

LENDING OF AIC: ALTERNATIVE FORMS

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The fundamental nature of organizational and economic mechanism is determined. A system of credit relations is highlighted as a key component of organizational and economic mechanism of agricultural production. Great attention is paid to classification loans to enterprises of agri-business, it's classified crediting by deadline extension, methods, types, object and cover funds. Alternative forms of agribusiness enterprises loans, such as overdrafts, leasing and factoring are highlighted. It is determined their preferences for agricultural enterprises in Ukraine.

Keywords: Organizational and economic mechanism, financial support, loans, line of credit, overdraft, factoring, leasing.

Formulation of the problem. Operation and development of agriculture as a strategic sector of the national economy of Ukraine, largely depends on the organization of credit relations in this area. The process of financing and crediting of agriculture express credit relations, which is one of the most important elements of organizational and economic mechanism of agricultural production. Long Putin's aggression led to capital outflows in all sectors of economy of Ukraine, including the Agrarian Sector. Therefore the structure of financial and credit support of agribusiness requires full use of instruments of banking credit supply.

Analysis of recent research and publications. Financial and credit aspects of agricultural businesses are constantly in the field of modern scientists, economists, namely Nemkovych A.B., Isaian A.M., Pokotylo O.V., Hutz O.E. and others. In 2004 the National Science Center «Institute of Agrarian Economy» published collective work «Problems of financial support for small and medium enterprises in rural areas», edited by M.Ya. Dem'yanenko, in which financing of small and medium enterprises in rural and theoretical bases of its further development are analyzed.

Unsolved aspects of the problem. There is a number of unresolved issues of adaptation to specific credit facility conditions for the functioning of agricultural enterprises, taking into account the challenges and demands of today. It's not to end studied the feasibility of such forms of credit AIC enterprises such as leasing, factoring, etc.

Formulation of objectives of Article. The aim of the research is to consider the current trends of financial security of Agriculture, identify the main forms of lending farms and determine benefits non traditional forms of collateral, such are factoring and leasing for businesses agricultural sector in Ukraine.

Research results. Organizational and economic mechanism of management is seen as the way the social production and is crucial in improving the efficiency of enterprises and the economy as a whole. Organizational and economic mechanism of agricultural production should cover all range of industrial relations, their specific manifestations of the interaction of the productive forces and production relations. The study found that among the most important components of organizational and economic mechanism is a system of credit relations, which is crucial for agricultural production. One of its most important elements is the credit relations, expressing the financing and lending to agriculture [7].

Credit relations in the sector of agribusiness are related to the use of loans as a means to supplement their financial resources and implementation of credit payments. They describe a new level of economic development, when the credit and credit operation,

which allows to determine in advance the volume of production and sales conditions in certain markets (the number of products, their quality and timing of deliveries), precede production process [2, p. 17-20].

The current depressed situation in eastern Ukraine has caused rupture of interregional relations, capital outflows, negatively influenced on the key macroeconomic indicators and has made appropriate changes to the structure of the financial and credit support any and all industries. To date, the vast majority of agricultural enterprises are affected from chronic underfunding, down-turn of direct budget support on the background of constant shortage of own financial resources.

In this situation it is necessary to make full use of bank credit instruments support and its increase, and the development and implementation of sophisticated organizational and economic mechanism of lending in agriculture, which is a system of organizational, economic, legal, administrative and regulatory actions, methods and processes that shape and influence the effectiveness of credit relations. Organizational-economic mechanism of lending in market conditions must take into account both the interests of agricultural enterprises and the interests of the bank. Features of agro-industry affected the diversity of conditions and bank lending farms (Figure 1).

Loans, provided by banks, are divided by the terms of use on short, medium and long term. Agricultural enterprises mainly take short-term loans. For example, according to the Ministry of Agrarian Policy and Food of Ukraine, at the end of June 2015 1443 agricultural enterprises were involved loans totaling 7.6 billion UAH: more than 5.4 billion USD – the short, 1.2 billion – medium and 1 0 million – long-term loans [6].

Pledge as a form of collateral means that in the event of default by the borrower obligations, the lender has the right to dispose of the mortgaged property. To the traditional types of collateral such as movable and immovable property, it's adds more specific types – cattle, future crops, property rights. It should be noted that currently banks focuses on using future crops as collateral. This is primarily associated with lack of movable or immovable property, which would be consistent with the conditions of banking institution. The most popular technique is the mortgage, but because of the depreciation of tangible and long term of use, banks refuse to take them in pledge [4, p. 263].

The procedure for granting loans is varies, it takes for farms from two weeks to two months. Loans are:

- a) single credit;
- b) under open credit lines;
- c) guarantee credit (with a predetermined date provided, on request, with fees for commitment).

Credit line – a banks' consent to provide credit during the period specified in the contract by parts within predetermined limits.

During the term of the credit line the company can at any time get a loan without extra negotiations with the bank. The credit line opens normally on a one year, but it can also open on a shorter period. Credit in the form of a credit line is open on a some time by certain tranches (partial) within credit limit without additional special negotiations.

The most commonly it's used a credit line, on which the company chooses their own schedule of obtaining and repayment of the loan within the specified limit, depending on the current demand for credit. The advantage of a credit line over a conventional loan is in a flexible system for opening of a loan and its repayment, which can reduce the total cost of credit [7].

Another form of a loan for companies of agri-industrial business is overdraft – short-term loan that is provided to cover a temporary shortage of working capital in the client, by payment from its current account over the actual balance within banks' limit. Overdraft is provided under a contract concluded between the customer and the bank for up to 12 months. Credit in the form of overdraft allows the company to have a guarantee of timely and prompt payments to suppliers; reduce the time, spent on paperwork, when issuing credit, because the client actually executes only payment order and the bank pays it by overdraft automatically.

Today for Ukrainian agricultural enterprises, that dynamic develop and where financial support is necessary, it is best to turn to a tool such as factoring. The main advantage of factoring is that the company does not bust the money circulation and all risks of receivables borne by the bank. Factoring can prevent such risks as lack of working capital, operating, and some other foreign currency risks.

The only problem is that in Ukraine today factoring is virtually undeveloped – factoring services provide only 10-12 Ukrainian banks [3].

One of the real and new forms of lending while appealing for agriculture is leasing. Leasing is considered as a transfer of property for temporary use in terms of repayment, urgency, serviceability and is found the loan in fixed assets. Credit in the form of machinery and equipment as opposed to cash loan reduces the risk of default funds, because the lessor retained ownership of the transferred property [5].

Leasing is a progressive method logistics of production in agriculture. The main purpose of the supply of agricultural machinery on financial leasing is in improving the technical equipment of agriculture, modernization of technology, increase productivity. With leasing tenant decides both the acquisition and financing of equipment. In leasing transactions arising specific settlement and credit relations, because it requires a relationship of sale and rent. Underlying them is a credit operation that provides financial service to tenant.

The main advantage of leasing scheme before the credit is saving

time and forces to perform actions related to the servicing and maintenance of personal property, maintenance of bank credit and insurance.

The introduction of leasing and creation leasing companies in our country promote that the level of technical equipment of agricultural products dropped to a critical point, the rate of deterioration of agricultural machinery significantly higher rate of renewal, and this, of course, led to a decrease in productivity and reduction in agricultural production [5].

There are other non-traditional forms of financing agricultural enterprises, such as forwards, futures and options. With these tools the farmer has the opportunity today to agree on the price at which yield will sell through four or six months. That farmer receives advance minimum selling price of his crop. He no longer need to worry about possible fluctuations in prices. He knows at what price he will sell yield, and can accordingly plan their activities.

In terms of significant destruction of industrial potential, agriculture is strengthened, we believe its market share will increase in 2015 and trends in bank lending dynamics of agricultural enterprises have to increase. We believe further stabilization of the financial situation and the development of farm infrastructure will require from bank infrastructure to increase lending, that would be interested as mutually banking institutions and economic entities, but the requirements of banks for borrowers become more principled and terms of loans will be increased, including interest on the loan. In our view, agricultural enterprises have great potential in the issue of attracting bank resources, as have the advantages of the borrower. Agriculture has the ability to quickly adapt to market disruptions and as the main means of production in agriculture is land, then this production requires a stable seasonal credits and has a persistent back guarantee credit.

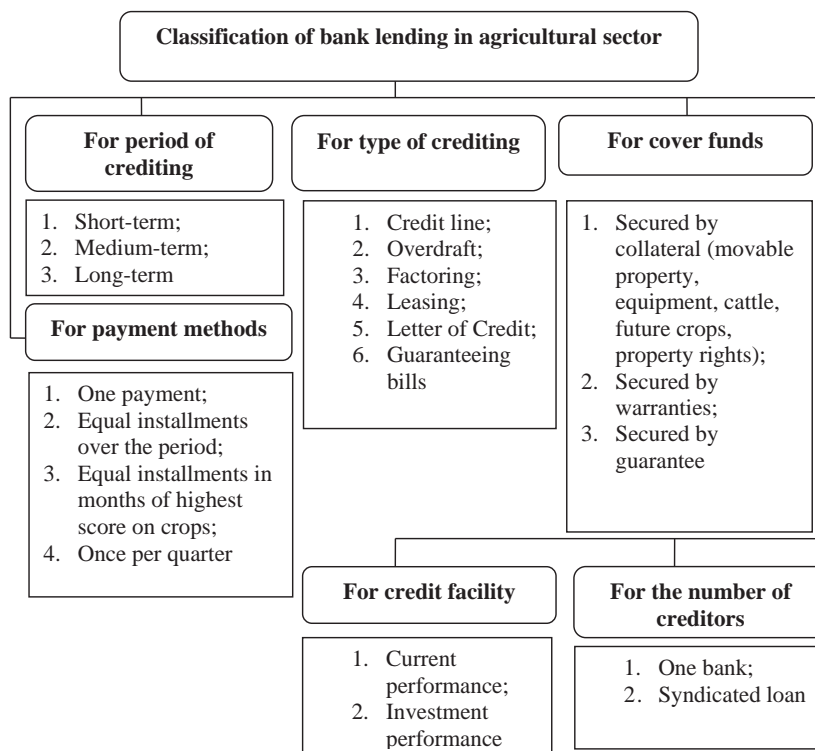


Fig. 1. Classification of bank loans to enterprises of agriculture
Source: developed by the author

Conclusion. As a result of a comprehensive study of organizational and economic mechanism of financial and credit support of agriculture should be emphasized that this mechanism is a coherent system of interrelated elements, which provides flow of credit entities at market conditions, taking into account the objective characteristics of the industry.

Organizational-economic mechanism of crediting of agricultural enterprises needs improvement with implementing the following steps: appropriate justification of volume of bank loans; Business Planning of productive and financial performance; compliance with deadlines repayment of loans; achieving parity prices of products of agriculture

and industry by introducing appropriate mechanisms which in "automatic" mode could support equivalent exchange between sectors; introduction of the credit mechanisms, in which agricultural commodity producer could attract sufficient loans for their business.

Active use of non-traditional forms of credit, including leasing, will promote the structural transformation of the agricultural sector, recovery of assets, industrialization, production, development of small and medium-sized businesses, as well as increased output of agricultural machinery, establishment of the foundations of public policy to support domestic producers.

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КРЕДИТУВАННЯ АПК: НЕТРАДИЦІЙНІ ФОРМИ

Анотація

Визначено сутність організаційно-економічного механізму господарювання. Виділено систему кредитних відносин як провідну складову організаційно-економічного механізму агропромислового виробництва. Класифіковано кредитування підприємствам АПК за строком надання, методами, видами, об'єктом кредитування, за забезпеченням. Виділено нетрадиційні форми надання кредитів підприємствам АПК, такі як овердрафт, лізинг та факторинг. Визначені їхні переваги для підприємств АПК в Україні.

Ключові слова: організаційно-економічний механізм, фінансове забезпечення, кредитування, кредитна лінія, овердрафт, факторинг, лізинг.

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КРЕДИТОВАНИЕ АПК: НЕТРАДИЦИОННЫЕ ФОРМЫ

Аннотация

Определена сущность организационно-экономического механизма хозяйствования. Выделено систему кредитных отношений как ведущую составляющую организационно-экономического механизма агропромышленного производства. Классифицированы кредитования предприятия АПК по сроку предоставления, методами, видами, объектом кредитования, за обеспечением. Выделено нетрадиционные формы предоставления кредитов предприятиям АПК, такие как овердрафт, лизинг и факторинг. Определены их преимущества для предприятий АПК в Украине.

Ключевые слова: организационно-экономический механизм, финансовое обеспечение, кредитование, кредитная линия, овердрафт, факторинг, лизинг.