GENERALITIES OF FINANCIAL FLOW IN AGRICULTURE

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Financial flow in agriculture is a directed movement of financial resources associated with monetary and information flows within the logistics system inside an agricultural company and between agricultural entities.

One of the extremes in domestic logistics is the expansion of its scope to many related areas. For example, recently, financial and information logistics more and more become the subject to be discussed in the scientific literature. Here it is appropriate to remember that logistics is a triune flow of matter, information, and financial resources. Only in this case, it becomes possible to reduce the cost of physical goods movement [1]. Therefore, the management of financial flows properly belongs to financial management, and information flows, in turn, to information management.

The main purpose of financial servicing of material flows is to ensure their movement in the necessary volumes, at the right time, and using the most effective sources of financing. The main characteristics of a financial flow include volume, cost, and direction.

The flow volume is specified in monetary units per unit of time. The cost of a stream is determined by the cost of organizing it. The direction of the financial flow is determined in relation to the enterprise that organizes it. It is common to distinguish between incoming, internal, and outgoing flows. For example, a buyer paying for deliveries to a supplier is an outgoing flow, and a seller receiving money is an incoming flow. Internal financial flow is cash that is stocked in reserves.

Impacts on the characteristics of financial flows lead to changes in the flow patterns of material and information flows. Conversely, the cost and volume of material resources moved affect financial performance. For example, the impact of prepayment on the time of shipment of goods from the supplier or the impact of the size of inventory on the financial and economic performance of the enterprise. Stocks are a source of long-term risk for agricultural enterprises, so the use of the logistics concept can significantly reduce the cost of maintaining stocks or reduce the level of logistics risks [2].

The agricultural production nature causes some features of the movement of financial flows that should be taken into account in logistics management. For some branches of the agricultural production, the working period and the actual production are characterized by a mismatch, that is, the direct labor impact does not lead to the end of the production, but only initiates it. For example, sowing crops only leads to the beginning stage of production or fermenting milk only begins the process of yogurt production.

This distinguishing characteristic of agricultural production, as well as the objective need to store significant reserves, explains the low turnover of financial resources in the branch. As material flows move from the production of raw materials to the final consumer, the turnover of financial resources accelerates. Thereby, if in
crop production this indicator can be 1, then in the processing industry it is 10-15, and in retail trade is 50-60 per year. This situation indicates the need for financial support of the raw materials production in order to back up the successful functioning of the entire supply chain in agriculture.

Financial flows are classified by purpose and type of business relationship.

Group 1. By purpose, financial flows in agriculture can be divided into the following types:
- due to the purchase of spare parts and fuel, and lubricants;
- financial resources necessary for the internal movement of goods at the enterprise or the inventory maintenance;
- expenses arising in goods selling activities.

Group 2. According to the types of economic relations, there are:
- horizontal financial flows, when financial funds pass between independent entities (for example, a supplier and a buyer);
- vertical financial flows, which pass between a head company and subsidiaries.

Thus, in the logistics of an agricultural company, only those flows are considered to be financial that are associated with monetary flows in supply, production or goods selling activities. Simultaneously, the financial service is responsible for managing the company’s finance.

References:

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Investment is a very important factor of the local and state economic development. Investment – is a long-term investing of state or private capital (domestic or foreign) in enterprises of various industries, socio-economic programs, entrepreneurial and innovative projects to generate revenue.