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FINANCIAL AND CREDIT SUPPORT OF AGRICULTURAL ENTERPRISES

ABSTRACT

Ensuring food security, sustainable development and sustainable food market, increase export potential of agriculture, effective functioning and increase the production of food is largely dependent on proper financial and credit support of the agricultural sector of the country and its regions. However, the demand of farmers to credit and financial resources is not fully satisfied. On the one hand, the farms deficient of working capital have significant accounts receivable and raised in unfavorable credit conditions. On the other hand, there are no guarantees of returning possible loans which are characterized by loss-and weak financial stability.

Agro-industrial production must be financially independent and self-sufficient in formation resources, which affects the performance of industry.

Due to the limited budgetary spending on agriculture bank lending is one of the main sources of financing current investment projects and agricultural businesses. Farmers use a variety of credit instruments to cover the needs for financial resources. Among the most widely used bank lending aimed mainly at covering current business needs, is the financial leasing, which provides updated material and technical base of farmers. One reason for the low profitability of agricultural enterprises are lack of funds, which would be in circulation and directed the purchase of plant protection products, fertilizers, fuel and purchase of new equipment, as existing already worn and outdated. Much of the need for working capital loan in turn means the main source of replenishment of funding.

Difficult access of farmers to credit due to the following reasons: lack of understanding of credit risk; seasonality of production; dependent on climatic conditions, which reduces the guaranteed loans; relatively small size enterprises, making them less competitive in the market of long-term loans; short credit history of borrowers; lack of experience; lack of qualified agricultural property assessment; high interest rate and lack of transparency.

It is necessary to develop a special program of state support or subsidies for insurance that will stimulate the formation of agricultural business to participate in insurance and reduce them for the cost of such insurance. It is necessary to introduce such mechanisms that would allow to share the risks arising in lending between banks and insurance companies.

The most effective step to financial support of agricultural enterprises is the creation of credit unions and cooperatives which should play an important role in micro-lending of agricultural sector, by expanding accessibility to credit, (meaning land mortgage), concessional loans, as well as the effective use and timely return loans. This is one of the best ways to solve the problem of enterprise credit support in the agricultural sector.