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A.A. Shlebat, K.I. Prokopenko

DOMINANTS OF MANAGEMENT MECHANISM OF FORMATION AND USE OF CAPITAL OF AGRICULTURAL ENTERPRISES

В статті розглянуто доміанти управління формуванням і використанням капіталу сільськогосподарських підприємств. Запропоновано модель побудови фінансового механізму формування та функціонування капіталу у сільському господарстві. Система формування основних функцій фінансового механізму формування та функціонування капіталу у сільському господарстві. Означено суб'єкти та об'єкти фінансового механізму формування та функціонування капіталу у сільському господарстві. Доведено, що об'єктами регулювання механізму є також засоби і форми фінансової підтримки що сприяють формуванню капіталу сільськогосподарського господарства, його нагромадженню та ефективному функціонуванню. Аргументовано, що з позиції держави варто розглядати наступні форми регулювання: правотворча, правозастосовна, правозахисна, організаційна. Обгрунтовано, що за своєю суттю і спрямуванням форми регулювання механізму є багатоманітні, які за своїм призначенням у сфері формування та функціонування капіталу повинні бути злагоджені. Лише комплексне поєднання форм регулювання сприяє оптимальному вирішенню назрілих завдань поставлених перед досліджуваним механізмом.

In the article the dominant management of capital formation and use of agricultural enterprises. A model of building a financial mechanism of formation and functioning of capital in agriculture. The system of formation of the main functions of the financial mechanism of formation and functioning of capital in agriculture. Author determined the subjects and objects of the financial mechanism of formation and functioning of capital in agriculture. Proved that the real adjustment mechanism is also the means and forms of financial support to facilitate the formation of capital agricultural economy, its accumulation and effective functioning. Argued that the position of the state should consider the following forms of regulation: law-making, law enforcement, human rights, organizational. Proved that nature and direction forms of regulation mechanism is varied that its purpose in the formation and functioning of capital must be coordinated. Only complex combinations of regulation promotes optimal solution of urgent tasks assigned to the investigational mechanism.

Ключові слова: капітал, сільськогосподарські підприємства, механізм, фінанси, форми регулювання.

Keywords: capital, agricultural enterprises, mechanism, finance, forms of regulation.

Dynamism of economic processes and reformation of agriculture in Ukraine require continuity of funding process of industry needs for strategic objectives to ensure national food security. However, structural changes in the activities of agriculture since independence of Ukraine unfortunately failed to reach. This is due to the fact that the process of becoming industry is in difficult political and economic conditions and the absence of adequate funding. In terms of volatility, one of the basic tools of revitalization of agriculture is to ensure the effectiveness of the financial mechanism of formation and functioning of capital of agriculture of Ukraine, which requires systematization of concrete directions of research and its qualitative and quantitative evaluation within the conceptual framework of the effectiveness of the mechanism from theoretical, methodological and practical point of view.

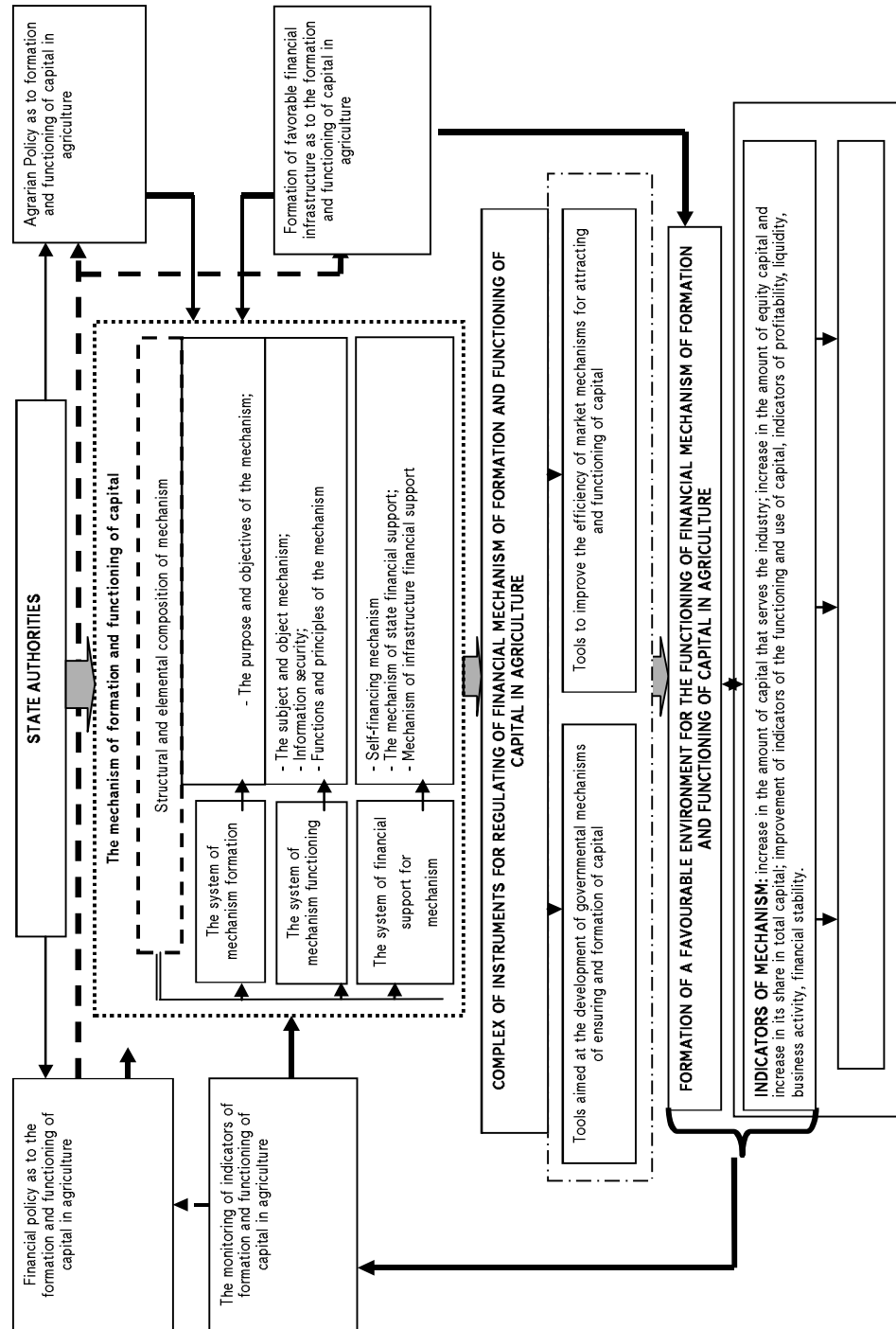


Fig. 1. Model of construction of financial mechanism of formation and functioning of capital in agriculture (formed by the author)

The essence and dominants of management mechanism of formation and use of capital of enterprises were investigated by many famous scientists: Bakerenko N.P., Balabanov I.T., Bezhinova L.I., Bobyr O.I., Kolesov I.V., Kovalyuk O.M., Krickliy O.A., Kruglova O.A., Matviyets M.V., Prokopenko N.S., Putjatin Y.O., Rybak S.O., Serpeninova Y.S., Vlasova N.O., Vykylyuk M.I., Zynovev F.V. and others, but the unanimous opinion in this regard does not exist. The latter leads to the systematization of scientific conclusions and outline of measures that will be directed to management decision making in terms of efficient management of formation and use of capital of enterprises.

Make a generalization of scientific views regarding dominants of management of formation and use of capital of management of enterprises activity.

For the purpose of expanded reproduction of agriculture in Ukraine, based on the main provisions of the structural and reproductive approach we advise to consider model of construction of financial mechanism of formation and functioning of capital in agriculture as many structural integral reproductive system (Fig. 1).

The main components of this mechanism are three systems: system of formation, functioning system and the system of financial support. The system of formation provides the process of organization and implementation of the mechanism of formation and functioning of capital in agriculture, because it determines the main directions and methodological basis (goal, objectives, principles and functions) of functioning system and financial support mechanism. Both systems perform its mission under the influence of the external environment and financial policies regarding the processes of formation and functioning of capital in agriculture. Structural and elemental composition of the system of capital formation of agriculture includes goal and objectives, institutional and information security, system of forms, methods and tools to ensure the mechanism. Let us consider their purpose and content in detail.

Thus, the main purpose of the financial mechanism of formation and functioning of capital in agriculture of Ukraine is the implementation of measures that will contribute to achieving the efficiency of agriculture through involvement in industry of the most appropriate amounts of financial resources and their rational use. The effectiveness of specified measures of agricultural support in terms of formation and functioning of its capital is determined by financial and of agrarian policy of State, principles for its implementation at all levels of the national economy. The discussions that are typical for the present time to solve the achievement of the main objective of the mechanism have multifaceted character. Authors' vision on this issue is, above all, in the need to identify priority objectives that are in front of mechanism. We believe that such an important category as «capital of agriculture» is not only able to maintain the appropriate level of development of domestic agriculture, and for the rational mechanisms of formation and use — will contribute to the achievement of operational, tactical and strategic goals of expanded reproduction of agriculture of Ukraine. In accordance with the foregoing, aggregate goal of studied mechanism is to provide long-term and perspective functioning of national agriculture through expanded reproduction, components of which should be the science and technology, innovation and socio-economic components.

The most important component of the financial mechanism of formation and functioning of capital of agriculture is the principles of its operation. Basic principles of formation and functioning of capital in agriculture are given in Table 1.

Table 1

The principles of the financial mechanism of formation and functioning of capital in agriculture (formed by the author)

№	Principles	Content
1	2	3
1	The principle of justification of need for sources of financial resources	is in the process of economic activity, subjects of agriculture are undertaken to justify economically the amounts of financial capital at all stages of the life cycle considering its features for agricultural enterprises
2	The principle of assessment of price of individual sources of financial capital and expediency of their involvement.	based on the fact that all sources of capital formation must be assessed from the perspective of their value or price. This makes it possible to make objective decision about expediency of their involvement
3	The principle of search and selection of the most appropriate sources of capital formation	is that the search and selection of sources of formation of financial capital should be based on its prior cost valuation
4	The principle of formation of different sources and mechanisms of capital formation	is that different sources, mechanisms and financial instruments form the individual elements, subgroups and groups of capital in the process of financing activity of agriculture
5	The principle of formation of a rational capital structure	defines the constant need to justify objectively and form rational structure of financial capital
6	The principle of rational use of capital	is that capital should be used efficiently to finance working and fixed assets of the entities
7	The principle of consideration of financial risk in the process of formation and use of capital	formation and use of financial capital combined with a significant risk that is appeared. Therefore the most important condition for its functioning is taking into account possible financial risks, their minimizing and the possibility of insurance
8	The principle of active lender role in the process of formation and use of capital by the subjects of agriculture	is that the result of formation and use of financial capital is largely determined by the activities of foreign entities that actively participate in the financial support of the entity (government, banks, financial institutions)

Based on fact that investigated mechanism is an integral part of the general financial mechanism, then respectively capital of agriculture seems to as add-category regarding finances and basic regarding management mechanism. In connection with the proposed approach, we believe that in action the financial mechanism of formation and functioning of capital in agriculture is taken by general management functions and functions of finances (Fig. 2).

Inefficiency of studied mechanism, inability to perform its assigned functions are determined by the lack of necessary financial sources to cover production needs of agriculture. Active solve of financial problems as to the possibilities of providing with financial resources would taken over by the state. Prescribed in legal acts methods and tools of financial support for agricultural enterprises, as also formation and functioning of capital, unfortunately, are only declarative. The priority is resolution of the issue of

rationality, efficiency and practical application of a set of measures of state regulation of sphere of industry capital formation and functioning based on institutional frameworks.

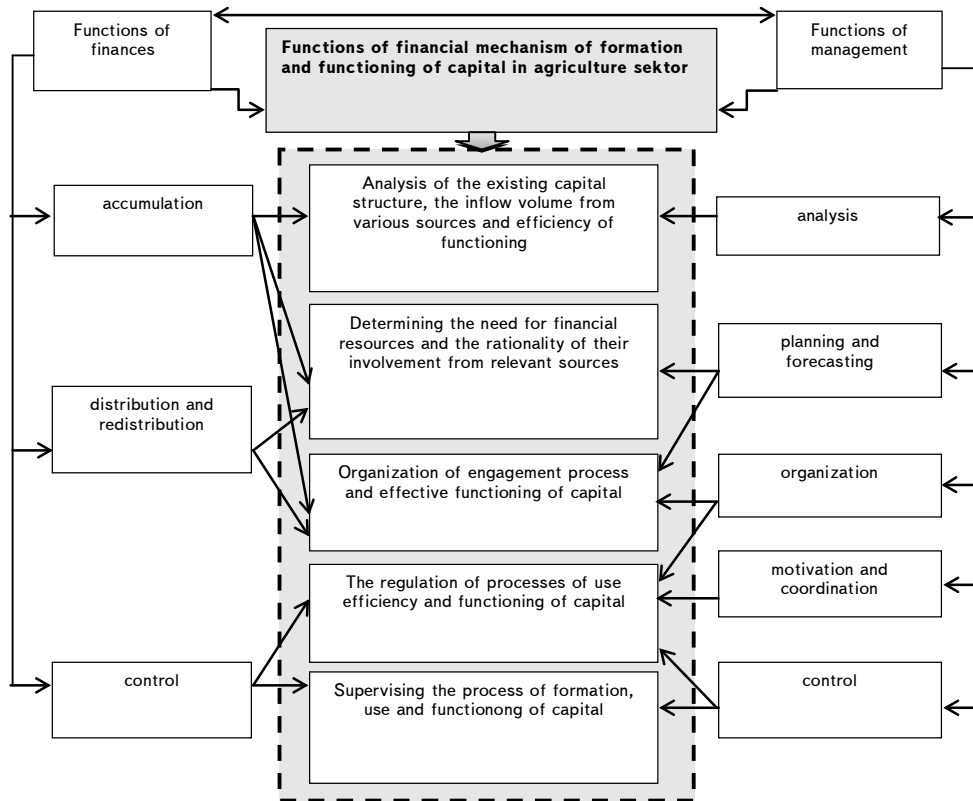


Fig. 2. The system of formation of the main functions of the financial mechanism of formation and functioning of capital in agriculture (adapted by the author to the subject of the research)

The need for state regulation of agriculture is determined by its specific nature (seasonality, high dependence on natural factors, the length of the production cycle) and purpose in society (food security of society). Relying on achievements of the world practice, in Ukraine there is a real, not declarative need for development and implementation of special mechanisms and programs of direct and indirect financial support for subjects of agriculture.

It should be noted that in the field of financial mechanism of formation and functioning of capital of agriculture use terms such as «regulation» and «management». The difference between these concepts lies in the breadth and depth of the impact of government interference in the functioning of financial mechanism of formation and functioning of capital and relationships that accompany these processes. Thus, if in this area under state management understands impact on the financial relations on the formation and functioning of capital of industry, then under control – focused impact of objects on objects when directions and limits of functioning of the mechanism are defined, its strategic objectives

and tasks, tools to solve them. Another difference between these concepts is the specificity and breadth of forms and methods of influence as well as subjects.

The complexity of the structure of studied mechanism is determined by its object, because on the one hand – a capital as itself (primary object), and on the other hand - financial and other matters arising in the process of formation and functioning of capital in agriculture. Object forms the direction and nature of economic relations between subjects of mechanism (internal and external counterparties). Thus, the object of studied mechanism is characterized at the same time as quantitative property, as it is in the form of financial resources, but on the other hand it has quality feature – different kinds of financial and economic relations.

During continuous and multidirectional movement of financial capital between subjects of the financial mechanism of formation and functioning of capital in agriculture may have a variety of relationships, which are characterized by the following properties: generation, interaction, functioning, transformation, development and management. Multifaceted relationships that are formed and operate practically within the mechanism determine its subjects. If simple systems have one subject, many structural systems are characterized by several types of entities that can be conditionally grouped by level or nature of the relations between them:

- 1) state and regional authorities;
- 2) subjects of financial market;
- 3) subjects of agriculture.

Subjects of studied mechanism are those state administration bodies and financial institutions that carry out state-legal and normative-legal regulation of activity of agriculture subjects, which is associated with the formation and functioning of their capital. State authorities ensure the proper implementation of the provisions of the agrarian, tax, financial, civil and commercial law, and other financial institutions and organizations fulfillment of contractual relationships as to financing issues, daily management regarding the timeliness and completeness of their return. Moreover, state authorities control actions to meet its financial obligations to the subjects of agriculture and the activities of financial institutions and organizations (banks, leasing companies, insurance funds, financial institutions, foundations, financial support funds, etc.).

It is worth noting that the relationships that are formed between the subjects in the mechanism are both bilateral and multilateral. This is what determines the number of subjects – interested parties that affect on capital making processes in agriculture. In our view, it is useful to distinguish them on internal and external subjects. It is obvious that the internal functioning of the mechanism is provided by subjects which are directly involved in the formation or functioning of capital in agriculture. The external include materially and financially interested partners, creditors, suppliers, investors, financial and credit institutions, state and local authorities and others. The relationship between subjects and objects of the financial mechanism of formation and functioning of capital in agriculture is presented in Fig. 3.

Influence of subjects on objects of the financial mechanism of formation and functioning of capital in agriculture is based on the information provision (incoming and outgoing information) that acts as a basis for further decisions on the inflow of financial resources, capital structure, forms and methods of capital formation, etc. The objects of

regulation of mechanism are also the means and forms of financial support to facilitate the formation of capital of agriculture , its accumulation and effective functioning.

From the position of the state it is necessary to consider the following forms of regulation:

Lawmaking. It is implemented by state administration authorities (legislative: VRU, executive power: CMU, IFIs, Ministry of Agrarian Policy of Ukraine) for the development, discussion and publication of related legal acts regarding financial support for agriculture and initiation of appropriate financial agricultural activities, their implementation for the development and support for sufficient amount of capital that will provide the intensity of development of the industry. This form is aimed at improving the organization of processes of capital formation of industry, measures of its functioning, material incentives of financial market participants to ensure the industry with capital; promote effective and rational use of financial resources by economic entities; determining of the order of financial support programs, observance of rights and obligations by all parties of financial transactions (state, subjects of agriculture, financial institutions). In order to implement certain norms of Agrarian Policy this form must be operational and creative and manifested in the following: demand initiatives, be aimed at resolution of goal and tasks require activity of subjects of management and regulation, take into account the real circumstances of financial support for industry, etc.

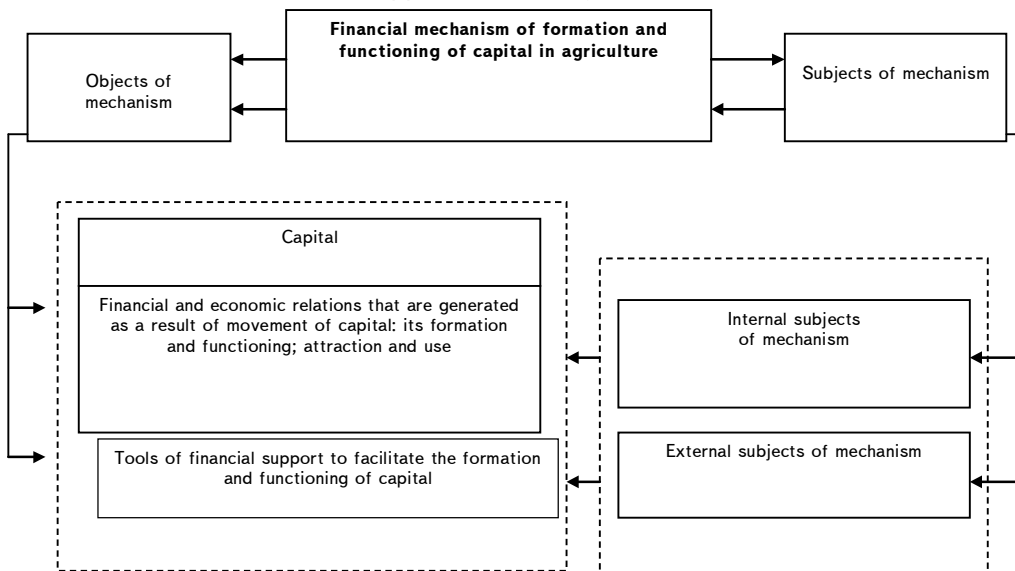


Fig. 3. Subjects and objects of the financial mechanism of formation and functioning of capital in agriculture (formed by the author)

Law-applicable. The mentioned form is realized in the individual legal acts of individual character, containing orders concerning the rights and obligations of the parties participating in the financing of agriculture. Such orders have clearly defined destination, solved clearly set individual issues in this area; form the legal facts that lead to financial

relations between the borrower and lender. Individual acts are very common in this kind of the state support, though they must comply with regulations.

Law-protective. Manifested in the relevant forms of audits of use of involved state financial resources by agricultural enterprises; respecting the rights and obligations of the parties as lending or investment; implementation of targeted financing programs of agriculture; advocate the rights and interests of farmers; use measures to prevent illegal actions of of financial relationships subjects and so on. The need for functioning of that form is manifested by existing facts of violations of the rights of the parties of financial transactions. These violations have both active and passive forms. The first is manifested in the direct intentional non-compliance of rights of agriculture subjects and ignoring the demands of the mechanisms of financial support programs, programs of their development. The second – is inaction, negligence and unmanaged approach to possible options of financial recovery of industry. Law enforcement is linked to the law institution and sanctions for violations of the law and contractual conditions.

Organizational. Its purpose is to ensure the most effective activity of agriculture of the state based on the formation of rational measures of attraction and formation of capital of industry. For the efficiency of studied mechanism are important content and purpose of organizational measures, among which are worth noting: clarification of the provisions and principles of use of the state financial support by subjects of agriculture; involvement of subjects of agriculture and financial intermediaries to finance development programs of industry; implementation of scientific and technical programs and more.

At its core and direction _ forms of regulation of mechanism are varied that for its intended purpose in the field of formation and functioning of capital must be coordinated. Only integrated combination of regulation forms promotes optimal solution of urgent tasks assigned to the studied mechanism.

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