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GEO-ECONOMIC TRANSFORMATION OF THE FINANCIAL AND CREDIT POLICY OF THE AGRICULTURAL INDUSTRY OF UKRAINE

Geo-economics reflects the main trend in the development of the financial and credit policy of the agro-food industry in the modern world, since the internationalization of its system through the monetary, banking and budgetary components has entered its final phase and has become a single whole during the period of military conflicts [4]. At the same time, the geo-financial system, which ensures geo-economic changes in the development of the financial and credit policy of the agro-food industry, is achieved through a logistical window that opens the movement towards the localization of global financial institutions of those partner countries (market participants) that balance financial and credit flows on its territory, regulate bank lending by the tariff method, that is, are engaged in the global development of new economic ties with the EU [1].

It should be noted that, remaining within the framework of the trade-intermediation doctrine, the model of reproduction of the financial and credit system (FCS) of agro-food industry entities may undergo a prolonged recession. That is, the national financial and

credit system of agro-food industry entities, spending financial resources through foreign trade, loses the dominant redistributive function in the reproduction process of the financial cycle. At the same time, a larger share of capitalized financial resources goes to international financial institutions. Therefore, according to national legislative requirements, banking institutions must form reserves for assets (for financial assets, as well as receivables) and financial liabilities [5].

The economic environment of the agro-food sector in Ukraine, both at the international and national levels, has been subjected to systemic negative impacts as a result of Russian aggression, which has created a number of short- and medium-term risks and challenges in the financial and credit policy of Ukraine, to which partner countries are responding in a coordinated manner, that is, in fact, the integration of the country's financial and credit flows into other, more stable countries is taking place. This is due to the competition (political, economic, financial, humanitarian) between the democratic and authoritarian world, which increases attention to the problems of interaction and confrontation of the three most influential centers of the geo-financial and geo-economic systems [6]. However, the war unleashed by the aggressor country against Ukraine has accelerated the realization of the lack of alternative for the country's movement towards full membership in the EU. This requires Ukraine to increase institutional efforts, implement measures and instruments to maintain financial stability, strengthen the capital of the agro-food sector in the context of military operations and post-crisis recovery.

The foreign economic sector of the agro-food sector faces significant currency risks on export-import operations, which affect the monetary sector and increase the dependence of production entities on financial and credit flows of national banking institutions and global financial institutions. Thus, it should be noted that when exporting grain crops in 2023, the loss of profit per 1 ton of products (own savings) on average per one agro-food sector entity amounted to 129.34 USD. The reasons for the under receipt of own financial savings is the increase in the revaluation of the national currency against the US dollar by 1.26 times, which led to a loss from 1 ton of grain exports in the amount of 74.71 USD. US per agro-food sector entity. At the same time, if in 2025 the hostilities in the country cease, geo-economic policy and the geo-financial system in the world form a

stabilization dynamic, then, hypothetically, it is possible to calculate how much the level of own financial savings of agro-food sector entities has increased compared to 2023 during the devaluation processes of the national currency. Thus, in Ukraine, the stabilization of the price mechanism for the export of agro-food products will increase by 2.07 times (due to the return of the exchange rate of the national currency to the initial period of 2022, i.e. the pre-war period). This will allow Ukrainian agro-food sector producers to partially ensure the capitalization of their own financial savings. At the same time, on average, the profit per 1 ton of product per business entity will be 422.49 USD (Fig. 1).

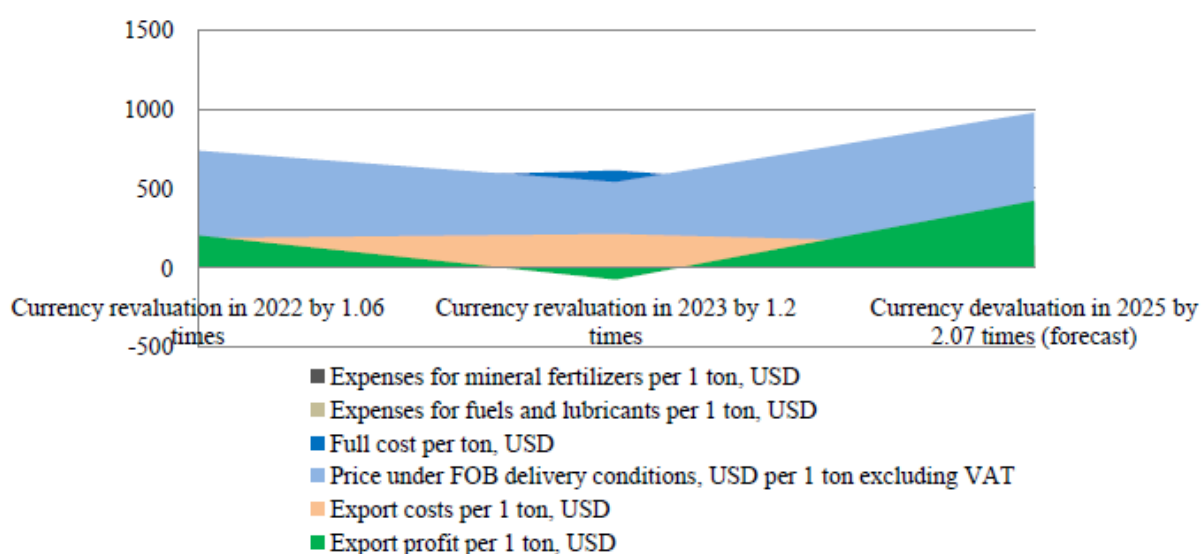


Figure 1. The impact of currency risks on the export of grain crops on average per one entity of the agro-food sector of Ukraine in 2023

Source: own calculations

The strengthening of credit support for agro-food sector producers by the state has made it possible to activate state lending programs, in which state-owned banks actively participate. Thus, of the total volume of bank loans issued, 56.4% of them are directed to sources of financing for agribusiness structures under the state program “Affordable Loans 5-7-9%”. Loans under the program account for about 40% of the net corporate portfolio in the national currency. In 2022, bank lending grew primarily due to this program, which has been activated in state-owned banks. Within the framework of this program, in 2022-2023 more than 80.42 thousand business structures of the agro-food industry were credited

with restoring their financial potential in the amount of 6.94 billion USD. In the first two months of 2024, the amount of loans under the state program amounted to 7.32 billion USD [3].

The synergy of the program “Affordable Loans 5-7-9%” with portfolio guarantees significantly expanded clients’ access to credit. The program added the purpose of the loan application – supporting business in wartime, expanded lending to the agricultural sector, support for the sowing campaign, and restoration of destroyed businesses, subject to its relocation. The sources of financial and credit support for the agro-food industry of Ukraine are external loans and grants from global financial institutions in Europe and the world. In 2022, Ukraine received 32.2 billion USD of international financial assistance and 32.7 billion USD to support the agro-food industry. In the three quarters of 2023 the share of loans increased by 11.2 percentage points, while the share of grants decreased by 13.6 percentage points. In 2023, the general fund of the State Budget of Ukraine received about 5 billion USD of external financing. Grant funds, which are provided on non-repayable terms, accounted for 11% of the total amount of financial assistance. Among the donors: Japan – 2.2 billion USD (concessional financing and grants); EU – 1.6 billion USD (concessional financing); International Monetary Fund - about 900 million USD (concessional financing); Norway – 190 million USD (grant); Germany – 55 million USD (grant); USA – 50 million USD (grant); Switzerland – 20 million USD (grant); World Bank – 8 million USD (concessional financing). In January 2024, within the framework of the World Bank project, the State Budget of Ukraine received 390 million USD from Japan. Of the total amount of funds, financial assistance from the grant part in the amount of 89.8 million USD is directed to the project “Emergency project to provide inclusive support for the restoration of agriculture in Ukraine” [2].

Thus, for the restoration and further development of the financial and credit policy of the agro-food sector of Ukraine, coordinated work of all links of the mechanism of financial support of partner countries and international organizations is required. The strategy of financial and credit policy for the development of the agro-food sector should ensure an increase in direct and indirect financing of its business entities to increase production and, subject to increased state support, attract business entities to capital

investment and increase their own savings. This will significantly increase the financial indicators of agro-food sector entities and tax payments to the budget, in particular VAT and income tax.

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