

## **Annotation**

### **Improving the management of credit risk in banking institutions**

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The article deals with the stages and the credit risk management of the bank. Based on what presents measures to improve credit risk management in banking institutions. Keywords: bank, risks, credit operations, management, limitation.

To successfully lending and increase profitability of credit operations, banks should implement a clear and flexible credit risk management operations.

Formation of quality loan portfolio with indication credit risk is one of the priorities of Ukrainian banks. No bank can not completely prevent the negative effects of risk factors, but should take them into account in their work and to develop appropriate measures for timely adaptation or neutralize their action.

Increased competition, liberalization of financial markets and diversified banking institutions pose new challenges and contribute to the emergence of new risks.

In addition, the bank was able to successfully manage risk, they must be identified in time. The risks can and should be consciously controlled.

Analysis of risk is based on goals, pursuing the borrower, loan term, loan methods, procedures etc. calculations. But most important is the analysis and comparison of projects for their economic efficiency.

This is a very important element in the choice of projects because of well-founded and comprehensive assessment depends term return on invested resources and options for their use.

Each entity management (credit manager, credit committee) selects a particular method of reducing the credit risk of the borrower, depending on the specifics of your credit activities defined credit policy.

As for market risk management, the Bank is carried out in accordance with its strategic objectives. The priority is to maximize the preservation of assets and capital through reducing potential losses and profit shortfall on deposits in the bank's financial instruments including deposits in foreign currency and precious metals.

**Barabash L.V.**

## **Features of the mechanism of taxation of agricultural enterprises of Ukraine at the modern stage**

One of the oldest types of economic relations between the state and its population is taxation. The peculiarity of the Ukrainian state is that it has significant agricultural territories that contribute to the development of agricultural production and implementation of agricultural activities. But taxation of agricultural enterprises in Ukraine today causes a lot of conflicting issues and comments among the scientific community and among people who are directly involved in this activity, which indicates the presence of significant gaps in the mechanism of taxation of agricultural enterprises.

According to the Law of Ukraine 'On stimulation of agricultural development in the period of 2001-2004', agricultural enterprises – are legal bodies whose principal activity is the production and processing of agricultural products, and the proceeds from sales is not less than 50% of total revenue. However, the Tax Code of Ukraine, which entered into force on January 1, 2011, interprets the agricultural enterprise as 'a company whose main activity is the supply of its agricultural goods (services) on own or leased fixed assets, and under tolling conditions, in which the relative share of the value of agricultural goods/services is at least 75% of the value of all goods/services supplied within the previous 12 consecutive reporting tax periods together.

However, the conditions for conducting activities on agricultural territories are not limited by the creation of large enterprises. In recent years the creation of small agricultural formations, including individual peasant formations and farms are more popular. Therefore, we think it seems logical that taxation of such diverse enterprises should be carried out in different ways, which to some extent is present in the domestic tax system of agricultural enterprises because it does not take into account the features of such taxpayers.

The existing tax system of agricultural enterprises in Ukraine is conditionally divided into two modes – general and simplified. However, in general taxation mechanism of agricultural enterprises has another problematic issue: how to tax a private farm. On the one hand this sector is an individual labor activity of individual and on the other – activities in such form can be attributed to the agricultural sector.

Similar debates are carried in legal circles. In particular, analysis of current legislation of Ukraine allow to single out such legal features of personal peasant farms: the subject of the law on carrying personal peasant farm is only private person (private persons) regardless of residence and nationality; the presence of individual land in private person for personal peasant farming; purpose of personal peasant farming is agricultural production, income (basic or additional); personal peasant farming is not an entrepreneurial business. Carrying out activities in the form of personal peasant farming is income of private person and thus falls under the defined mechanism of taxation of private person income.

Controversial is also the point that the distinction between ordinary agricultural enterprise and a farm is now very conditional, which leads to doubts about the legality of the taxation by common regime and special.

However, the most controversial in the taxation of agricultural enterprises was and remains a value added tax. It is well known that, after the application of special tax regime, the amounts of VAT in the budget are not paid by the payer and collected on special accounts and then directed to the maintenance and development of the enterprise activity. However, in this case, a logical question arises about the usefulness of taxation in such interpretation and use of funds for its administration.

On the bases of above mentioned information, we can state about a significant number of problematic issues concerning the functioning of the taxation mechanism of agricultural enterprises. Thus their main reason is the incompliance of legal norms of understanding the subject of taxation which causes misunderstanding and expediency of using an appropriate taxation regime. The necessity and expediency of using special regime concerning value added tax in some agricultural enterprises remain unclear.

# EVALUATION SIMPLIFIED TAX SYSTEM FOR SMALL BUSINESS ENTITIES – INDIVIDUALS

**L. Berezovska**

*Investigated a simplified system of taxation for small enterprises - individuals revealed its weaknesses and ways of improving the single tax.*

*Taxes, simplified tax system, the regular tax system, a single tax small business entities.*

**Statement of the problem.** On 1.01.2012 p. Entered into force new rules on simplified taxation according to section 14 of the Tax Code of Ukraine (hereinafter - TCU) [4].

The concept of a simplified tax system, and the range of individuals and entities that have the right to elect a single tax, the living conditions and the requirements of the settlement defined in article 291 TCU.

Alternative tax system, which includes a simplified system as a single tax, it is not as positive in terms of state interests and in the interests of small businesses. Compared with ordinary tax system as they have some advantages and some disadvantages to consider when adjusting their legislation and in making taxable decision on their application.

**Analysis of recent research and publications.** The issue of development and taxation for small enterprises have been the subject of attention of many scientists, including V.M.Hal would like to highlight [6] R.P.Zharka [3] P.A.Layka [3] I.A.Maksymenka [2]. Research on the selection of optimal tax system were represented in the works A.V.Bakurovoyi [1] and V.V.Vyhovskoyi [7].

According to I.A.Maksymenko system of tax regulation subjects of small enterprises should help in development of economic systems generally that is ensure of optimum formation sums of of tax revenues to different levels of sectors general government management for the performance of its functions and, at the same time not reduce the incentives receiving position concerning the subjects of small entrepreneurship high incomes [2].

At the same time, the adoption of the TCU, the mechanism of a simplified tax system for individuals - business entities increases the tax burden for single taxpayers and requires more detailed study and develop recommendations for choosing the optimal tax system.

**The purpose of research** - analysis of simplified system of taxation for small enterprises - individuals, identify its disadvantages and delineation ways to improve the single tax.

**The main material.** Local taxes and fees are an important source of revenues, since the actual amount of local taxes and fees can draw conclusions about the financial capacity of the region.

Of particular importance in local taxes and fees has a flat tax, because it has the largest share in the revenues of local budgets after the adoption of TCU.

For example, in the structure of Chernihiv regional budget for 2009 - 2011 pp. there is a progressive increase in the share of local taxes and fees of 1.13% in 2009 to 1.23% in 2011. In absolute terms, the amount of local taxes and fees increased by 3.5 times from 14,1 million in 2009 to 50.2 million UAH in 2011.

Before taking TCU single tax be paid by individuals ranging from 20 to 200 USD / month and received funds transferred to local government (43%), the Pension Fund of Ukraine (42%), Social insurance (15%). Legal entities paid a flat tax rate of 6% of the revenue from product sales in case of payment value added tax or 10% in the case of inclusion of VAT in the single tax. Amounts single tax transferred to the State Budget of Ukraine (20%), local budget (23%), the Pension Fund of Ukraine (42%), Social insurance (15%).

From 1 January 2012, in accordance with the changes that were made to TCU, all single tax payers were divided into four groups (now operates six groups). Groups have different eligibility criteria for the right stay on a simplified system and, consequently, different rates of single tax. The peculiarity is that the single tax amount is not allocated by the State Treasury and credited entirely to the special fund of local budgets, and the a mandatory payment of single social tax at a rate of 34.7% minimum wages for individual entrepreneurs.

After analyzing the current situation, we can note that due to single tax reform tax burden on individual entrepreneurs, not really decreased, and vice versa - increased 3 times, but with the single social tax - almost 9 times.

**Conclusions and prospects for further research.** Further improvement of simplified system of taxation for small enterprises - individuals, in our opinion, should be resolved through solving the problem of high tax burden, and practical ways to solve this problem would be to decrease single tax rates and adding a single social contribution of the single tax.

## ***EVALUATION OF ENVIRONMENTAL PROGRAM TARGET***

### ***Voitsekhivska Victoria***

Each year, the state confronts a choice of directions and in the use of scarce public funds. With the adoption of the Budget Code introduced program budgeting planning of expenditures, which is based on a direct link between the selected financial resources of the state and performance of their use, specifying goals, objectives and responsible persons. Therefore, at this stage, one of the pressing issues is the development and implementation of methods for evaluating the effectiveness of the current national target programs based on this method.

In this paper the method of evaluating the effectiveness of national target programs and made its approbation by the example of environmental programs. For a complete evaluation of program activities proposed definition of social efficiency through the introduction of a method parameter social consequences of state environmental programs.

Any state target program will be fully implemented provided adequate and timely funding from all sources. Low and unpredictable time the State financing program activities reduces the potential target applications slows their performance and leads to increased levels of public expenditure for projects. Therefore, an important goal is to ensure full funding of programs, since their underfunding leads to ineffective use of budget funds.

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Specifics of investment processes in the agrarian sector of the economy

### **SUMMARY.**

In the article the economical features of investment processes in the agrarian sector of the economy. This classification criteria of investment choice in the realization of investment projects. Defined and generalized the basic problems of attracting investment in the agricultural sector of the economy of Ukraine.

The further development of methodological approaches to study the components and calculation algorithm summary measure of efficiency of the investment process control in agricultural production in the region, which has allowed to analyze the dynamics and a set of factors affecting the productivity of economic resources and investment enterprises in the regional AIP.

The choice of priority directions of investment activity in the agricultural production, the decision concerning the implementation of a specific investment project requiring an analysis of the totality of the economic, ecological and social criteria, characteristics and consequences of its implementation.

One of the most important stages of effective implementation of investment activity in the agricultural production in the face of uncertainty is risk management. We offer at risk to understand the probability of occurrence of losses compared with the predicted result.

Generalized basic problems of attracting investment in the agricultural sector of the economy of Ukraine. Grouped them by groups like the socio-economic factors, economic and legal factors, financial and economic factors.

Are factors that negatively affect the investment activity in the AGRO-INDUSTRIAL COMPLEX. Defined measures that will contribute to boosting,

efficient development of investment processes in the agrarian sector of the economy of the country.

Keywords: agricultural sector, investment, investment, regulation, investment process.

# **FINANCIAL SUPPORT FOR RURAL DEVELOPMENT IN THE CONTEXT OF EUROPEAN INTEGRATION UKRAINE**

**Inna DOLZHENKO**

Rural Development under uncertainty and high risk characterize need for a system of financial relations in the country based on mechanism of financial support that facilitates implementation of preventive measures as financial rehabilitation niche economies in times of economic turbulence, and measures to lay the foundations of a strategic rural development , hence the relevance of this research. The issue of financial support of local authorities is updated as the need to optimize the relationship between the different levels due to the mismatch distribution of spending powers between the executive and local governments, inadequate objectives regarding territorial development and resource potential of communities.

In Ukraine, several attempts have been made to improve the financial security of rural areas through national programs. Decrees of the President of Ukraine approved "Basic principles of social village" (2000) and approved short-term "State Program of social services in the village until 2005". However, they were left without proper mechanisms for implementation and funding. In 2007 approved the State Program of the development of Ukrainian village until 2015. However, its main content concerns increasing agricultural production and only slightly - improving access of rural population to social benefits. But the project financing rural development program provided for in the financial crisis in 2008 has been suspended.

Crucial to provide material and financial basis of local communities in most cases have incomes of local budgets. In recent years Ukraine has seen a negative trend to reduce the share of own revenues in the structure of local budgets and, consequently, increasing dependence on transfers.

Financial options are limited to local governments, which in turn is a restriction on economic and social development of the territories and democratic transformation. Therefore, when increasing the powers vested in local authorities, emergency relevance to the issues of improving the process of forming local budget revenues and search provisions increase.

European practice in rural development has long received their institutional set up. Since 1988 active European working group on rural development and village renewal (ARGE). To finance rural development programs established institutions such as the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for orientation and guarantees (EAGGF), Fund financial support instruments fisheries (FIFG).

Thus, the effective functioning of rural areas and their sustainable development depends on the system of fundamental factors: social, economic, environmental, institutional. The strategic goal of financial security in rural development is the formation of economic efficiency, environmental safety and social justice in the countryside. Creating the necessary conditions of rural communities in transition mode and integrated sustainable socio-economic development involves the development of long-term strategy, taking into account the opportunities provided by the European institutions. The adoption of the strategy will help eliminate and are now existing factors and trends in socio-economic development of rural areas that will improve the quality of rural life and create a basis for raising the prestige of accommodation in the countryside.

*Tetyana Evenko, graduate student*

*Analysis of the financial state of bank institutions is in the modern terms of development of economy.*

*In the article investigational dynamics of absolute and relative financial indexes and certainly value and task of evaluation of the financial state of bank institutions. An author is offering suggestions in relation to his improvement.*

*In the modern terms of development of economy as a result of economic and political instability, commercial banks are unable adequately to react on changing of external and internal environment, due to what can get in crisis situations. An important value in realization of task of increase efficiency of management bank activity has an analysis of the financial state of bank. For his help strategy and tactic of development of bank is formed, plans and administrative decisions are grounded, control is carried out after their implementation, backlogs of increase of efficiency of leadthrough of active and passive operations appear, the results of activity of bank are estimated, in separate subsections.*

*The financial state of bank is marked sufficientness, balanced and optimum correlation of financial resources and assets at the terms of maintenance at sufficient level of liquidity and solvency, growth of income and minimization of risks, and ability, to maintain unforeseen losses and keep the state of the effective functioning.*

*To the major absolute indexes, which characterize the financial state of every separately taken bank, belong: a general volume of assets is except for backlogs; cost of capital; general volume of obligations; a clean financial result is for certain period.*

*It is possible to notice on the basis of the conducted researches, that very bad businesses have 2 banks («Rodovid Bank» and «Praveks-bank»). A few banks («Privatbank», «OTP Bank», «Ukreksimbank», «VTB Bank») have the last years certain problems with quality of credit brief-case, another bank («Rayffayzen is Bank Aval'») has the very unbalanced percent policy after actively passive by operations, and another bank («KrediAgrikol' Bank») has large potential risks of*

*worsening of quality of credit brief-case. And only two banks («Prominvestbank» and « Oschad Bank») can be considered jars from relatively by the stable financial state and favourable prospects of development.*

*Leaning on nominal performance of banks indicators, it is possible to notice that during the last three years the banking system gradually begins to overcome the consequences of crisis, and the dynamics of assets became positive again, however much the rates of their growth far below, than by the last dokrizovimi years and are not more than 12 % on a year (2011 year).*

*Such situation testifies that most problems which was folded in the banking system during a financial crisis, to this pores not untied, but the banking system on the whole is in the stage of stagnacii.*

***Bank, specific gravity, book value of capital, clean financial result, profitability, clean spread.***

# **THEORETICAL BASIS OF FINANCIAL MECHANISM OF SOCIAL INSURANCE**

**A. Kyrychenko**

**Social insurance, financial mechanism of social insurance, financial methods, financial leverage, financial instruments.**

The article defined "financial mechanism of social insurance" as a set of elements that regulate the formation distribution, use and reserving funds state insurance funds and other institutions engaged in the provision of social security in order to prevent social risks and social security in the event of the insured event.

Every single element of the financial mechanism of social insurance should be part of a whole. Moreover, each of them must operate relatively independently.

Of the financial mechanism of social insurance includes the following main elements as financial methods, financial instruments, financial instruments, regulatory, information and promotion. In practice, these are widely used financial methods: financial planning, operational management, financial control, financial security and financial regulation. The main financial mechanism under social security are two methods: financial regulation and financial support. Financial regulation is based on the legal regulation of distribution relations in society, that is due to the implementation of the distributed processes in the insurance fund. Financial support is carried out in three forms: self - own revenues cover costs; budget funding - according irrevocable basis by the state or local budgets; lending - a form of financial support, which is the temporary use of borrowed funds on the basis povorotkosti, urgency and payment. Based on these methods performed financial planning, financial operational management, financial control.

Financial methods reflect the influence of money on the processes taking place in the field of social insurance. Their action appears during the formation and use of insurance funds budgets.

Financial methods are using financial leverage. The latter include: the conditions and procedure of financial resources of insurance funds, the principles and conditions of use of financial resources of insurance funds, financial rules and

regulations (average and minimum wages, pensions, insurance rates, rules of budget support) financial limits and reserves (limits budget funding, reserve funds of insurance funds), financial incentives and sanctions (salaries, financial aid, bonuses, pensions, funding training and retraining, fines).

Financial instruments of social insurance - a means used to perform the tasks provided financial policies. The main financial instruments are: social insurance contributions, government contributions to social insurance funds for certain purposes.

An important part of the financial mechanism of social insurance is legal (laws, decrees, regulations, orders), normative (instructions, rules, methodological developments) and informational support (information on cash flow, the taxpayers of recipients and services).

The subjects of social insurance are employees, employers, insurers and the government, and the object - the insured event, the onset of which occurs in the insured's right to receive benefits and social services.

Financing of social security funds through the accumulation of financial resources. They are mandatory social insurance (state) and voluntary social insurance (private). The structure of the first may include: pension fund, social insurance against unemployment, social insurance fund from accidents at work, social insurance fund for temporary disability, medical fund. The second: pension funds, insurance companies, corporate social insurance funds, banks (in terms of accumulation of premiums).

Financial mechanism of social insurance should be considered in the light of the relevant principles and functions that are inherent in the social security system as a whole. We believe that social security is based on the following principles: a fee, solidarity and equivalence refund. In the absence of at least one of them loses insurance system feature. Analyzing interpretation functions that scientists are justified, we can conclude that some functions overlapping, showing no significant differences between them. Therefore, we propose to provide features such social security: organizational (accumulating, redistributive, control) and socioeconomic (protective, economic, demographic).

Thus, the theoretical foundation of the financial mechanism of Social Security and its components will optimize the financing of social insurance, more articulate the problem facing the social sphere, which is an important foundation for solving urgent social problems facing the state and society.

## **The PROGRESS TRENDS are the INTERNET-BANKINGU In UKRAINE**

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The internet-banking is most perspective and by the shvidkozrostayuchim segment of bank activity and becomes inalienable part of service in jars, above all things, for the habitants of cities. This favour has demand mainly for physical persons, though for many small companies it is useful.

Technologically osvidcheni people which value the time and does not want to speak to the bank separations, after standard operations consider that it is better independently to carry out through the internet-banking in comfortable for them time and actually in any town. In Ukraine now a very low level of cashless payments is among physical persons. One of these reasons there is a low level of trust to the banks, which was formed as early as 90th. A more population depends upon a cash on hand, than on the obligation of bank.

A situation changes, the young generation for which network the Internet is an inalienable constituent of everyday life appears, the number of users of the Internet and improvement of quality of access is increased in regions.

Introduction of card-table services exposes a number of possibilities before a bank. It is an increase of resource base and credit brief-case, perfection of marketing policy of bank (due to the increase of ways of communication with a client), and due to it is possibility to offer to the client the row of additional services and, as a rule, to increase the profitableness of retail business and incomes of bank on the whole.

Practice testifies that the main factor of expansion of client base is development of own service network of bank for automation of bank services and expansion of their spectrum, minimization of charges of bank.

On today's favour the internet-banking, mainly, is given together with pay cards, rarer with deposits and in general rarely with the accounts of physical persons. Attachment of credit cards to the internet-banking is given by maximal access to the money both in the real world and in the Internet. After the level of development of bank maps in Ukraine we can estimate the prospects of

development the internet-banking. Development of card-table business in North America and in Europe in many times exceeds the Ukrainian level.

Plastic cards are a basic circulating medium over the Internet, however used they rarely are during realization of cashless payments into Ukraine, such as a repayment of credits in jars, translations up country between physical persons. For today this direction only begins to develop. Attachment of bank cards to to the internet-banking gives new possibilities. For example, such functions, as delivery of urgent credit on a bank card after a request in the internet-banking, placing of money in a bank on time deposits, issue of virtual cards or transfer funds, on other account through ATMS impossible through limitations which are imposed the international pay systems and requirements of electronic digital signature.

Consequently, on today's development the internet-banking in Ukraine answers the current necessities of clients, presently all jars give the analogical set of tools which can satisfy the basic necessities of clients practically: receipt of information on accounts, realization of translations. However in order that the internet-banking became noticeable at the market, it is necessary to extend the spectrum of services, jars must work for today exactly above it.

## **O.Labenko, I.Ivolga FINANCING FOREST REPRODUCTION**

Forests of Ukraine in its purpose and location are predominantly water-safety, sanitation, health and other functions and address the needs of society in forest resources.

The special features of forests and forestry Ukraine include:

- Relatively low average forest cover of the country;
- Growth forests in various natural areas (Woodlands, steppe, steppe, Ukrainian Carpathian and Crimean Mountains) containing significant differences in forest conditions, forest management practices, forest use and useful properties of forest;
- Mainly ecological importance of forests and their high proportion (50%) with a limited regime of forest use;
- a high percentage of protected forests (15.8%), which tends to increase;
- historically formed situation securing permanent forest for many forest users (for forestry forests provided for permanent use to enterprises, institutions and organizations of several dozen ministries and agencies);
- considerable forest area is in the zone of radioactive contamination;
- half the forests of Ukraine are artificially created and require intensive care.

At this stage in the field there is a situation, organizational and management structure formed during the previous administration regulated economic system, despite the radical economic reforms in recent decades the country has not experienced positive changes; lisoresursnyh relations reform unreasonably restrained; economic factors and levers (price, profit, profitability, efficiency, rent, motivation, ownership, etc.) lisoresursne phased in at a high enough level of market-oriented; absent investment activity on augmenting lisoresursnoho potential of ahrolandshaftnyh formations modernization processes of lisovyroschuvannya and use of forest resources [2].

**Purpose of research - score in funding forestry Ukraine, the study of foreign experience raising funds for the development of the forestry sector. Estimated amount of international obligatory payments for use of forest resources.**

Given the fact that most forests in Ukraine under state ownership, financing and playing them is their own funds or funds of state enterprises state budget. Thus, according shown in Figure 1 from the state budget is funded by only 2% of capital investment in forestry.

The total volume of capital investments in forestry in 2012 is 273.3 million USD. Capital investment by region reveals that leaders are those areas in which the largest forest area and lisozaynyata area. The area with the largest forest areas on the common region is the western and central regions of Ukraine. Zhytomyr region is the undisputed leader in terms of capital investment in forestry.

Estimated volume of financial resources allocated to fixed investment forestry compared to other sectors is insignificant. Their share for the period is less than 0.1% in absolute terms they are 200 million USD in 2012. This low amount of financial resources allocated to fixed investment forestry can explain the virtual absence of private property in the territory occupied by forest. In turn, the state does not have sufficient financial resources for investment in fixed assets forestry. In this context, the experience of Latin America, where the largest forest area may be of interest. These countries encourage private forest, increasing amounts of financial resources for investment in forestry, actively attract international financial assistance, implement tax incentives for private forest managers and others.

## **Functioning capital enterprises of Ukraine As the bearer of the liquidity factor**

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*Examined the main aspects of the definition of the essence of capital as a factor of liquidity support, analyzed liquidity of Ukrainian enterprises and agricultural enterprises, including the ways of stabilizing the level of solvency and liquidity of the company.*

***Working capital, solvency, financial indicators, liquidity, net current assets, working capital, current liabilities.***

In today's challenging environment approval of Ukraine's position as an integrated European state determines the importance of capital in the functioning of the macro and micro level. Effective functioning of capital based on market principles and factors associated with time risk and liquidity. The relationship between these factors is reversed and forms defining the cost and structural proportions of capital in the implementation of the entire spectrum of financial operations. The urgency of development of the issue, with respect to the functioning of capital as a factor of liquidity support, due to the need to study the input parameters timely release of capital invested in a variety of objects and tools and mobile convert it into cash at any beneficial economic and other conditions of the use of capital.

The aim of this study is to synthesize scientific and theoretical propositions on the essence of capital as the carrier of the liquidity analysis of the dynamics of liquidity of Ukrainian enterprises and agricultural enterprises, including, and development of practical recommendations to improve their liquidity.

In the market conditions of managing liquidity is one of the main indicators characterizing the financial stability and indirectly affect firm performance. In modern conditions than ever there is a lack of liquidity and a reduction in working capital of enterprises in Ukraine. Destabilizing influences most struck agriculture. In particular, there is a degradation of the components of production and financial potential of agricultural enterprises decreased volume of circulating capital and increased lack of financial resources, increased receivables and payables, which in turn led to long-term non-payment crisis. These negative trends contributed to the violation of financial stability, solvency and liquidity of agricultural enterprises.

The company's activity is directly dependent on the size and structure of its working capital. Analyze the structure of the working capital of Ukrainian enterprises and agricultural enterprises in 2012. It is common to the following assertion: the enterprise, working capital consists primarily of cash and current financial investments are considered to be more liquid than the enterprise, working capital which is predominantly composed of stocks. At the end of 2012. Ukrainian companies had negative capital structure, namely 58% occupied receivables exceeds a critical value of this index (the proportion of receivables the company

should not exceed 25 - 30 %% in the overall structure of working capital); 24% were low liquid assets (current assets in stocks of inventory) and only 6% - highly liquid assets - cash and cash equivalents. In 2012. in the structure of current assets of agricultural enterprises occupied 42.1% stocks, 35.7% - in trade receivables transactions, funds owned 5.2%, and current financial investments - only 0.9%. There, the qualitative composition of the current assets of the agricultural enterprises in 2012. was unsatisfactory; share absolutely liquid assets (cash and cash equivalents in national and foreign currency) catastrophically low, and a significant proportion of low liquid assets (stocks) is a destabilizing factor in ensuring the liquidity of agricultural enterprises. Agricultural enterprises in 2012. can currently repay its short-term debt by only 12%, ie solvency was in poor condition. Standard value of quick ratio in 2012. was achieved mainly by increasing the size of accounts receivable, which share in the structure of current assets was 35.71%. There, quantitative quick ratio should be supplemented by an analysis of the qualitative composition of the state and structure of accounts receivable, as well as the factors influencing it. Given that the agricultural sector is a demanding industry, and the rate of repayment of loans farmers are largely dependent on market conditions, the excess (in valuation) of current assets over current liabilities is a stabilizing factor in agricultural production.

Given that seasonal agricultural inherent gap between the attachment and the receipt of working capital, seasonal lack of financial resources and other specific factors that provide for agricultural enterprises, because of the particular economic conditions, to accelerate the conversion of assets into cash and expeditious means of providing liquidity to plan liquidity ratios on a quarterly basis. Believe it is appropriate normative values of total liquidity for farm enterprises to establish in the relevant range of 1.2 - 2.2.

## **Risk management in agriculture**

**Mamchur R.**

*The state and trends of agricultural insurance are analysed as a tool for risk management in agriculture. The features of state support for agricultural insurance market.*

Ukraine is on the verge of a free trade area with the EU. This fact opens up tremendous opportunities for new agricultural exports. The increase in exports requires improving the technology in the agricultural sector. Accordingly, the introduction of new technologies in the agricultural sector should be the driving force to improve its efficiency and is strategically important for the state. Attracting investment in the development of agricultural production depends also on how to solve the problem and reduce the risk allocation producers. Action agricultural insurance system aimed at stabilizing production and income in the agricultural sector, attracting farmers to manage risk and encourage use of the latest technology achievements in agricultural production.

In Ukraine, the change in income agricultural producers affect systemic risks, such as the unpredictability of the natural environment, the variability of harvest volumes, changes in government policies regarding the regulation of agricultural markets, fluctuations in agricultural prices and so on. In some years, these risks results in farmers' significant loss in scope. Constantly growing investment in the agricultural sector and increasingly complex modern agricultural technology put Ukraine to the need to create a national system of crop insurance. The main task at the present stage in the development of agricultural insurance is interest in this scenario as a type of insurance policy holders and insurance companies, which is impossible without substantial government support. Our successful model of agricultural insurance with state participation has its objective and proven international experience base.

The 2012 underwriting year 1936 farmers entered into insurance contracts, insured so 727 338 hectares of sown areas, indicating a gradual revival of agricultural insurance market after the crisis of 2009. Meanwhile, the agricultural insurance in almost all countries of Eastern Europe today is quite low. The main reasons hampering the development of agricultural insurance in Ukraine, is inadequate legal regulation of relations with insurers. Thus, the total number of agricultural producers, which insurance cases occurred, proper compensation receives only 30% of policyholders. For about 40% of households receiving benefits, reimbursement is less than 20% of the claim.

Composition of risks in the agricultural sector directly conditioned activities and available resources are under the influence of certain events may be lost. The main risks arising during cultivation of crops and perennial crops are: drought (47%), freezing (35%) and fire (11%). Overall, agricultural insurance risk is insignificant share of the insurance portfolio of insurance companies, including agricultural risks account for only 1% of all insurance contracts concluded by insurance companies in the last statistical year and 2.7% respectively collected insurance premiums. In addition, this insurance is to obtain a loan (50% of insurance contracts concluded on forward contracts for the purchase of grain). However, future crop insurance as security for repayment of the loan is fairly common practice in the world. However, in Ukraine this type of insurance is quite expensive and formality.

In the last 3 years only 10 insurance companies insure stable yield, some companies try to implement agricultural insurance program. This process requires the insurance company a strategic plan for at least 3-5 years if sufficient financial resources, training, insurance agents and creating a separate unit staff structure of agricultural insurance.

Most farms are trying to insure mortgages grain crops, canola, corn, sugar beets and sunflowers at an average rate of insurance premium at a rate of 3.8% and unconditional franchise at 50%, providing just compensation for catastrophic losses. For agricultural insurance loss ratio target level is the level of 60-70%. The volume of insurance every year is small – 2-3% of the total area under crops in the country. The

reason for this situation is the lack of available funds to farmers because they insure crops and if, then only the most risky, such as rape (because of foreign origin seed and its inability to local growing conditions) or a mortgage, for example winter.

The government must to subsidize agricultural insurance to its further development. However, unlike other types of state support for farmers, the WTO does not object to subsidizing insurance premiums. Thus, an effective system of state supports operating in Turkey and Austria, where established management company which lists insurance premiums and government subsidies. The company also provides insurance benefits and risks involved in placing reinsurance accepted. In the six years of the company in Turkey level agricultural insurance increased from 1% to 8.2% of insured areas and cultures. Total premium income increased eight times and in 2012 was 200 million euro. In the insurance take 36 crops, the main ones are wheat, tomatoes, grapes and olives. Also, 50% of premiums paid by farmers of Poland are covered by the budget. The main crops that are insured are corn, canola, sugar beets and corn.

The national agricultural insurance market has great potential, but currently it is under reform. 2013 continues to show positive dynamics of the insurance market, recorded in 2011-2012. At the same time, programs to agricultural insurance require insurance companies of considerable financial resources and relevant experience. The state should subsidize agricultural insurance to its further development. In the agricultural insurance market offers enough insurance products for agricultural products, but only one insurance product (insurance for the period of winter wheat overwintering) provides subsidies paid to farmers insurance payments, and therefore cannot meet the needs of producers.

# CONCEPTUAL DIRECTIONS OF FORMATION AND UTILIZATION OF PRODUCTIVE POTENTIAL OF AGRICULTURAL ENTERPRISES

N.Mrachkovska

The agricultural sector is a complicated combination of many industrial elements in the system, which aims to meet the needs of society in high-quality and safe food. However, different costs of production resources, and diverse involvement in the technological process and good profit from the use in production influence on the efficiency of economic activity and the competitiveness of the economic parties of agricultural sector.

For competitive advantages, it is not enough for the company to have the most modern means of production—it must also possess modern management technologies to attract highly skilled employees and continually improve business performance. In this regard, there is a problem of finding economic mechanisms of formation and implementation of productive capacity.

Today, more and more companies are starting to pay some attention to the formation of productive potential as an obligatory element of the new business, or essential attribute of development and scaling.

Conceptual directions of development of the domestic agricultural sector and the ensuring of its competitiveness must be based on the process of managing the production potential of agricultural enterprises and the ensuring its effective use.

For enterprises, the process of increasing of production capacity often means the increasing of the efficiency and competitiveness, the achieving of economical stability and profitability. However, it is possible only in case of an effective and sustainable management of the production potential of the company.

Defining the strategy and tactics of the resource and technological renewal and of the formation of productive capacity AIC should take into account all new trends and directions in the Agricultural and Food Sector NTP, environmental and

economic demands, especially the current logistical and organizational and technological base of domestic agricultural production.

The main attention in the study of conceptual trends of formation and efficiency of production potential belongs to the improvement of economical mechanism for implementing the relations of production entities.

The main directions of formation of efficient management of the production potential are: sustainable use of land, water and other natural resources in the agricultural sector, as well as basic materials; the use of resource-saving technologies; efficient use of human resources; ensuring the stability and efficiency of the formation of internal and external financial resources; development and implementation of innovative processes to ensure their results greening, intensification of agricultural production and food security. Due to biologizing and ecologization of intensification processes it is possible to attain the considerable slump of resource charges on agricultural produce unit.

## **By the method of rating assessment of the financial condition of the company**

A.A Muzichenko, PhD

Realization of agricultural enterprises constrained by their low availability of funding. Only by creating appropriate financial environment possible effective functioning of agricultural enterprises regardless of their organizational and legal form.

### **The article is raised and solves such problems:**

- The economic content of financial performance should be one-sided, i.e. growth factor indicates an improvement in the financial condition of the company;
- Financial indicators should be as famous as researchers and practitioners. In addition, they should be informative to provide an idea of the overall picture of the availability of financial resources;
- These financial ratios can be calculated only on the basis of indicators that are in the form of official annual reporting;
- Selected financial ratios should allow to conduct general rating estimation as one company each year and for several periods (grade at the time), and compared with rating to various companies (Grade in space);
- using the method of principal components to determine the weight of each group of indicators;
- using the method of cluster analysis, group farms Kyiv region to determine their level of financial security.

Different methods of calculation of ratings or general indicators of financial condition as explained in professional literature, have, in our opinion, significant shortcomings. A large number of parameters (30) and the complexity of calculating them for practical workers; sometimes uncertain what indicators should be used to calculate and certain limits to adjust.

From the literature devoted to this subject, also shows that the authors that offer a particular metrics for the rating assessment of the financial resources do not provide adequate attention to its grounding system. Therefore, try to do it yourself. However, first of all, we note that the study should consist of two parts: a logical method of economic analysis and principal components. In addition, comprises a logical analysis of economic indicators for their content, and then use mathematical operations established form and density of connection parameters.

Of course, although essentially theoretical analysis of communication is extremely important, but it only describes the features and form regressions can accurately determine its functional form. Moreover, in the specific context of time and space limits of variation of interrelated features much smaller than the theoretically possible.

In our opinion, should limit the number of indicators point simple exact algorithm for calculation, and determine the accuracy of rating financial condition.

We offer selected by the method of principal components factor analysis with a list of indicators of financial and economic activity, which in theory may indicate the financial support of agricultural enterprises, the most significant of them, dividing them into groups.

Among the techniques that make it possible to generalize mentioned basic features, the method of principal component stands out simple logical structure and at the same time, it becomes clear example of the general idea and target setting numerous methods of factor analysis.

Overall rating assessment on the proposed agricultural enterprises Kyiv region for 2012 yielded the following results: the highest ratings with a minimum probability of bankruptcy are 34 enterprises; the average probability of bankruptcy in 201 enterprises; great - and almost 132 bankrupt 29 companies.

## **Directions priority strengthening financial capacity local budget**

*Y. V. Nehoda,*

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Socio-economic and political transformation that took place in Ukrainian society over the past two decades, contributed to democratic change views on the nature and importance of the institute of local self-government in the state building process, based on local budgets - budgets of territorial communities of villages, their associations, towns, cities. Financial support of local communities is an important element of fiscal policy, regulation which determines the degree of efficiency of the implementation by local authorities of their functions and powers.

The main task of the state regional policy is to reduce imbalances in the level of socio-economic development reached by the warranty normative consumption of social benefits citizens regardless of their place of residence. The instrument of this task is a means of redistribution of budgetary resources within the country.

The aim - to identify priority areas for strengthening financial capacity of local budgets by strengthening the effectiveness of budgetary funds and expand the revenue base of local budgets.

The study of the current state of the system of local budgets Ukraine suggests that the weak link in the system is an exaggeration of intergovernmental relations functions only as a means of redistributing funds between budget units in order to level their financial capacity to perform power. The use of equalization grants and subsidies as a form of redistribution of financial resources and forms of assistance essentially changes the nature of transfers: a form of free credit, they turned into a form of folk squandering resources that discourages activity authorities.

To strengthen the financial capacity of local budgets need to expand revenue base budgets of self-governing local communities and enhance the effectiveness of the use of public funds.

## **Financial and credit maintenance of agricultural enterprises in Ukraine**

**L.A. Oliynik**

This article deals with the analysis of financial and credit maintenance agricultural enterprises of Ukraine. The basic directions of it improvement are offered.

# MODERN THEORETICAL APPROACHES TO DEFINING THE FUNCTIONS AND TASKS OF THE FINANCIAL SYSTEM

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*Analysis of modern theoretical approaches to defining the functions and objectives of the financial system in terms of domestic and foreign sciences is exercised. The objectives of the financial system in terms of its subsystems – subsystem financial sector, nonfinancial sector subsystem, fiscal subsystem, are justified.*

**Financial system, functions, objectives, financial sector, fiscal subsystem.**

Analysis of current approaches determines the absence of a common approach according to the functions of the financial system from point of view of domestic and western science. The main differences between the definitions of the functions of the financial system by domestic and Western science is that domestic science considers not functions of the financial system, but functions finance, which are the distribution and control. In turn, Western science through narrowed understanding of the financial system determines not the function of the financial system but the function of financial sector; not clearly distinguishes between the functions and tasks of the financial system. Western science defines the main functions of the financial sector as an intermediary and transformation. The financial sector performs the following tasks: mobilizing and pooling savings; providing risk management; provision of information; economic growth; provision of corporate governance. It is advisable to separate the tasks of the financial system in the context of the subsystems of the financial system. As part of the financial system should be considered following subsystems: subsystem financial sector, nonfinancial sector subsystem, fiscal subsystem. The main tasks of the financial sector subsystems are mobilize savings, providing information, providing risk

management, provision of corporate governance. The tasks of the non-financial sector subsystem is the movement of financial instruments in space and time, risk management. Fiscal subsystem performs the following tasks: resource allocation, redistribution, stabilization of the economy.

## Perederiy N.O. The financial planning in Europe

The paper reviews the experience of financial planning in Europe and the process of identifying financial resources for the formation of sources and destinations of their intended use in accordance with the production impacts of the plan period . Financial planning provides economic activities necessary funding sources.

Cost-effective funding is always directed to cover certain special needs..

You can select the following rules funding allocated financiers in Europe.

Rule 1 funding : The golden rule of balance.

Fixed assets should be financed by means of equity (if possible it should be - land, buildings, structures and perennial plants ) and long-term debt capital (such as machine tools , tractors , combines, etc.).

Rule 2 funding : The golden rule of financing.

Term financing of fixed asset loan capital shall not exceed the anticipated useful life of the asset.

Rule 3 funding : Fluctuations in need of funds .

Term financing must be conducted so that loan funds could adapt to fluctuating business needs for working capital .

Rule funding 4: Timely solvency.

Revolving funds (or other investments) should be funded so that debts that arise in this regard could be paid on time , even using all sorts of discounts by cash settlement.

Rule 5 funding : Funding cost-effectively.

By proper selection of the correct term investments and sources of funding necessary to reduce financing costs to a minimum . This point is related to financial planning in the short, medium and long-term areas.

Financing rule 6: Liquidity .

Liquid funds have invested the most profitable . As a form of investment of temporarily unused liquidity can be seen savings or deposit accounts in banks.

Long-term " frozen " amount can be invested by the duration of availability under higher interest rates .

Rule 7 of financing : Concessional loans .

Rule 8 of funding : Thresholds payments ( solvency) loan .

In the long-term solvency threshold based on the fact that if we consider the relatively long period of time, the portion of depreciation on long-term and medium-term assets ( new buildings and machines) can be used to make payments on the loan. If required financing rule limiting the use of long-term solvency threshold , in many cases, the possibility of loan financing , particularly large and medium- term investment would greatly decreased .

Experience has shown that some loan payments and also in the long term without affecting the stability of the company, can be paid through depreciation . However, you should strive to ensure that payment possible were close to the threshold of a long-term loan payments .

To plan the financing of large investment plays an important role multiperiodical calculation of capital movements. For practical financial planning is advisable to make all payments in the short and long term.

## **THE CURRENT STATE OF INVESTMENT PROCESSES IN AGRICULTURE KIEV REGION AND THEIR DEVELOPMENT TRENDS**

**M.V.Petruk.**

The development of agriculture sector in a market economy is based on close cooperation of planning, accounting and control system of innovation and investment, whose effectiveness largely depends on the management mechanism. Current problems in the investment field of agriculture mostly due to deficiencies in the formation of an effective mechanism for planning and management of investment projects.

Investment activity is the process of investing in real-life conditions in the country management. The term "investment" has a theoretical value, determining the model of behavior of the investor who wants to increase their capital.

Agricultural production in Ukraine is impossible without investment inflows. In 2010 the share of agriculture in total value added of all economic sectors was 8.2% (in 2009p. - 8,3%), and agricultural production at current prices was 184.9 billion hrn.

Exploring the state investment processes in Ukraine can be said that the total gross capital investment increased from 205 063,8 billion hrn in 2007 to 230 618,1 billion hrn. in 2011, that is 12.5%. The growth of gross capital investment in agriculture ahead the growth of gross capital investments in Ukraine in 2007-2011.

At the same time in the agricultural sector observes the following trends: decline in investment for the purchase of fixed assets by 0.9% and an increase of to 1,05% for construction. In 2007 small, medium and large agricultural enterprises of Kyiv region had roughly equal shares in capital investments 30.9 - 36.2%. But in 2011 on large enterprises accounted 62.8% of total capital investment for small only 1.5%.

Investment processes in the agricultural sector of the country are under moderate development. The investment situation in the Kiev region looks attractive than in other regions, as evidenced by the volume of investments in fixed capital in agriculture.

## **Prospects for the development of credit cooperatives serving the market of meat products**

**Samoilik Yu.V., PhD, Associate Professor, Poltava State Agrarian Academy**

Financial and credit market is a specific part of the capital market. It is part of the infrastructure and provides effective development entities because it provides both simple and advanced playing them. The market banking lending agriculture is unstable, due to the mismatch needs of businesses and offer credit institutions. In recent years, the national agricultural market appears more and more lenders willing to work with this area. Mostly these leading banks with foreign capital, in addition, there are credit unions that provide loans in agriculture, but their activities in this area is underdeveloped. There is a problem of dissatisfaction demand actors in agriculture credit and mismatch conditions lending capabilities farmers because search mechanisms for balancing the conditions of financial and credit market AIC is important.

The issue of credit resources agricultural enterprises attract the attention of a number of scientists, including N.N. White, V. Goncharenko, I.I. Hrubinky, J.E. Hubeni, V.V. Zinovchuk, T.V. Zinchenko, V. Kovaliva, V.M. Masina, L.V. Moldovans, O.A. Panteleymonenka, A. Prudnykov and others. Researchers believe that the current credit mechanism farms is imperfect. Market financial and credit is unbalanced and mechanisms for its operation need to be changed, which determines the relevance of research in this area.

The study aims to identify the main trends of the financial and credit markets in agriculture and justification of the main directions of its settlement.

The study used methods of analysis and synthesis, comparison, induction and deduction.

The first place among the banks that partner with farms Ukraine occupies PJSC CB "Privatbank" the amount of loans granted in the art 1079700000 USD, in the amount of 1432 units. The average lending rate of agriculture in 2012 was 22-24 %. The average amount of credit provided by banks to agricultural producers was 5428,2 thousand UAH. Most banks are working with large agricultural enterprises that

require considerable credit. For example, PJSC “ING Bank of Ukraine” published in 2012 years 35 loans with an average size of a loan made 38303.9 thousand UAH. With the amount of loans granted in the lead PJSC “Credit Agricole CIB” – 23658 billion UAH. The average amount was 17785,6 thousand UAH. JSC “Bank “Nadra” is working with smallholders, the average loan amount is 23,4 thousand UAH. Which for 2012 was issued 543 units. The main customers with whom to cooperate banks are medium sized enterprises engaged in crop and livestock with an area of agricultural land over 150 hectares. Within the sub-sectors of agriculture, most banks do not keep statistics, but the survey found that 80% of credit allocated to the field of plant growing on the acquisition of working capital (seed, planting material, herbicides, pesticides, fuel) and fixed assets. The largest volume of agricultural loans are concentrated in the central-eastern region where this industry is developed, Mykolaiv region – 1606 mln. USD, Khmelnytsky – 1342 billion. UAH Kharkov – 1036 billion. UAH, Poltava – 918 million UAH. Least-developed agricultural lending is in the western region. While in Ukraine began to develop credit co-operatives, but the proportion of institutions that operate in agriculture, minimal, although the direction of the functioning of agricultural service cooperatives are quite promising, especially given the positive dynamics of creating multi-service cooperatives in recent years in Ukraine against the backdrop of government support and positive global trends. In 2012 in Ukraine operated 610 credit unions. On the one hand, the credit union is a cooperative form. However, members of the credit union are individuals who lend money are largely for business development and for personal use. Credit cooperatives are established as a legal entity and merge similar in size but different production lines farms.

Financial condition and credit market agriculture today is unbalanced. Significantly increasing demand for loans and the number of lenders willing to work with agriculture, but the mechanism of cooperation between counterparties data needs to be improved. An important area of improving the financial and credit relations in the agro-industrial sector is the development of credit cooperatives in the form of credit creation of agricultural service cooperatives.

# FINANCIAL SERVICES DEVELOPMENT OF AGRICULTURAL SECTOR UKRAINE ECONOMY

L. Khudoliy

The article shows the structural changes that have occurred over the last decade in agriculture Ukraine: land use, in production management and marketing of products, acreage and place of agriculture in the economy. Increasing the growth rate of production require increased funding and finding adequate methods and tools of financial security farms on current and long-term goals. This stock market of Ukraine is in an inactive state, slowed investment growth in the real sector, bank lending Pawn is problematic to attract financial resources in the world market debt by borrowing needs experience placement of Eurobonds and agricultural insurance system responsible attitude to the insured.

To increase the rate of production and marketing of the agricultural sector requires additional financial resources are a major motivating factor. So no serious preconditions for the return of domestic and foreign investors in the stock market by the end of 2013, and therefore the emphasis should be on trading debt securities. Agribusiness financing instruments can potentially be bank loans (including syndicated) and credit unions, but to work with the major banks on large projects, the company must have an international audit findings for several years, to comply with internal standards of reporting, budgeting exercise, forecasting, have ratings of international agencies have competent executive management. Partly cheap financial resources can be mobilized from international financial institutions on IPO market.

Trading futures on the Chicago Stock Exchange contrasts facilitate financial position of companies; on the other hand will insure them against various changes in pricing environment. Important tools should be positioned agribusiness insurance with partial participation of the state.