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PROBLEMS OF BANK CREDITING OF AGRARIAN ENTERPRISES

In modern conditions enterprises of agrarian sphere increasingly require financial resources for updating their material and technical base, introducing innovative technologies and constructing new objects. Loan funds are the necessary source of financing for enterprises of agrarian sphere, but unsatisfactory financial condition of many agrarian enterprises, insufficient credit security required by banks, absence of positive credit history complicate, and in some cases, make getting bank loans impossible.

Nowadays due to the global financial crisis Ukrainian banks have found themselves in a difficult situation. The need to return the borrowed from abroad funds, which have already been distributed as long-term loans, makes banks and the state itself take measures to ensure the financial viability of the Ukrainian banking system. It happens because of the lack of other sources of financing. Banks have not adjusted their policies and have not taken effective measures to minimize the impact of the crisis on time, and now they expect to compensate for losses at the expense of the state and their customers. Banks are experiencing the crisis of liquidity; they need money which they try to attract by all possible methods. The arsenal of means and the ingenuity of bankers are impressive – they increase interest rates on loans granted, do not return deposits both ahead of schedule and after the deadline, delay payments, require additional payments and so on.

Crediting of agricultural enterprises by commercial banks in modern conditions has become more complicated due to their insufficient profitability, low return on invested capital and low liquidity of property. The existing credit system is oriented to profitability in industries with relatively high capital turnover. The offered interest rates and conditions do not allow agrarian enterprises to be full participants in the market of credit resources. Under market conditions agricultural production will not function effectively without raising funds. Difficulties in selling products and the reduction of the volume of state budget support have aggravated the need for lending to agricultural enterprises.

One of the major problems existing today in agriculture is the lack or shortage of funds for replenishing working capital and updating basic means of production. The development of the system of credit servicing in the agrarian sector of the economy is hampered by the unregulated nature of such issues as depreciation of fixed assets, a lengthy procedure for obtaining a bank loan, inaccessibility of small and medium-sized enterprises to financial services, high interest rates [1, p. 12]. Banks are primarily interested in profits and such conditions which will ensure the least risk. But not all agricultural enterprises are in a satisfactory financial condition and fully meet the requirements and wishes of bankers. Government support is of great importance to the

development of agricultural production. Today its mechanism is ineffective and it does not allow satisfying all the needs of farmers.

Domestic commodity producers of the industry experience an increased need for credit funds, which are now an important source of recovery of the lost working capital and fixed capital. Thus, enterprises face difficulties of obtaining even a small loan amount due to lack of collateral. A large number of documents required for obtaining a loan and a long period of their consideration also cause the low level of access to loan resources. In addition the main factors limiting the attractiveness of the agrarian sphere of Ukraine for credit provision are the low level of creditworthiness of agricultural commodity producers and the lack of acceptable credit provision. The high level of depreciation of fixed assets (70-80%) and moral obsolescence testify to their inability to be a highly liquid collateral object. The only way out in this situation can be the use of land as collateral for the loan. However, in this case, financial organizations refuse to enter into credit relations with agricultural enterprises because these enterprises are often unable to pay their own workers and they divide the land into shares in order to retain employees and continue activities [2, p. 89].

An important issue in crediting the agricultural production is the level of repayment of granted loans. The main reason for the non-return (or untimely return) of loans is lack of income due to problems with selling products, high interest rates and in some cases ineffective use of credit funds.

It also should be noted that the abilities of banks to recover problem and bad debts are limited due to imperfection of the legislative framework. Therefore, they compensate high credit risks of enterprises by high interest rates and strict requirements to borrowers.

The development of credit relations of agricultural enterprises with commercial banks largely depends on improving their creditworthiness and liquidity of collateral for loans. One of the major problems in the sphere of crediting is a limited number of objects that borrowers can provide as collateral. The main directions for stabilizing the mechanism for lending to agricultural enterprises are taking measures on the part of the state and the banking system aimed at developing an effective integration mechanism for interaction with the agricultural sector of the economy; increasing the volume of financial support for agricultural enterprises through the mechanism of cheapening of loans; development and application of all possible sources for raising capital when lending to agriculture (rational use of budgetary funds, increasing budgetary allocations, attracting foreign loans, creating at their expense mechanisms of state, bank or mixed lending).

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