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## FEATURES OF BANK LENDING OF AGRICULTURAL ENTERPRISES IN MODERN CONDITIONS

### ОСОБЛИВОСТІ БАНКІВСЬКОГО КРЕДИТУВАННЯ СІЛЬСЬКОГОСПОДАРСЬКИХ ПІДПРИЄМСТВ В СУЧАСНИХ УМОВАХ

*The specifics of providing loans to agricultural enterprises in Ukraine have been studied. The largest volume of loans received by farmers in 2024 by region under various programs was considered. It is proposed to resume crediting for agricultural producers in the territories close to the war zone. Unique and beneficial for agricultural borrowers lending programs developed by banks that actively lend to agricultural producers are considered. An important aspect of the work is taking into account the impact of military actions on the financial condition of the agricultural sector, in particular on credit provision, as well as proposals for improving the credit system and increasing the efficiency of state financing of agricultural producers. The main problems of the agricultural sector of Ukraine are substantiated, taking into account the full-scale military aggression of Russia against Ukraine.*

**Key words:** agricultural sector, agricultural enterprises, banks, credit, bank lending, state support, financial support, banking.

Актуальність теми зумовлюється необхідністю вдосконалення банківського кредитування для вирішення проблем аграрного сектору. Досліджено специфіку надання кредитів аграрним підприємствам в Україні. Розглянуто основні проблеми та виклики, з якими стикаються сільськогосподарські підприємства при залученні фінансових ресурсів, зокрема в умовах війни. Доведено, що причиною кризової ситуації у сільському господарстві є ціла низка факторів. Російська військова агресія значною мірою позначилася на кредитному забезпеченні аграрного сектора. Різко погіршився фінансовий стан сільськогосподарських товаровиробників – вони не в змозі поповнювати свої основні та оборотні фонди та вести розширене відтворення. Визначено особливості банківського кредитування, такі як чітка періодизація кредитних потреб, уповільнений оборот капіталу, необхідність зниження кредитних ставок та збільшення термінів кредитування. Дослідження також розглядає питання державної підтримки аграрних підприємств через механізми здешевлення кредитів та компенсації лізингових платежів. Розглянуто найбільший обсяг кредитів по областях за різними програмами які отримали аграрії у 2024 році. Визначено дії які необхідні для подальшого вдосконалення програми «Доступні кредити 5-7-9». Запропоновано відновлення кредитування для аграрних підприємств на територіях наближених до зони бойових дій. Розглянуто унікальні та вигідні для агропозичальників програми кредитування які розробляються банками, що активно кредитують сільгоспвиробників. Важливим аспектом роботи є врахування впливу військових дій на фінансовий стан аграрного сектору, зокрема на кредитне забезпечення, а також пропозиції щодо вдосконалення кредитної системи та підвищення ефективності державного фінансування сільськогосподарських товаровиробників. Обґрунтовано основні проблеми аграрного сектору України з урахуванням повномасштабної воєнної агресії Росії проти України.

**Ключові слова:** аграрна сфера, аграрні підприємства, банки, кредит, банківське кредитування, державна підтримка, фінансова підтримка, банківська справа.

**Formulation of the problem.** The agricultural sector plays an important role in the sustainable economic development of the country due to its influence on the efficiency of the economy, ensuring employment and social stability. The development of agricultural enterprises functions as a key indicator of the economic state of the state. In Ukraine, one of the crucial tasks is overcoming the crisis in the agricultural sector and creating conditions for the sustainable development of agriculture, which satisfies the vital needs of the population. Negative trends in the industry, caused by various factors, in particular, unbalanced exchange with other sectors of the economy, monopolization of processing and service spheres, inappropriate tax policy and insufficient state support, are emphasized in the conditions of military aggression, which seriously affected the credit support of the agricultural sector. The decrease in financing of agricultural commodity producers led to their inability to replenish fixed and working capital and expand production. The need to improve state financing and crediting of agricultural enterprises through banks is currently on the agenda to ensure the full recovery of the country in the post-war period.

**Analysis of recent research and publications.** Scientists constantly pay attention to solving the problems of financial support of agricultural enterprises. In Ukraine, the problems of bank lending and state support in the agricultural sector were studied by the following scientists: S.V. Andros, D.A. Artemenko, T.G. Bondaruk, M.V. Lukashuk, O.O. Artemieva, V.P. Myronenko, A.M. Moskalenko, O.Yu. Chygrin, O.M. Ivakhnenko and others. But, as evidenced by the review of literary sources and the real state of affairs with lending to agricultural enterprises, there are still a number of unresolved issues that require in-depth research.

**Formulation of the purpose of the article.** Justification of the reasons and identification of factors complicating the process of lending to agricultural enterprises, with the aim of developing recommendations for improving bank lending in the agricultural sector.

**Presentation of the main research material.** In the context of land reform and ongoing challenges related to the Russian invasion of Ukraine, Ukrainian agricultural producers, who are key players in the agricultural sector, are faced with the need to secure financing for their enterprises and overcome the consequences of destruction and economic difficulties.

Credit relations of the agrarian sector characterize a qualitatively new level of economic development, when the production process is preceded by credit, a credit operation that makes it possible to determine in advance the volume of production and the terms of sale of products on a certain market [1-3].

Lending to agricultural enterprises is based on the same principles as lending to enterprises in other sectors of the economy, but has significant features due to the dependence of the reproductive process in the industry on natural conditions. This implies, firstly, a clear periodization of the production process and the impossibility of interruptions in it, which makes it necessary to provide credits to the producers of goods in the specified period and in full. Secondly, the slow turnover of capital requires an increase in terms of borrowing credit resources and a decrease in loan fees. Thirdly, the non-equivalence of the exchange and the low profitability of agricultural production determine the need to reduce the loan fee. Fourthly, the low level of technical production equipment, the high level of wear and tear of equipment and the use of outdated technologies require a significant amount of investment credit. Fifth, the increased level of risk in the industry requires the use of an appropriate level of insurance protection.

The specificity of agricultural production makes agricultural enterprises uncompetitive on the credit market, which determines the need for state support. The main prerequisite for the dynamic development of bank lending to the agricultural sector is to ensure the return of loans while respecting the rights of both creditors and borrowers. Non-repayment of loans by agricultural enterprises is caused by various factors, including the high risk of conducting business in the industry, the constant shortage of financial resources accumulated over many years by the majority of agricultural producers, untimely receipt of bank loans, which leads

to their inefficient use and lack of funds to repay loans, and as well as a significant influence of subjective factors on the process of making decisions on granting loans. Considering these circumstances, it is advisable to introduce insurance for the risks of non-return of loans to banks by agricultural producers [2; 3].

But one of the main problems of the development of agriculture in Ukraine is the lack of long-term cheap resources, although this sector of the economy has enough prerequisites for attracting investments: fertile black earth soils, developed transport infrastructure, favorable geographical location, availability of labor force, etc. Despite the availability of special credit programs for agricultural producers in some banks, today bank lending is insufficiently involved in financing the development of agriculture. Banks are extremely careful in assessing the risks of lending to agricultural producers, since agriculture is characterized by a significant number of specific risks and low profitability, often without liquid security.

Since the beginning of 2024, 5,556 agricultural enterprises have received 36.1 billion hryvnias in bank loans for development. Of them, 3,222 agricultural enterprises were financed for 14.5 billion hryvnias under the state program "Affordable loans 5-7-9".

Table 1

**The largest volume of loans by region under various programs received by agrarians in 2024**

Region	Amount of loans (billion UAH)	Number of agricultural enterprises	According to the program "Affordable loans 5-7-9" (billion UAH)	Number of agricultural enterprises
Kyiv	11,6	515	1,7	294
Kirovohrad	2,2	681	1,5	431
Dnipropetrovsk	1,98	409	830,2	201
Odesa	1,8	426	1	268
Kharkiv	1,5	323	1,3	207

Preferential financing of agricultural producers under the "Affordable 5-7-9 Loans" Program during 2024-2025 is possible thanks to the support of the World Bank within the framework of the "Emergency Project for Provision of Inclusive Support for the Restoration of the Agricultural Economy of Ukraine (ARISE)". Farmers can get a loan of up to UAH 90 million. Lending is provided at 5-9% per annum, depending on the credit category and business entity [4].

During 2022-2023, the government made changes to the "5-7-9 Available Loans" program 16 times, mostly increasing credit limits and expanding the list of lending areas. A wide range of borrowers can receive state support, regardless of the actual need for assistance. The cost of loans remained extremely low even during a period when market rates were rising. So the program is becoming more and more expensive for the state. The program budget was not designed for such dynamics. The compensation debt to banks exceeded UAH 7 billion at the beginning of 2024. Since then, the indebtedness to banks has decreased somewhat, at the beginning of June 2024 it decreased to UAH 5.8 billion. Therefore, for further improvement of the program, it is advisable to do the following: gradually focus mainly on investment projects; provide loans to replenish working capital only to certain categories of clients: for example, a business that has the potential for recovery, but whose financial indicators due to war losses do not make it possible to service the loan on market terms; banks to carry out regular assessment of clients' compliance with the terms of access to the program, to increase attention to the assessment of clients' solvency during the extension period; consider the possibility of limiting the total portfolio of loans under the program, taking into account the allocated budget [5-7].

It is promising to resume crediting for agricultural producers in the territories close to the war zone. Objectively, crediting of agricultural enterprises in these territories is now almost non-existent. In our opinion, it would be appropriate to introduce preferential insurance, for example, within the framework of the Ukraine Facility program, which is planned to support business, then in fact the bank already gives a loan under military insurance, which is an element of collateral.

It would also be expedient to consider in the near future the possibilities of legislatively regulating the issue of credit debts of farmers from the occupied territories.

Banks that actively lend to agricultural producers are trying to develop lending programs that are as unique and profitable as possible for agricultural borrowers:

- various partner lending programs for the purchase of agricultural machinery, seeds with preferential terms regarding the interest rate (for example, PrivatBank offers a separate program for updating agricultural machinery or other equipment, called "loan for the purchase of fixed assets", interest rate from 0% per annum under the state program "5-7-9% loans are available; up to 80% of the equipment's cost is covered; therefore, additional security is not required. The loan repayment period is from UAH 100,000 for farmers – from 1 to 3 years. The schedule can be adjusted to the agricultural cycle;

- lending programs for energy efficiency measures with preferential terms at the expense of state energy efficiency support programs, as well as funds from international financial organizations, in particular such as the World Bank, EBRD, EIB, etc.;

- blank working capital lending for small amounts (up to UAH 100,000) for enterprises in the small and micro business sector;

- a government program to support activities in the agro-industrial complex by reducing the cost of loans, according to which agricultural producers are compensated for part of the interest paid on loans for the purchase of domestically produced agricultural machinery, construction and reconstruction of agricultural premises. But this program also has negative aspects: the complexity of the compensation mechanism and its uncertainty from the point of view of borrowers and lending directions, the selection of borrowers by special commissions, which creates the risk of a selective, subjective approach.

Direct state financial support of business entities of the agro-industrial complex of Ukraine is carried out through the mechanism of reducing the price of loans and compensating leasing payments. Loans are cheaper in the form of a loan subsidy, which involves subsidizing part of the interest rates for the use of loans provided by banks in national and foreign currencies. Compensation of leasing payments consists in partial reimbursement by economic entities of the agro-industrial complex of the costs of leasing payments for purchased machinery and/or equipment under the terms of financial leasing [6-8].

It is worth noting that state support for agricultural entrepreneurship in most countries of the world is a priority direction of their agrarian policy. It acts as one of the external sources of the formation of financial resources of agricultural enterprises, ensuring their stability and competitiveness in difficult economic conditions [8].

**Conclusions.** The war significantly complicated the functioning of the agricultural sector of Ukraine. The main problems of attracting credit resources by agricultural enterprises are as follows: first, low creditworthiness and investment attractiveness; secondly, insignificant profitability due to the seasonal nature of agricultural production; thirdly, the lack of adequate credit security in the majority of agricultural enterprises; fourth, the lengthy procedure for obtaining a bank loan; fifth, industry risk associated with a long operating cycle, seasonal nature of production and natural conditions; sixth, the unavailability of financial services for small and medium-sized agricultural enterprises; seventh, high interest rates, which are significantly higher than for other types of economic activity; eighthly, the absence of specialized credit funds, banks and corresponding lending mechanisms aimed primarily at the development and support of small and medium-sized agricultural enterprises; ninth, the inefficiency and insufficient level of government support to the industry, when allocated

funds usually arrive at the end of the year, which leads to their misuse. Based on the above, the main directions for improving bank lending to agricultural enterprises should be the development of a set of measures by the state and banks aimed at developing the system of interaction with the agricultural sector of the economy. Such measures include increasing budget support, rational use of budget funds, lowering interest rates for the agricultural sector, improving methods of assessing borrowers' creditworthiness, taking into account specific features of agricultural production. Urgent measures are needed to stabilize the situation, including new lending opportunities, state support, the introduction of innovative technologies and the attraction of international aid.

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