

The essence of credit and credit relations of agricultural enterprises

Scientific problem. The development of economy in modern society is impossible without crediting. Credit relations remain a powerful factor that provides continuity of the process of recreation.

However, absence of the effective mechanism of crediting, its ineffective organization by financial crediting establishments, disparity to the market conditions, as well as consequences of world financial crisis led the majority of state enterprises, in particular in an agricultural sphere, to the unsatisfactory financial state.

Correct and effective organization of credit relations provides effectiveness of actions, and that will head for overcoming the crisis phenomena and effective development of economy in Ukraine. The solution of the above-mentioned problems is possible due to the deep theoretical analysis of crediting essence and crediting relations.

It should be noted that the theoretical basis of loans serve as a powerful scientific basis for practical application in the financial and credit sector, which will contribute to overcoming the crisis, particularly in agriculture. This leads to analyzing and search theory of credit issues and approaches that would help determine its nature and the place and role of credit relations.

Analysis of recent researches and publications. Research works of many foreign and state scientists are dedicated to theoretical and practical questions of crediting and crediting relations. Credit nature was thoroughly investigated by modern scientists, mainly V. Alekseychuk [8], O.Dzyublyuk [9], V.Kovaliv [19], M.Savluk [7, p.444], A. Chukhno [25] and et al.

Despite plenty of research works that brought new ideas to economic science, the problem of theoretical ground of credit in future remains actual and needs further researches.

The objective of the article. Generalization and analysis of theoretical base towards the determination of crediting essence and features of the agricultural enterprises crediting.

Statement of the main results of the study. Domestic and foreign scientists-economists do not have a unique vision of "crediting essence".

A.Chukhno states that among the reasons of restrictive character of crediting interpretation exists that it is examined as a withstand category that does not develop and remains almost identical regardless of degree of socio-economic progress[25,p.8]. According to this statement, it is considered that expedient for the best cognition the ranges of problems of crediting categories and crediting relations it is important to conduct research from the position of knowledge generalization in the sphere of financial economic science, as well as history and modern practical experience of crediting.

Economic science examines two basic directions of crediting theory: naturalistic and the one that creates capital.

The supporters of naturalistic theory of credit - A. Smith[30,p.70], D. Ricardo[28,p.117], D. Mil [18] interpreted it as a mean of redistribution of material values in a natural form. In their opinion, credit does not create the real capital and only transfers it from the creditor to the borrower; depends on a loan percentage, as well as from vibrations and dynamics of the income.

Supporters of capital creating theory, i.e. H.Makleod [10], J.Schumpeter[29,p.10] - underlined the leading role of crediting, stating that credit not only transfers but also forms a capital; it, as well as money, is considered to be wealth, accordingly, the expansion of its limits

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means accumulation of capital; therefore banks are not considered to be mediators in crediting, but creators of the capital.

Thus, both naturalistic and capital creating theories examined a credit dissociated from other economic theories and explained his nature one-sided, in accordance with the terms that generated creation of the data.

Collegiate Dictionary (1895) which were published by I.Efron and F. Brockhaus takes credit determination as to the identity of credit relations - "... a loan or credit relationships understand such agreements or industrial revolutions, in which one party retreats to the second property who - or values, equivalent to a return after a certain period "[11,p.616]. From this statement we can conclude that the interpretation of the then credit disregarded its special features, and not considered credit relations derived from it.

Unfortunately, in modern economic literature it is possible to meet determinations that also characterize separate parties of credit only, and do not show all his many-sided nature.

In scientific works some authors characterize credit through the different types of economic relations. V. Lahutin defines crediting as economic relations between a creditor and borrower, that arise up during a receipt, use and return of loan. [15,p.14]

S. Kruchok suggests to determine credit, as "...economic relations in terms of redistribution of temporally free money, or property" [7,p.44].

In particular, B. Lutsiv exposes a concept of credit as "...economic relations between the subjects of market concerning the redistribution of cost on principles of the reimbursement, duration and payment.[6,p.141]

Thus, S. Halytska characterizes credit as an economic category that expresses economic relations between the managing subjects related to the redistribution temporally free monetary resources on the terms of duration, payment, returning of the loan.[4,p.57]

The above-mentioned interpretations of credit have general lines: characterize this category as economic relations between the subjects of market, and also principles of its grant. However, these determinations take into ac-

count having a special purpose character of credit orientation.

Some scientists, in particular, V. Hryniova, O Proskura, O.M. O. Kolodiziev, O. Yaremenko [5,p.53; 14,p.72]interpret crediting as loan. Banking encyclopaedia interprets crediting as an economic category "...that presupposes expression of relations between the subjects of manage in the relation to a grant and reception of loan in monetary or commodity form on the terms of return, duration and payment"[10,p.306].

In our opinion equation of categories "credit" and "loan" are wrong. In accordance with the Civil code (article 827) a loan is given on free of payment basis and only as a certain thing, but not in a monetary form [24]. In addition, the loan does not possess peculiar principles of crediting. There is only one similar thing between loan and credit. Both of them should be reimbursed till the set term.

M.Savluk, L. Belousov interprets credit, as "... an economic relations between legal, physical entities and states in the question of cost redistribution on principles of returning and, as a rule, with payment of interests"[22,p.444; 1,p.156] .To our opinion, such determination does not characterize this economic category to the full extend, as non-payment of percent for usage is sometimes conceded, while credit is given on the terms of payment of interests. That generates the personal interest of creditor in establishment of credit relations.

It is necessary to give the determination of credit as systems of money relations. However such interpretation of crediting, makes the sphere of crediting action narrower (credit can be also allotted in a commodity form).

The legislative acts of Ukraine contain different interpretation of crediting essence. NBU Regulation "About crediting" determines a credit as borrowed capital of bank in a monetary form, that can be allotted for the temporal usage on the terms of supportability, payment, credit reimbursement, urgency, and usage for a special purpose[21].

We consider that this definition presupposes only bank crediting, as not all types of crediting involves above-mentioned terms.

The Law of Ukraine "On banks and bank activity" specifies credit as money or material

values that are allotted on the conditions of interest payment and to the set term, out from an agreement or from other grounds, id est it economic relations are statutory, or such, that does not conflict with him [12].

The Tax code of Ukraine defines the credit as money and material values that are given under a certain percent and for the determined term. Credit can be divided into financial, commodity, investment, tax, under securities, what the relations of loan specify on [20]. According to this definition, crediting essence is equaled with a loan, material values, and such economic categories as finances and credit are incorporated in one concept.

Different interpretation of economic category of credit in the different legislative acts of Ukraine, to our opinion, negatively influence the organization of crediting.

Today is the most common definition of credit as a form of movement of loan capital, ie money that is provided by the lender to the borrower on the terms of payment, povernenosti, for certain uses. However, A. Dzyublyuk believes that this interpretation : "Unduly limited forms of functioning of credit relations only cash, which is not true, as the credit can be, and commodity character" [9,p.9].

Quite simple definition of credit takes Polish economist G. Wirth, he notes that the loan - an agreement under which the borrower agrees to carry out these interest payments and capital lender maligned in time [26, p. 38].

In the works of Western economists often consider credit as a form of trust or promises. In particular, there is a definition of credit as a way to provide some goods, services or money in exchange for a promise of payment in the future [17, p.43]. V. Lexis notes that the loan - a trust the lender to the borrower [16, p.5]. In Encyclopedia of Banking and Finance author Charles J. Vulfera, credit - "... means the ability to purchase with the promise to pay or the ability to get the right products and get the goods in the present tense, and pay them in the future. Thus, credit means the actual transfer and supply of goods in exchange for a promise to pay in the future" [2, s.689]. T.Tuk English economist in his book "Study of the laws of money circulation", wrote that loan in its simplest definition are trust one person to another for which

it can be given capital (in money or goods forms) to be returned, with the use of this service due to the debtor pays interest [3, p.184].

So, we can assume that credit - a set of economic relations between economic entities, about the voluntary transfer of resources for temporary use on the conditions of the trust, payment, security, targeted use and economic benefits.

It should be noted that scientists-economists differently interpret a concept of credit relations of agricultural enterprises.

O. Kyrychenko considers that the credit relations of agrarian sphere characterize the new level of the development of economy, when the production process is preceded by a credit, a credit operation which gives an opportunity to define the amount of production and the conditions of realization of products at the certain market in due time [5].

Slightly different interpretation can be found in works of A.Somyk, who determines the credit relations of agricultural enterprises as economic, that appear in the process of realization of credit operations that take into account basic principles of crediting and objective requirements of the field [4].

Some scientists, including S. Onysko, V.Kovaliv, L.Syniavska believe that credit relationships are implemented in the lending process. They also noted that the lack of development of credit relations in agriculture caused by the existence of many risks [15, p.13]. However, it should be noted that the lack of lending to agricultural enterprises also caused by the fact that the financial and credit institutions seek cost-effective and profitable sectors of the economy for capital investment, the level of confidence which is much higher.

Consequently, credit relations are derived from the loan they originate and evolve depending on the development of the credit.

In our opinion credit relations of agricultural enterprises with creditors are social-economic relations between a creditor and agricultural enterprise, that appear as a result of allotment of credit funds or obligations, take into account specific feature inherent to this industry, and also provide for the observance of principles of crediting.

To summarize the above-mentioned statements it is important to point out that credit is one of the main factors of economic development, mainly of the agrarian sphere, on which depends the food safety of the country. Without providing proper crediting the enterprises of this industry will not be able to develop effectively.

Certain totality of factors that can have both positive and negative effect influences the efficiency of process of crediting of agricultural enterprises.

The efficiency of the crediting process of agricultural enterprises is greatly influenced by various factors that can involve both, negative and positive impact (Figure).

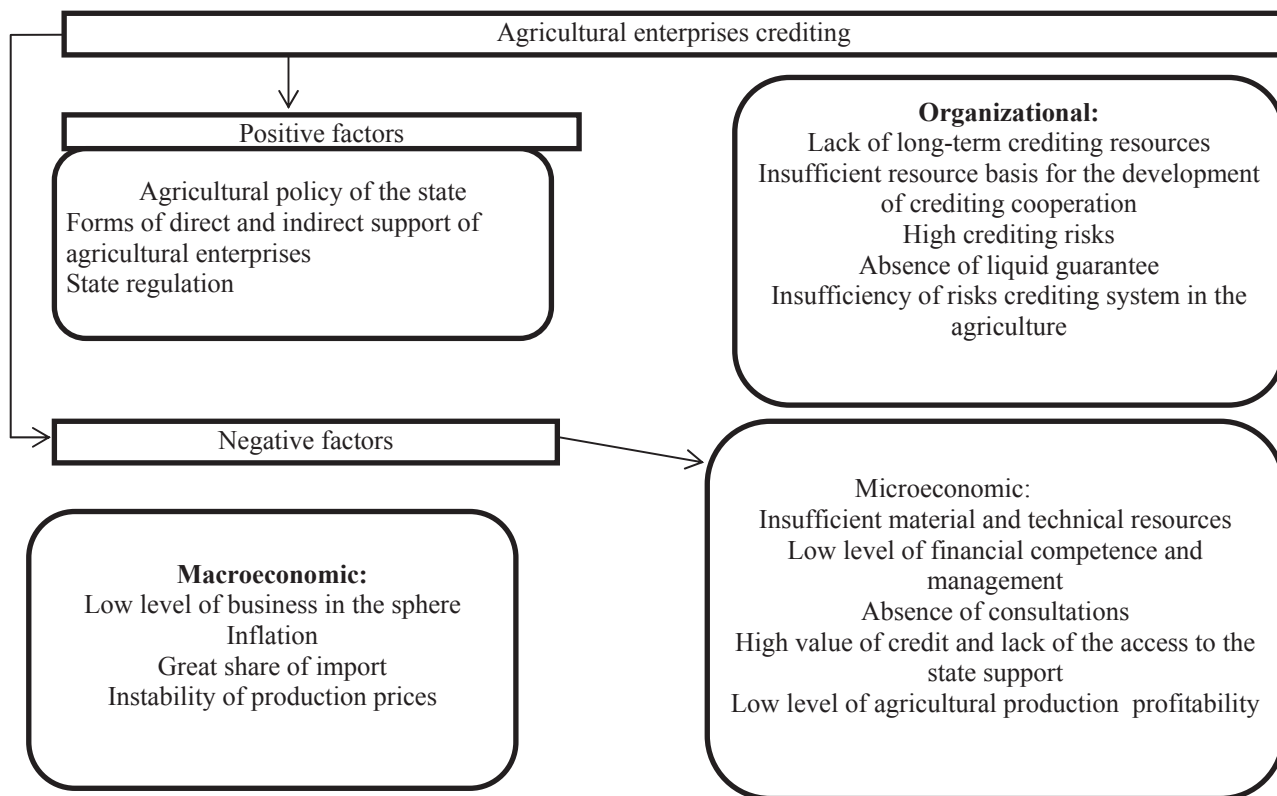


Figure. Factors, that influence the agricultural enterprises crediting

Source: Was grouped by author.

The specific features of agriculture, predefined by natural and climatic, socio-economic terms, biological processes, influence the peculiarities of its crediting, knowledge of them gives an opportunity to prognosticate a need in debt funds, providing by it the stability of activity of enterprises.

One of reasons that define the features of crediting of agricultural enterprises is a continuity of process of production. It is related to the fact that biological processes cannot be stopped, unlike technological processes in other industries. Any delay in realization of productive process results in distortion of the whole cycle of production that predetermines the necessity of establishment of credit relations at accurately set time.

The second feature of crediting is receiving a necessary sum of credits in full. Receiving

less money will entail distortion of the technological processes of production of agricultural goods, declination of efficiency of activity of the producer that can result in his bankruptcy.

The impossibility of development of agricultural enterprises without credit resources also is predefined by existence of time break between spending of money and its incoming in this industry. The time break is inherent to both plant growing and stock raising. However, the latter is characterized by not so sufficient vibrations of expenses in relation to the time of product output. The productive cycles of this industry depend on climatic conditions to lesser extent.

On the other hand, in plant growing can be seen an increasing disproportion of expenses, that is not covered by a product output, depending on climatic and biological conditions. With approaching of the fieldworks the necessity of

attraction of additional resources grows gradually. Enterprises prepare to the spring-field works, buy seeds, mineral fertilizers, fuels, etc. The highest necessity in credits appears in the third and at the beginning of fourth quarter that it is related to realization of agro technical measures, collection and procurement of agricultural production.

At the end of the year a necessity in additional funds decreases, but also, the incomings from realization of products diminishes. However, the decline of profits is relatively insignificant comparatively with the third quarter that allows the enterprises to carry out activity for the personal funds.

At the same time, the dependence of process of production on natural and climatic and biological factors predetermines the use of considerable shares of manufactured products as a productive resource for realization of the next stage of recreation and that is why it requires creation of considerable supplies of these resources. Such necessity increases a need of credits' involvement.

During market transformations agricultural enterprises ended up in a very difficult situation due to the considerable losses of material and technical resources in domestic agriculture. The drastic decrease of the level of technical equipment, worsening of providing mineral fertilizers and facilities of protection of plants became one of the principal reasons of substantial decline of financial results of activity of the industry.

Besides, most of the technical equipment that is in exploitation has the high degree of deterioration, or have already worked a depreciation term. The low level of hardware of agricultural enterprises results in distortion of agro technical terms of accomplishment of the field works and, as a result, to the drastic harvest loses.

Renovation of the main assets and providing of enterprises with the necessary means of production will allow to decrease the usage of fuel,

losses during a harvest, will assist the increase of intensity of agriculture, and thus, will provide financial firmness and credit solvency of enterprises of the industry. The solution of this problem has to assist the development of crediting of agrarian sector.

But the risk of the industry, low level of profitability, absence of deposit, high cost of debt funds, and sometimes the unprofitableness of enterprises deprives them of a possibility to get credits both for providing of continuity of production and for the improvement of technical facilities.

Low level of credit security of enterprises of the industry and their decline predetermine another feature of crediting of agricultural enterprises - aspiration of state policy on the decline of cost of credits for this group of borrowers, and also granting to them a possibility of realization of payments of credits after realization of manufactured agricultural products (especially in a plant growing).

Thus, formation of competitive agrarian sector of economy, including the increase of level of provision of enterprises with credit resources, acquires today extraordinarily important meaning.

Conclusions. In the modern terms of development of economy effective organization of crediting is possible on the terms if theoretical grounds of essence of credit and his role are explained. It will become a basis for realization of practical means for stimulation of innovative development of production, modernization of capital base of enterprises. Conducted research of credit essence gives an opportunity to mark the necessity of understanding of this category from the point of view of value that is given on certain terms. The specific features of agricultural industry generate the special approach to the problem and process of enterprises crediting. In particular, credits must come to the borrowers in time and in a needed amount on an acceptable to the enterprises cost and terms of redemption.

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