

Section: Finance, insurance and innovative investment strategies

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**AGRICULTURAL SECTOR OF UKRAINE:
TRENDS, PERSPECTIVES OF REFORMS AND INTERACTION
WITH BANKS DURING SUSTAINABLE ECONOMIC GROWTH**

Ukraine`s agricultural sector gained new significance for the Ukraine economy in the context of the rapid growth in production and exports over the past decade. However, due to the conflict in Donbas sharp drop in industrial production and collapse in metallurgical exports caused accelerated restructuring of Ukraine`s economy, significantly increasing the role of bank lending in the sustainable development of the agricultural sector.

The main barriers to investment that hamper the development of agribusiness of Ukraine include, above all, insufficient financing of agriculture; limited opportunities for SMEs (small and medium enterprises) in agribusiness to export and inefficient government policy for exporters support. Examples of overcoming the above problems are provided in a number of fundamental works of leading scholars and specialists in which the theoretical basis and practical recommendations have been developed: E. Bilan, S. Dusanovsky, A. Ermolaev, P. Sabluk, V. Shlapak and many others.

The aim is to study the current state of the agricultural sector enterprises, providing recommendations for reform and cooperation prospects of the banking and agricultural sectors during sustainable economic development of Ukraine.

Our study will start with the fact that sustainable development of agriculture (a stable growth in production volumes, balanced development of

productive capacity, reproduction of production means) is only possible through the effective use of all kinds of resources, the use of creative potential of society and the structural and technological modernization of production. Agribusiness is one of the leading sectors of Ukraine's economy which provide about 10% of gross value added (2014), employ over 3.5 million people (17% of all employed in Ukraine). Steady growth in global demand for food products also contributes to the sector development [4]. According to the Ministry of Agricultural Policy, in 2015 Ukraine was ranked third in the ranking of the world grain exporters (36 mln. tons). The first place is occupied by the United States – 84.5 mln. tons, the second one – by the EU countries (42 mln. tons) [5-6].

TOP-10 regions by share of gross production are such as: Cherkasy (75.5%), Kyiv (67.7%), Sumy (65.6%), Chernihiv (64.6%), Poltava (62.9%), Kirovohrad (62.8%), Khmelnytsky (62.7%), Vinnitsa (62.1%), Dnipropetrovsk (59.1%), Luhansk (57.8%). But in terms of agricultural enterprises profitability the situation is somewhat different. Consequently, according to the highest rates of profitability, leading positions are headed by: Ivano-Frankivsk (52.6%), Khmelnytsky (48.3%), Kirovohrad (36.3%), Lviv (36.0%), Rivne (32, 6%) and Mykolaiv (32.0%) regions .

Increasing profitability of agricultural production in other regions of Ukraine needs, in our view, to improve the usage of fixed assets, operating expenses, land and to establish the requirements for product quality. An acceptable level of profitability is available in Odessa (28.7%), Volyn (28.7%), Luhansk (28.6%), Sumy (28.4%) and Kherson (27.9%) regions, which indicates their ability to make profits. Profit, in its turn, is inseparably linked with the profitability growth of agricultural production of enterprises that operate in these regions, with the possibility of expanded reproduction. And it characterizes attractiveness to capital investments.

By volume of assimilated capital investment leaders are: Kiev (share in Ukraine – 9.5%), Poltava (9.4%), Vinnitsa (8.9%), Dnipropetrovsk (7.9%), Kirovohrad (7.5%), Cherkasy (6.9%), Kharkiv (5.5%), Odessa (5.1%), Chernigov (4.9%) and Khmelnytsky (4.9%) regions. However, according to industry priorities in attracting investment, the above data indicate the heterogeneity of regional development. For example, in accordance with our classification of regions for dominant sectors in their economy, Kherson region is also referred to the areas with dominant agricultural economy. Though it occupies only 13th place in size of investments aimed at purchasing or making on their own for their own use tangible and intangible assets, service life of which exceeds one year.

Further we note that the creating condition for improving the efficiency of agricultural production agribusiness provides a high level of productivity. As of the beginning 2015, the first five places were distributed between Khmelnytsky (productivity per employee – 332.3 ths. UAH), Sumy (309.8 ths. UAH), Vinnitsa (299.6 ths. UAH), Cherkasy (288.6 ths. UAH) and Ternopil (278.9 ths. UAH) regions. It is also worth saying that the balance of all production factors, the legal and financial support of socio-economic and agricultural policy will contribute the reform and sustainable development of the agricultural sector. According to the National Bank of Ukraine, loans to agricultural enterprises have been growing and by the end of March 2016 have amounted to 52.078 mln. UAH. They include loans up to 1 year – 44.92%, from 1 to 5 years – 41.90% and for over 5 years – 13,17%. This structure demonstrates irrational lending, as the amount of long-term credit facilities that are used for modernization and reindustrialization of real economy sector, has a small share because of significant risks for depository corporations while granting loans to agribusiness enterprises [7]. In regional perspective most loan agreements have been made by the banks of Kyiv region and Kyiv city (28.016 mln. UAH or 53.79%). And

only 180 mln. UAH (0.34%) is accounted for the development of, for example, Ivano-Frankivsk region which occupies the first place in terms of profitability. As of today the most demanded financial products for enterprises of agricultural production are: seasonal loans for growing crops; investment loans for purchase of agricultural assets; loans for agribusiness (long-term financial products (5-7 years) to enhance business); financial leasing of agricultural machinery; financing the construction of grain elevators, insurance against crop failure.

As a result of our research, we make the conclusion that the development of rational approaches to expand the positive involvement of banks and other financial institutions to provide lending for business activities of agricultural enterprises through the credit resources requires involvement of mechanism for successful servicing of the agricultural sector, namely:

- providing banking and agricultural sectors interaction: working-out of project financing programs, construction of specialized clusters with combined capital of banking, industrial, scientific and IT (support of innovative projects for the agricultural sector development; integration of all NAAS academic institutions coordinated by the NSC “Institute of agricultural economy” and the NAAS “Institute of agro ecology and natural resources” according to comprehensive scientific and technical program; establishment of the State Joint Stock agricultural bank, etc.);

- providing increased exports of Ukrainian goods with high added value (implementing quality management systems and systems of food safety management at the enterprises);

- implementing effective and equitable infrastructure of agricultural market and marketing system (monitoring system in rural areas at the national, regional and local levels in terms of their development criteria; the National land reserve, the Fund for guarantee and support of agricultural loans, etc.)

– execution of the Association agreement between Ukraine and the EU in terms of trade enhancement with the EU and of agribusiness sector performance as a whole.

These measures will allow to overcome the temporary difficulties in agribusiness development and ensure the achievement of significant competitive advantages of industry products, foster the strengthening not only the country`s food self-sufficiency, but also intensify load of related economy industries.

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