THE ESSENCE OF FINANCIAL AND ECONOMIC REGULATION OF THE AGRICULTURAL SECTOR OF THE ECONOMY

Andrii Zelenskiy
PhD in Economics, Associate Professor of the Department of Finance, Banking, Insurance and Electronic Payment Systems
Podillya State Agrarian and Engineering University, Ukraine

Diana Krysinska
graduate of the Faculty of Economics
Private institution of higher education «Kamyanets-Podilsky tax institute», Ukraine

Summary. The article reveals the theoretical foundations of the system of financial and economic regulation of agricultural production, based on domestic practice and best foreign practices. Various author’s approaches to the structuring of the components of financial and economic regulation of agricultural enterprises are considered. It is established that improving the efficiency of support for national agricultural producers depends on the rate of real economic growth, which, on the one hand, will increase the state's ability to subsidize agricultural enterprises, and on the other - increase domestic sources of investment in agricultural projects.

Keywords: financial and economic regulation, budget support, lending, state budget, financial and credit instruments, agricultural production.

Extended reproduction of the potential of the agricultural sector of the economy in the current economic conditions directly depends on the effectiveness of the tools of financial and economic regulation. We are talking about both direct methods of financial support for agricultural producers, and indirect. It is also important in the development of the national economy to determine the priorities of providing financial support to agricultural enterprises, based on the need to eliminate structural imbalances in the national agricultural sector, as well as the need to develop those segments of agricultural production that have significant competitive advantages in the world market agricultural raw materials. Limited opportunities of public financial funds (state and local budgets) and underdeveloped debt capital market do not allow implementing in Ukraine the model of financial and economic regulation of agricultural production, which operates in highly developed countries and would provide real financial support for various categories of agricultural producers, thus strengthening the diversity of agriculture and strengthening the sector of small and medium-sized agricultural producers. And in the context of deepening decentralization and European integration processes, the
system of financial and economic regulation should cover an even wider range of methods and tools than in previous periods to maximize the effective use of agricultural resources of the regions of Ukraine.

Taking into account the world practice of agricultural development, especially in highly developed countries, and the main trends of reproduction of resource and production potential of the agricultural sector of Ukraine, the problem of forming a modern system of financial and economic regulation of agricultural production is very acute, which will stimulate the reproductive proportions in the agricultural sector additional capacity both directly in the production of agricultural raw materials and in the food processing sector. In the domestic economic literature there is a significant range of approaches to the formation of a set of methods and tools for financial and economic regulation of agricultural production, which will ensure the unprofitable nature of economic development of agricultural resources and production of finished products with high added value.

Some scholars consider the system of financial instruments independently of economic methods of influencing agricultural producers, distinguishing financial regulation as a structural element of financial and economic regulation of agricultural production in general.

Thus, S. Yurchyshyna understands the financial regulation of the agricultural sector of the economy as a process of targeted impact on the potential of agricultural entities, which involves the use of specialized regulatory mechanisms to increase profitability of agricultural enterprises, increase state budget revenues and ensure the competitiveness of agricultural products in domestic and foreign markets [5]. It also clearly defines the specification of financial methods and tools to support agricultural producers used in Ukraine since 2000. Such methods and tools are: price regulation; production subsidies; subsidies for the acquisition of resources; tax subsidies; credit support; financing of general services and rural development programs [5].

I. Karpova emphasizes the need to create effective mechanisms of financial and credit regulation, which will combine a set of measures: intensification of bank lending, especially long-term, providing access to credit resources of small and medium producers, lower interest rates, reducing the ratio of loans to their collateral; improving lending conditions for agricultural producers by compensating interest rates for these borrowers; restoration of a special regime for the payment of value added tax in animal husbandry, under which producers are fully left with the amount of this tax; reduction of the tax burden for taxpayers of the single tax in agriculture due to the abolition of the indexation coefficient of monetary valuation of land in determining the amount of this tax [1].

According to N. Stoyanets, the financial and economic instruments of state regulation of agricultural production include various means of influence that have a direct or indirect value assessment, ie the use of these instruments will reduce or increase government spending. The main financial and economic instruments of influence on the development of the agricultural sector of the economy are: the taxation system, lending system, budget financing, state financial guarantees, currency regulation instruments, insurance system [4].

R. Matvienko's approach is marked by a high level of systematization in the formation of tools for financial and economic regulation of agricultural production,
according to which the state can influence the development of agricultural production through direct participation - through budget financing of national programs and lending from the budget, thereby intersectoral redistribution of financial resources, and stimulating certain activities in accordance with the specific purpose of financial and credit policy. At the same time, public lending is an important regulatory tool.

Tax instruments are the most common among the indirect methods of financial regulation of agricultural production around the world due to their characteristics: universality, unconditionally and comprehensiveness. Performing both fiscal and regulatory functions, taxes provide one of the fundamental prerequisites for the functioning of the category of finance in its practical implementation - distribution and redistribution. That is why tax instruments are quite effective in managing the development of agricultural production, as the latter must be mediated by the effective redistribution of resources [2].

S. Ponomarenko considers financial and economic regulation as a component of state regulation of agricultural production, highlighting the instruments of financial and credit policy (preferential lending, targeted leasing, insurance); pricing policy instruments (public procurement, monitoring of prices for means of production, guarantee of purchase prices for basic products); tax policy instruments (special tax regime; full or partial exemption from certain taxes and mandatory payments; reduction of tax rates; write-off and restructuring of tax arrears) [3].

In our opinion, S. Ponomarenko carried out the most systematic structuring of financial and economic regulation of agricultural production from the above approaches to the formation of a set of methods and tools for financial support of the agricultural sector. In general, supporting his approach, it is also advisable to deepen research in this direction both in terms of identifying the basic components of financial and economic regulation of agricultural production, and in terms of identifying priority areas of state financial support for agricultural producers. The expediency of intensifying research to improve the institutional environment of financial and economic regulation of agricultural production is also due to the deepening of decentralization and local government reform, which shifts the focus of support for agricultural producers and the local community.

Based on the above approaches to structuring methods and tools of financial and economic regulation of agricultural production and taking into account the existing practice of supporting agricultural producers, financial and economic regulation of agricultural enterprises covers three main components: budget and tax, price and financial and credit regulation. The practice of state support of agricultural producers in Ukraine shows that the most widespread budget and tax instruments, which is associated with the long-term operation in our country of the paternalistic model of agricultural production management.

Underdeveloped infrastructure of agricultural markets and low concentration of credit resources of financial and banking institutions do not allow to fully use the potential of price and financial instruments to support domestic agricultural producers, which does not allow the latter to implement large-scale projects to modernize and reconstruct fixed assets and timely replenish funds, and this is ultimately reflected in the level of efficiency of production and economic activities in general.
The low potential of the domestic debt capital market compared to highly developed countries does not allow for full use of the mechanism of lending to agricultural producers, including through instruments of state reimbursement of interest rates. Therefore, public financial funds, especially the state budget, are the main source of state financial support for agricultural producers. Representatives of the Government's economic bloc have repeatedly stressed the feasibility of developing a state program to reduce the cost of credit for farms, which would give impetus to the expanded reproduction of potential in the sector of small and medium agricultural producers and also increase production with high added value.

However, the solution to this problem is directly related to increasing the budget's ability to compensate commercial banks for part of the interest rates on loans they will provide to farms. Given the declared priorities to qualitatively improve the situation with cheaper loans and given the many contradictions associated with the launch of the agricultural land market, the prospects for improving the support of national agricultural producers are in terms of real economic growth, which on the one hand will increase the state's ability to projects of agrarian entrepreneurship, and on the other - will increase the amount of domestic sources of investment in modernization and reconstruction of fixed capital of agriculture.

Conclusions. Studies have shown that the financial and economic regulation of agricultural production includes three main components: fiscal, price and financial and credit regulation. The underdeveloped infrastructure of the domestic stock market and the loan capital market does not make it possible to provide full-fledged lending to agricultural producers according to the patterns of advanced countries. Also, the practice of the regulatory mechanism in agricultural production in recent years has shown that price regulation is used very sluggishly to balance the reproduction proportions in the agricultural sector and increase the availability of agricultural products for domestic food processing and final consumers.

Therefore, the main component of financial and economic regulation of agricultural production in Ukraine today should be considered fiscal regulation, in particular budget support for agricultural producers.

References: