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### **Financial support of agricultural enterprises by the results of their activities**

**Abstract.** The article considers the issues of state financial support for agricultural enterprises with an assessment of the relationship between the results of their activities and the amount of financial resources provided. The financial support of the agricultural sector of the economy is based on uneven cash flow due to the influence of the seasonality factor, the objective need to use borrowed resources in production processes, the subsidized nature of the agricultural production itself, and others. It is proved that, based on the principles of a systematic approach, the optimization of the structure of the formation of financial resources should be considered from the point of view of interdependence and interaction with production efficiency. It is necessary to rationalize measures of state financial support for agricultural production and increase its effectiveness. It is necessary not only to increase the volume of funds allocated from the republican budget, but also to improve their use by providing financial resources to entities taking into account the results of their activities, and not depending on the size of their authorized capital. The experience of individual enterprises cited in the article testifies to the positive impact of financial and credit resources provided to agricultural producers, even in the difficult conditions of their functioning and despite problems in their financial support.

**Keywords:** state financial support, agricultural sector of the economy, production efficiency, agricultural production, methods of analysis of financial condition, subsidies, production indicators.

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**Methodology:** the use of methods for comparing calculated levels of dynamics according to the financial statements of enterprises.

**Introduction.** The current economic situation and the trends of its possible change predetermine the need to eliminate the shortcomings of the functioning of agricultural units identified at this economic stage, to make appropriate changes and adjustments to the mechanisms for distributing and bringing to the final recipient state financial resources. The current financial and lending policy in the field of the country's agro-industrial complex does not fully cover the organization of financing enterprises in the industry, and budget expenditures are generated without sufficient economic justification. It is also necessary to reconsider the existing approaches to the distribution of budget funds by directions and economic entities, to proceed with financing the most effective projects in areas that contribute to the growth of the competitiveness of the agricultural sector and the development of the country's economy.

Proceeding from this, in our opinion, one of the most difficult methodologically, but nevertheless requiring a solution, is the question of a quantitative assessment of the volume of budget funds provided to agricultural producers and the possibility of assessing their effective use.

A clear, accessible and open system of methods, levers and tools, as well as an effective mechanism for their use should ensure the objective distribution of financial resources and coordination of the behavior of business entities. Since **the main goal** is to ensure the effective development of agricultural production, it is necessary to create an effective system of state regulation and financial support for agriculture, combining the goals, methods, means and forms of influence and allowing to determine their effective combination in solving specific problems.

**Purposes.** The most common form of state financial support in our country is concessional lending to agricultural producers, we as a goal in this article, on the one hand, examined the effectiveness of intermediary activities of financial institutions providing such services. First of all, these are credit partnerships (CP) that directly provide financial services to agricultural producers. On the other hand, the results of the activities of direct recipients of financial resources - agricultural producers were analyzed.

**Main part.** The rural credit partnerships currently existing in our republic should provide trade and intermediary services and include elevators and granaries, breeding and slaughter centers, production shops for processing agricultural raw materials, shopping centers for selling products, etc. The presence, for example, of elevators is called upon to ensure an improvement in the quality of grain and, accordingly, an increase in its price, and the availability of breeding centers — the introduction of high-quality livestock breeds. Of course, elevators and granaries already exist in the village, but they do not belong to credit partnerships, which creates many difficulties, since their services even for storing and processing grain are too expensive for agricultural producers.

Since many credit partnerships, due to their low power, cannot cover the whole range of intermediary services needed by agricultural producers, it is necessary to combine credit partnerships into credit unions on the principles of cooperation. It should be noted that at present, associations for the storage and processing of agricultural products have been created and are being created in the republic, many of which are successfully functioning.

However, existing credit partnerships, associations, and even the Agrarian Credit Corporation itself, in essence, are intermediaries in the distribution of budget funds, and on a reimbursable basis. All of them represent the steps of the hierarchical ladder; each of them carries out, at its own level, “cutting coupons” legally. In essence, credit partnerships initially lost the basic idea of cooperation, since the concept of “credit partnership” meant organizing a mutual credit of partners, which was based on personal trust and the principle of non-profitability of their activities. In the modern concept of credit partnerships are practically no different from commercial banks, and very small banks. Therefore, in the future, a painless transformation of credit partnerships into agricultural banks is possible.

At the same time, the study of the contents of a number of scientific publications allows us to note that the ongoing globalization processes pose new questions from the point of view of theoretical, methodological and practical understanding of the directions and results of agricultural financing [1, 2, 3]. It should also be noted that, judging by the index of the ratio of growth rates of gross output and growth rates of volumes of financial support [4], i.e. in terms of the indicator that characterizes the level of effectiveness of such support, state financing and lending to agricultural producers is still ineffective.

Concerns are expressed that excessive government intervention in the agricultural sector could lead to serious imbalances and a negative impact on the functioning of the agricultural sector. In these conditions, it is necessary between the use of free market relations and government intervention in the agricultural sector to find the optimal mechanism of interaction.

From the materials of annually approved republican budgets it is not difficult to notice that huge budget funds are allocated for state support. The question now consists, first of all, of how effectively these funds are used, what is their return, how effective is the financial mechanism for regulating and stimulating agricultural production.

Since agricultural producers are rendered financial services, first of all, by credit partnerships (CP), let us consider the effectiveness of intermediary activities of such financial institutions. At the same time, we will evaluate the results of the activities of agricultural enterprises directly receiving allocated financial resources.

As objects for evaluating the activities of credit partnerships and agricultural enterprises, we chose CP “Tselinogradskoye” LLP in the Tselinogradsky district of the Akmola region and agricultural enterprises lending with this CP. As of 01.01.2018, the number of participants in the CP amounted to 57 agricultural entities, the authorized capital of the CP reached more than 229 million tenge. Due to the lack of data on the results of CP activities for 2018, we present some indicators characterizing the activities of the partnership.

Table 1

**Volumes of loans granted by CP in 2017**

Loan program	Amount of loans by types, tenge	
	Short-term	Long - term
Primary credit line	2 685 819 471	387 846 237
CP’s own funds – «Trust» program	172 485 000	-
Total	2 858 304 471	387 846 237
	3 246 150 708	

Note: the table compiled by the author according to [5]

For the amount shown in table 1, more than 3.2 billion tenge, 25 agricultural enterprises were funded with a planned volume of 2.6 billion tenge. The allocation of such significant loan amounts was made possible due to the high growth rate of CP’s loan portfolio (by 44%). Of these funds, 82.7% was provided for replenishment of working capital, including spring field and harvesting. 8.1% of the amount of loans issued was obtained for the acquisition of fixed assets. In addition, enterprises attracted loans to finance construction and installation works (3.8%), for urgent needs - 5.3% of the total amount of loans issued.

Table 2

**Volumes of loans granted by CP in 2018 (first half year)**

Loan program	Amount of loans by types, tenge	
	Short-term	Long - term
Primary credit line	1 797 866 677	701 239 182
CP’s own funds – «Trust» program	112 700 000	-
Total	1 910 566 677	701 239 182
	2 611 805 859	

Note: the table compiled by the author according to

Note that in 2018, the size of loans only for the first half of the year amounted to 80.5% of the total loans allocated to farms of CT Tselinogradskoye for 2017 as a whole. Of this amount, 68.8% were received by farms for spring-autumn sowing and harvesting, 19.5% - for the purchase of agricultural machinery and equipment, and only the rest of the loans (about 10%) were used to purchase farm animals. It seems that CT should reconsider the structure of the loan portfolio in order to implement the State Agribusiness Development Program in terms of supporting the

development of dairy and beef cattle breeding. The partnership under review in question is a participant in state subsidies to agricultural producers.

Since 2014, when the program “Subsidizing for the reimbursement of part of the expenses incurred by subjects of agriculture in investing” was introduced, aimed at stimulating the renewal of the fleet of agricultural machinery and equipment, CP has provided subsidies to 7 enterprises total cost more than 34.8 million tenge.

Table 3

**CP indicators on subsidizing interest rates, thousand tenge**

Periods	S u b s i d i e s received	Number of borrowers	Listed subsidies	Returned to Budget
2015	33248,4	17	33135,0	113,4
2016	84265,4	26	84135,6	129,9
2017	187229,4	27	168805,8	862,8
2018	154038,5	32	151932,9	2105,5
Total	458781,7	102	455270,1	3211,6

Note: the table compiled by the author according to [5]

The data in table 3 indicate that CP over the past three years of the existence of the program “Subsidizing interest rates on loans” provided subsidies, the amount of which increases annually, but the amount of their return is unsatisfactory.

From the above data it is not difficult to notice that the government annually provides significant amounts from the budget to stimulate the development of the agricultural sector. Questions come up - what is the effectiveness of government support measures, how are agricultural producers’ results taken into account when allocating credit resources, how is the targeted use of loans monitored?

CP reporting data show that in the analyzed year, the mass of profits from operating activities increased by 19.4%. A factor in the increase in profit was a significant decrease in administrative expenses (by 34%). Such a result of CP provides a sufficiently high level of profitability ratios of assets, equity and borrowed capital, as well as an acceptable level of cost recovery.

Table 4

**Lending indicators for agricultural producers of CP**

Indicators	2015	2016	2017	2018 (first half year)
Number of CP participants receiving loans	26	28	25	32
Loans issued, total, mln. tenge	1449,2	2515,9	3246	2611,8
including working capital loans	1301,9	1709,5	2858	1910,6
including loans for the acquisition of fixed assets and other purposes	147,3	806,4	387,8	701,2
A loan was issued for 1 participant on average, mln. tenge	55,7	61,1	129,8	81,6

Return of credit resources, million tenge	1120,4	1633,8	3288	1957,8
% loan repayment	77,3	95,6	101,3	74,9

Note: the table compiled by the author according to

According to the data in table 4, the status of lending to agricultural partnerships by credit partnerships, judging by the average rate of granting loans per participant, indicates that for the period under review there has been a generally positive dynamics in lending volumes.

However, the number of loan recipients and their total volumes vary by year. So, the most significant loan amounts were issued in 2017 - more than 3.2 billion tenge and for the first half of 2018 - more than 2.6 billion tenge. In general, these data show the development and effectiveness of the partnership itself. It should also be noted a satisfactory condition for the repayment of loans, since there is a fairly high level of loan repayment, which ranged from 95-101%.

Note that in general there is a low share of investments in fixed assets, i.e. this means that the share of long-term loans is still insignificant. In fact, the direction by agricultural producers of more significant amounts of credit resources to increase their assets would contribute to their further development, would indicate the renewal of fixed assets necessary to increase production and sales of agricultural products, improve technology and expand areas of activity.

Meanwhile, a study of the results of the activities of direct loan recipients suggests that the provision of loans to agricultural producers, subsidized interest rates on loans received have significantly improved the performance of production and financial activities of the majority of credit partnership participants.

So, in 2017, all CP participants assigned 107,171 ha for grain crops, of which 96501 ha belonged to legal entities - 90.0% and 10,670 ha - to individuals, or 10.0%. As in previous years, the majority of crops sown is wheat (over 80%). The ownership of all CP borrowers, the livestock stock, most of which was acquired through loans and borrowings, increased to 7,350 head of cattle, 658 head of small cattle, 2,072 head of horse and 10 head of camel.

Table 5

**Indicators of crop production JSC «Agrofirm» Aktyk»**

Indicators	2016		2017		2018		2018/2017 in %	
	wheat	barley	wheat	barley	wheat	barley	wheat	barley
Sown area, ha	20120	1200	20150	2600	18318	1200	90,9	46,1
Productivity, t / ha	13,2	57,3	9,2	10,9	12,3	30	133,4	2 , 7 паза
Gross yield, t	265170	68760	185375	28340	224910	36000	121,3	127,0

Note: the table was compiled by the author according to

The level of efficiency of using the loans received and, most importantly, how they influenced the production of gross agricultural output, can be judged by the results of the activities of one of the participants in the partnership - Agrofirm Aktyk JSC (table 5).

At the same time, we note that in the enterprises there is mainly a sowing of monoculture - wheat, sometimes barley with livestock. Existing problems with the sale of grain affect the repayment of obligations on subsidies received. Limited, sometimes lack of pasture and grasslands reduces the economic efficiency of livestock development by obtaining subsidies and loans for special programs.



**Conclusion and final results.** Thus, the implementation of state programs of financial support for agriculture is carried out by credit partnerships that directly finance agricultural producers. At the same time, CP, providing intermediary assistance in the distribution of lending resources allocated from the republican budget, demonstrates its financial stability and the effectiveness of its activities. In addition, by increasing the volume of loans issued to agricultural producers, subsidizing interest rates on loans received, the partnership contributes to a significant improvement in the production and financial performance of most participants in the credit partnership.

Progressive achievements in the development of individual agricultural enterprises as a whole show the effectiveness of attracting loans. The experience of such enterprises gives reason to argue that, *ceteris paribus*, financial and lending resources provided to agricultural producers contribute to the growth of production volumes. This is possible even despite the difficult conditions that exist both in their functioning and in their financial support. One of these conditions can be called the fact that in the practice of organizing the functioning of agricultural enterprises there are examples of a relatively high level of material costs. However, as the analysis shows, the rational use of production and financial resources, a high level of organization and management provide a high level of production and low cost of production.

The main recipients of loans are large agricultural enterprises, which mainly provide growth in agricultural production, especially in the crop sector. Peasant farms still do not have the opportunity to receive loans, especially long-term loans for the purchase of agricultural machinery, since the achieved production indicators remain quite low in terms of securing loans.

The final results of the production and financial activities of agricultural formation are more dependent on the forms of support that are provided to farms in the field of organizing production, providing them with equipment, fuels and lubricants and other resources. The efficiency of using the funds of the republican budget could be much higher if the actual receipt of budgetary funds to agricultural producers was carried out taking into account not only their seasonal and peak needs, but also taking into account agronomic terms and technological requirements. The same applies to the supply of agricultural machinery, pedigree cattle on leasing terms using budget funds.

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### **Ауыл шаруашылық кәсіпорындар іс-әрекетінің нәтижелері бойынша оларды қаржылық қолдау**

**Аңдатпа.** Экономиканың агроөнеркәсіптік кешенін қаржылық қолдау проблемалары бойынша әртүрлі дереккөздерді зерттеу аграрлық сектордағы қаржылық-несиелік қатынастарға мемлекеттің әсер ету жүйесі өзара байланысты экономикалық, құқықтық және ақпараттық салалар жиынтығын пайдалануға негізделгенін көрсетеді. Бұл жүйе шаруашылық жүргізуші субъектілердің нарықтық өзара әрекеттесуі үшін жағдайларды жүзеге асыру шеңберіндегі бағдарламалар мен іс-шараларды жүзеге асыруға, олардың тиімді жұмыс істеуі үшін оңтайлы жағдайларды жасауға, шаруашылық жүргізуші субъектілердің қаржы-шаруашылық қызметіне араласудың рұқсат етілген шекараларын бұзбай және олардың қаржылық тәуелсіздігін сақтауға ықпал етуі керек. Ауыл шаруашылық өндірісін мемлекеттік қаржылық қолдау шараларын оңтайландыру және оның тиімділігін арттыру қажет. Республикалық бюджеттен бөлінетін қаражат көлемін ұлғайту ғана емес, сонымен бірге субъектілердің қаржылық капиталының мөлшеріне тәуелді емес, олардың қызметінің нәтижелерін ескере отырып қаржылық ресурстармен қамтамасыз етіп, сол ресурстарды пайдалануын жақсарту қажет. Мақалада келтірілген жекелеген кәсіпорындардың тәжірибесі ауыл шаруашылығының тауар өндірушілеріне олардың жұмысының қиын жағдайларында да, оларды қаржылық қамтамасыз етудегі қиындықтарға қарамастан берілетін қаржылық-несиелік ресурстардың оң әсерін көрсетеді.

**Түйін сөздер:** мемлекеттік қаржылық қолдау, экономиканың аграрлық секторы, өндіріс тиімділігі, ауылшаруашылық өндірісі, қаржылық жағдайды талдау әдістері, субсидиялар, өндіріс көрсеткіштері

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### **Финансовая поддержка предприятий сельского хозяйства по результатам их деятельности**

**Аннотация.** Изучение различных источников по проблемам финансовой поддержки аграрного сектора экономики свидетельствует, что система государственного воздействия на финансово-кредитные отношения в агропромышленном комплексе основывается на использовании комплекса взаимосвязанных экономических, правовых и информационных направлений. Данная система должна способствовать осуществлению программ и мероприятий в рамках реализации условий рыночного взаимодействия экономических субъектов, созданию оптимальных условий их эффективного функционирования без нарушения допустимых границ вмешательства в финансово-экономическую деятельность хозяйствующих субъектов и одновременного сохранения их финансовой независимости. Необходимо осуществлять рационализацию мер государственной финансовой поддержки сельскохозяйственного производства и повышение ее результативности. Нужно не только увеличивать объемы средств, выделяемых из республиканского бюджета, но и рационализировать их использование, предоставляя финансовые ресурсы субъектам с учетом результатов их деятельности, а не в зависимости от размеров их уставных капиталов. Приведенный в статье опыт деятельности отдельных предприятий свидетельствует о положительном влиянии предоставляемых сельхозтоваропроизводителям финансово-кредитных ресурсов, даже в сложных условиях

их функционирования и несмотря на проблемы в их финансовой поддержке.

**Ключевые слова:** государственная финансовая поддержка, аграрный сектор экономики, эффективность производства, производство продукции сельского хозяйства, методика анализа финансового состояния, субсидий, производственные показатели.

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