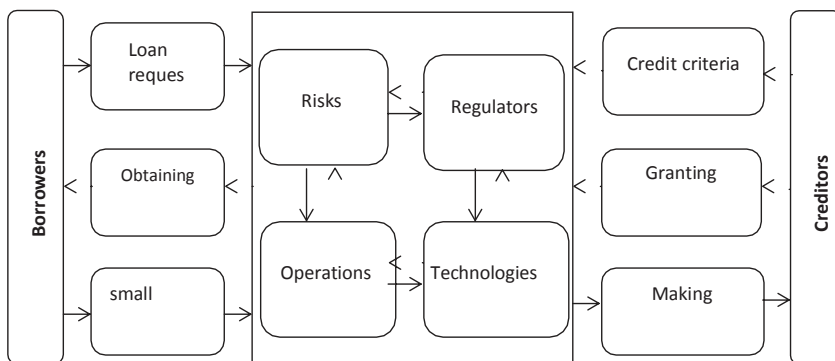
collateral It can be said with confidence that under modern transformational upheavals of the system of financial relations with the aim of ensuring competitive and sustainable functioning of agricultural enterprises, it is with the help of such financial instruments that it is possible to achieve better financial results.

However, the current situation in the lending and investment market promotes the development of companies in the field of alternative finance. Fluctuations in the hryvnia exchange rate and inflation slow down economic growth, thus inhibiting classic bank lending, and hence the possibility of expanding preferential lending. In particular, the number of non-performing loans on bank balance sheets has been increasing since 2015, reaching 67% in 2020. Moreover, banking institutions are reluctant to lend funds even to relatively reliable borrowers.

Under these conditions, the state can use other measures to stimulate and support the competitive environment of product manufacturers. Thus, in the conditions of today's realities, the P2P (person-to-person) segment can serve as a new tool for financial support, which ensures the speed of execution of the agreement and receipt of funds, as well as the fact that loans are issued without collateral, but only on the basis of information provided about himself on the platform. Given the virtual absence of intermediaries, interest on loans is relatively low, and lenders' profits are quite high. A positive feature is the absence of intermediaries, which has a positive effect on the interest rate and lenders' profit, as well as the fact that the minimum loan amount is not limited, obtaining credit funds is available at any time of the day.

Moreover, banking institutions are reluctant to lend funds even to relatively reliable borrowers. The P2P (person-to-person) segment can serve as a financial security tool, which ensures the speed of signing the agreement and receiving funds, as well as the fact that loans are issued without collateral, but only on the basis of information provided on the platform (Figure 2).

The essence of the mechanism of adaptation to the needs of agricultural enterprises based on the principle of P2P lending is that the lender and the borrower work directly with each other, providing funds for certain consumer expenses or business projects.



**Figure 2. The mechanism of adaptation to the needs of agricultural enterprises according to the principle of P2P lending**

*Source: own development of the author*

The modern P2P model allows you to make the most of the growth of technologies (including the Internet) to minimize costs and ensure transparency. It is worth paying attention to the key components of the P2P market:

- an online platform that requires mandatory registration of participants and allows to automate the process of searching and selecting borrowers and creditors, reducing the level of costs. Most often, an analogue of the credit rating is calculated for all participants, which determines the interest rate and other conditions;
- a classic intermediary that provides legal support for direct lending transactions and with an emphasis on collateral as a means of minimizing risk, as well as conducts property inspections, expert assessments of real estate values and real-time matching of the investor and the borrower with minimal costs.

The principle of P2P lending provides the following opportunities:

- issue both a long-term (up to UAH 15,000 up to 1 year) and a short-term (up to UAH 5,000 up to 30 days) loan;
- the cost of the loan is much lower compared to online loan services and banks;
- the application, scoring and payment procedure is online;
- loan repayment is also carried out online through a personal account;
- only passport and personal identification number are required for registration.

<p><b>Strengths (advantages)</b>  absence of long checks and loyal attitude to credit history;  – low interest rates on loans (from 1.5% monthly);  – a high percentage of approved loans (up to 98%);  the speed of consideration of loan applications in the shortest possible time from the moment of application;  funds are issued within 1-2 days after the application is submitted;  the speed of consideration of loan applications in the shortest possible time from the moment of application;  – simplicity and openness of cooperation mechanisms at all levels for the borrower and for the creditor;  a transparent system of interest rates (depending on the size of the loan / type of collateral);  a flexible system of extending/repaying the loan and drawing up an individual payment schedule;  – selection of lending currency;  – borrowers and investors are most often natural persons</p>	<p><b>Weaknesses (disadvantages)</b>  lack of understanding of the principles of operation of this tool;  imperfection of the legal and judicial systems (weak development, immaturity of the institution of execution of court decisions);  lack of a single consolidated and reliable database on farms (area, productivity, etc.), a single register of land plots and rights to them;  a low level of lending in the absence of a credit history  weak level of development of technologies that ensure the return of invested funds;  – low level of guarantees for investments</p>
<p><b>Opportunities</b>  development and increase in the profitability of agricultural enterprises and, as a result, the economy as a whole;  – reducing the risk of system users;  – access to short-term credit resources;  the possibility to get both long-term and short-term credit;  get the required amount without delay and at a rising interest rate  ensuring the quality of products and the reliability of transactions;  – development of new credit instruments;  an online platform that requires mandatory registration of participants and allows to automate the process of searching and selecting borrowers and creditors, reducing the level of costs  – development of market infrastructure.</p>	<p><b>Threats</b>  – dependence on natural and climatic conditions;  bad faith fulfillment of obligations under the terms of the concluded agreement;  sharp fluctuations in market prices for agricultural products;  the risk of losing part of the money in case of borrower default;  in case of default of the borrower, the company that owns the P2P platform takes over the work with debtors or transfers them to collection agencies.  a long period of enforcement of a court decision on debt collection.</p>

**Figure 3. SWOT analysis of bank lending to agricultural enterprises using the P2P model**

*Source: author's own development*

Given the actual absence of intermediaries, the interest on loans is relatively low, and the profit of creditors is quite high. A positive feature is the absence of intermediaries, which has a positive effect on the interest rate and lenders' profit, as well as the fact that the minimum loan amount is not limited, obtaining credit funds is available at any time of the day.

In our opinion, the main advantage of such a mechanism is to make the most of the growth of technologies (including the Internet) to minimize costs and ensure transparency. In order to intensify the process of lending to agricultural enterprises, it is precisely the simplification of the procedure for obtaining a bank loan; the application of new forms of guaranteeing bank lending, receives more loyal terms, since the pledge acts as a kind of guarantor that the loan will be paid.

We believe that in today's conditions, the use of foreign experience, introducing P2P lending in agricultural enterprises, will open up new opportunities for financial support. Taking into account the temporary stagnation of the market of credit instruments for the development of the real economy and low trust in the banking system, taking into account global trends, we have reason to say that P2R lending in Ukrainian realities is a progressive type of financial support for the competitiveness of agricultural enterprises, which involves the enrichment of the tools of state support for small agricultural enterprises and increasing their positions on the product market.

## **6. Conclusions**

Agricultural production shows positive annual dynamics, with the exception of periods of negative influence of natural and climatic conditions. During difficult crisis years, the agricultural sector has always been a kind of donor for the economy of Ukraine. To date, it has formed up to 18% of GDP and more than 40% of the country's export potential, occupying leading positions in the world food market. It requires a new reliable theoretical and practical foundation for financing, which requires expanding the boundaries of the theory of competitiveness and the financial condition of enterprises and the implementation of practical solutions regarding their implementation.

The methodical toolkit for determining the impact of financial support on the competitiveness of agricultural enterprises in terms of intra-economic

factors of increasing the efficiency of financial, resource and human capital allows to comprehensively form and calculate the connections of these categories and contributes to the expansion of the range of information for management in order to build marketing strategies for growth.

A steady trend of increasing financial dependence on borrowing, i.e., external sources of financial coverage of the needs of enterprises, which is highly correlated with the level of competitiveness of enterprises, namely, did not ensure significant rates of its growth. Therefore, the agrarian enterprises of the region need to form a flexible financial strategy by increasing attention to the issues of improving the financial support of their competitiveness at the expense of their own and equalized funds, reducing dependence on external borrowing.

The current situation in the lending and investment market promotes the development of companies in the field of alternative finance. The development of mutually beneficial cooperation between banks and business entities is possible on the basis of the development of lending programs, a variety of collateral security, and the formation of a tariff policy that takes into account real risks.

At the same time, in order to provide financial resources, various forms of lending to agricultural sector enterprises should be developed.

Fluctuations in the hryvnia exchange rate and inflation slow down economic growth, thus inhibiting classic bank lending, and hence the possibility of expanding preferential lending.

In today's conditions, the use of foreign experience, introducing the mechanism of mezzanine financing provides for quite flexible conditions and can be applied to various operations in agrarian business, P2P lending in agricultural enterprises, will open up new opportunities for financial support. Considering the temporary stagnation of the market of credit instruments for the development of the real economy and low confidence in the banking system, taking into account global trends, we have reason to claim that P2P lending in Ukrainian realities is a progressive type of financial support for the competitiveness of agricultural enterprises, which involves the enrichment of the tools of state support for small agricultural enterprises and the improvement of their positions on the product market.

The P2R (person-to-person) segment, as one of the areas of alternative finance, is based on lending to businesses and private individuals in the



absence of an intermediary company, i.e. the lender and borrower work directly with each other, providing funds for certain consumer expenses or business projects. The modern P2P model provides an opportunity to maximize the benefits of the latest technologies (including the Internet) to minimize costs and ensure transparency. In order to intensify the process of lending to agricultural enterprises, it is precisely the simplification of the procedure for obtaining a bank loan; the application of new forms of guaranteeing bank lending receives more loyal conditions, since the pledge is a kind of guarantor of payment for the loan, which provides for the enrichment of the toolset of state support for small agricultural enterprises, such as farms and cooperatives, increasing their position on the market during modern transformational upheavals.

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