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## FINANCIAL PROVISION FOR COMPETITIVENESS OF AGRICULTURAL ENTERPRISES

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**Abstract:** *An important condition for ensuring the competitiveness of an enterprise is the effective use of the innovative, financial, and information capabilities of the enterprise, which collectively constitute its potential and which should be competitive. The purpose of this article is to substantiate and develop the algorithm of the strategy of financial support for agricultural enterprises' competitiveness. Based on the calculations, the forecast of financial resources parameters of LLC Svitanok in 2019–2023 was developed, which reflects the tendency of reducing the parameters of financial resources, which itself confirms the need to improve the financial security of the enterprise. This article presents the components of the strategy for ensuring the competitiveness of agricultural enterprises in terms of financial provisions, which will enable the prediction of the main indicators of the enterprises and the adaptation of the system of attraction and use of financial resources to a changing environment. A strategy for improving financial support for agricultural enterprises' competitiveness is proposed, which suggests the choice for the agricultural enterprise of the paradigm of development among the proposed alternatives. The implementation of a paradigm of existence, equilibrium, or perfection should be combined with an increase in the level of economic and financial security and a reorientation of export activity.*

**Keywords:** *financial support, financial resources, competitiveness, agrarian sector.*

**JEL:** *G1, Q10*

## **1. Introduction**

One of the most important modern trends in the socio-economic development of Ukraine is the growth of the competitiveness of all sectors of the national economy. The agricultural sector – which plays a leading role in shaping the country's export potential in providing food, energy, environmental safety, and economic growth, as well as social equilibrium in society – is no exception. For the active economic integration of the agrarian sector of Ukraine's economy and the adaptation of domestic agricultural enterprises to the current requirements of the world market, it is necessary to maximize the efficient use of opportunities and existing benefits, taking into account probable threats and risks. It is important to focus on financial support through the prism of the competitive development of agricultural enterprises [1–2, 8].

The development of the competitiveness of agricultural enterprises is formed at the expense of the powerful production potential and natural resources with which the country has been endowed. In an economic downturn and financial crisis, the agricultural sector in Ukraine is surely showing positive dynamics, thus sustaining the entire country's economy in a multiplier effect. Transformations of the system of economic relations caused by global and local factors give rise to the need to increase the level of competitiveness, first of all, due to the full financial support of the activity [3,7,9].

The agricultural land of Ukraine is the largest in Europe and constitutes 41.5 million hectares (70% of the country's territory), of which 32.5 million hectares are used for growing crops. Therefore, there is every reason to assert that, subject to the provision of appropriate financial support, the agrarian sector of Ukraine's economy can be competitive in foreign markets.

## **2. Research Results and Discussion**

For the perception of agricultural enterprises it is necessary to follow a methodical tool for determining the financial support of activities and the level of competitiveness of agricultural enterprises. The need for such an approach is explained by the interdependence and coherence of these processes and the existence of causal relationships between the state of financial support and the level of competitiveness of agricultural enterprises. Using internal (belonging to the company) and external (borrowed or invested) financial resources in the process of production, agricultural enterprises must monitor financial support as it is crucial for commodity production and the development of agricultural enterprises, and also affects their competitive presentation in the market.

To determine the financial support of activities, it is necessary to identify indicators that determine the sufficiency and effectiveness of the use of financial resources by agricultural enterprises. The economic and financial performance of agricultural enterprises is determined by the availability of sources of funding and the level of use of internal and external financial resources.

The financial security of activities is formed under the influence of the following factors: natural and climatic conditions; specialization of the enterprise and seasonality of

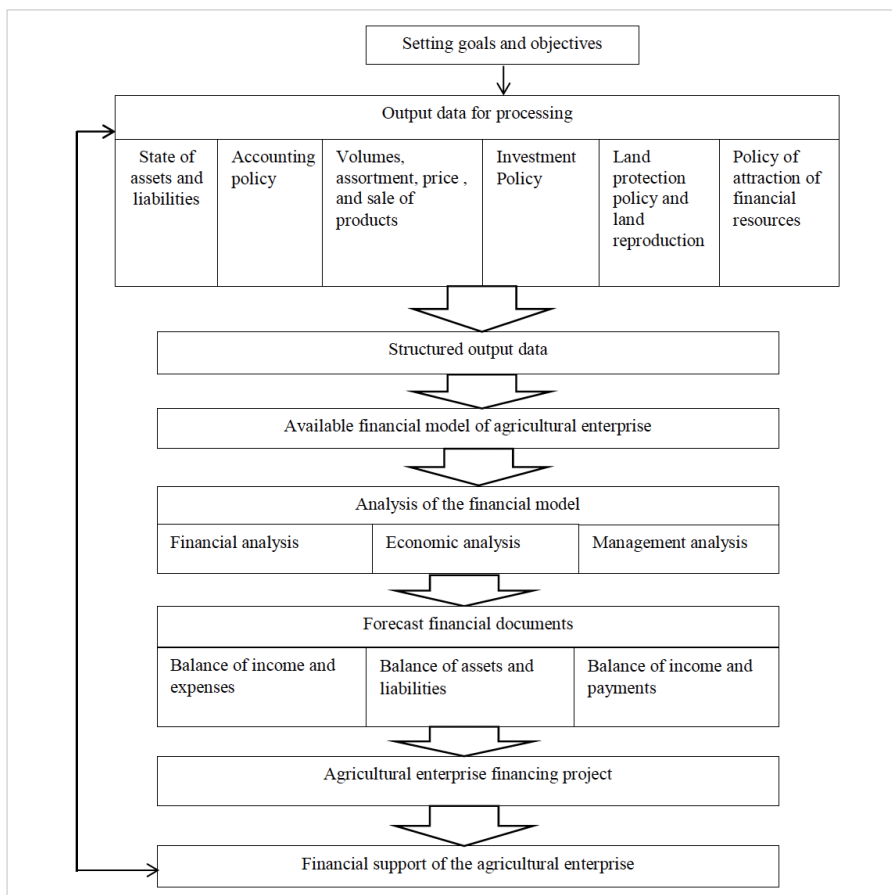
production; legal form; stage and cycle of reproduction process; the existence of a time lag regarding the formation of costs and the receipt of financial results; and the feature and timing of the reproduction of fixed assets [4–5,10]

Methods for assessing the competitiveness of agricultural enterprises can be grouped as follows: based on the analysis of comparative advantages; based on the assessment of the financial condition of the enterprise; based on the theory of effective competition; based on the theory of product quality; matrix methods; definition of a competitive position in terms of strategic potential of the enterprise; integral method; benchmarking method; and other methods.

Each of these methods has its advantages and disadvantages, so to unequivocally allocate one of them is practically impossible.

Ukrainian scientists use different approaches and a system of performance indicators for assessing the competitiveness of an agricultural enterprise, such as profitability, mass and profit margins, labor productivity, product prices, marketability of production, its liquidity, and its creditworthiness. It is also worth analyzing the following indicators: efficiency of use of land, labor, and material resources; capital productivity; capital and energy intensity of the unit of production; and gross value created in the industry.

To ensure the efficient use of financial resources, agricultural enterprises need to develop an appropriate financial support strategy (Fig. 1).



**Figure 1.** An algorithm for developing a strategy for the financial support of an agricultural enterprise.

Source: author's construction

In developing the strategy of financial support for agricultural enterprises' competitiveness, it is necessary to take into account both economic and social trends. These include: transformational economic processes; political instability; fiscal, price, or credit policy inflation; constant changes in the regulatory framework; and significant fluctuations in the national currency.

An important element of financial support for agricultural enterprises is profit, as the actual source of financial resources. To provide financial support to agricultural enterprises, it is necessary to organize the process of generation, accumulation, and transfor-

mation of profits, which enables its use in accordance within the financial policy and the existing financial strategy (Table 1).

The data in Table 1 gives grounds for talking about the ambiguity of the situation in agriculture in Ukraine. On the one hand, we see that during the period analyzed the number of active agricultural enterprises decreased by 18.5%, while the amount of gross production increased by UAH 25.9 billion, or by 8.8%. On the other hand, the estimation of the dynamics of net profit from the sale of agricultural products in agricultural enterprises in Ukraine shows that its growth almost tripled, which, in turn, makes the agrarian sector an investment-attractive branch of the economy and shows its profitability.

**Table 1.** Dynamics of the main indicators of activity of enterprises of the branch Agriculture of Ukraine\*

Indexes	2013	2014	2015	2016	2017
Number of enterprises (thousands)	56.8	52.5	45.4	47.7	45.6
Gross agricultural output, total (billions of UAH)	136.59	139.06	136.59	139.06	122.99
Labor productivity (thousands of UAH)	201.22	227.75	272.69	273.90	265.76
Operating profitability level (%)	11.7	21.4	43	33.6	23.5
Net profit, loss (billions of UAH)	14.93	21.41	101.91	89.33	78.46
Enterprises that have earned a net profit (% of the total)	80.3	84.7	88.9	88.3	86.7
financial result (billions of UAH)	26.19	51.67	127.53	102.79	92.07
Enterprises that received a net loss (% of the total)	19.7	15.3	11.1	11.7	13.3
financial result (billions of UAH)	11.26	30.25	25.61	12.68	13.29
Level of profitability of all activity (%)	8.3	9.3	30.4	25.6	18.7

Source: author's calculations [6]

The directions for increasing the competitiveness of agricultural enterprises lie in the area of improving financial security. Using the financial data of Svitanok LLC and based on the priority areas identified for improving the financial support of the company, we have developed a forecast of financial resource parameters. In order to identify the parameters of the performance indicator, which is the financial resource –  $z$ , a correlation–regression analysis has been applied and its dependence on sales proceeds ( $y_1$ ), net profit ( $y_2$ ), receivables ( $y_3$ ), and payables ( $y_4$ ) has been modelled (Table 2).

The multi-factor correlation–regression equation of the dependence of the financial resources parameters of LLC Svitanok has the form:

$$z=23.87745+0.51257y_1-10.57323y_2-0.72431y_3-0.08361y_4 \quad (1)$$

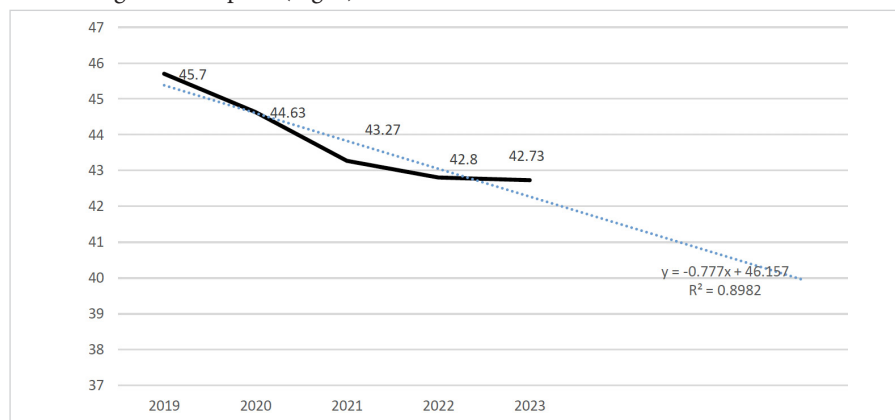
**Table 2.** Data of correlation–regression analysis of parameters dependence financial resources of LLC Svitanok, thousands of UAH.

Index	Parameters of financial resources	Revenues from sales of products	Net profit	Receivables	Payables
	$z$	$y_1$	$y_2$	$y_3$	$y_4$
2010	10.3	12.5	0.7	5.0	12.7
2011	7.3	11.3	2.1	8.3	18.1
2012	7.8	27.9	1.2	9.3	17.2
2013	26.3	10.2	-3.5	11.8	23.8
2014	33.7	48.9	0.9	13.7	20.5
2015	43.7	55.6	0.4	14.3	19.2
2016	48.1	67.2	0.8	12.5	19.9
2017	48.9	68.1	0.9	12.0	19.5

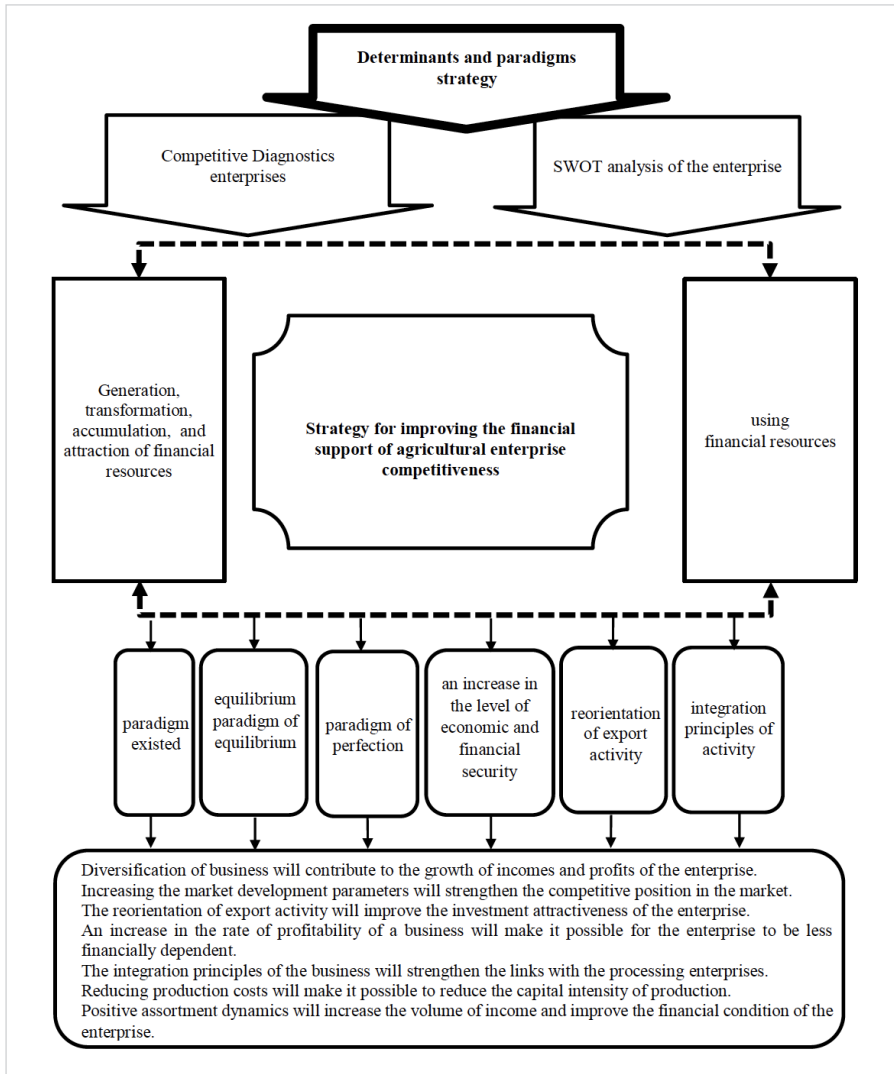
Source: author's calculations

The reliability of the correlation–regression analysis can be confirmed by the coefficient of multiple correlation, which indicates a value of 96.5% depending on the effective indicator ( $z$ ) from the factors whose impact is investigated. The coefficient of multiple determination reflects the dependence  $z$  on  $y_1 \dots y_4$  by 97.5%. Based on this, we can assert that the calculations performed are reliable with high probability parameters, and the correlation–regression model is significant. The estimation of the correlation matrix of the dependence of the financial resources parameters of LLC Svitanok allowed us to establish a direct correlation between the parameters of the effective indicator and the parameters:  $y_1$  (0.8832),  $y_3$  (0.7454), and  $y_4$  (0.6532).

Based on our calculations, we have developed a forecast for the financial support of LLC Svitanok in 2019–2023, which shows a tendency to reduce the financial support of the investigated enterprise (Fig. 2).



**Figure 2.** The forecast of parameters of financial resources LLC Svitanok in 2019–2023.



**Figure 3.** Strategy to improve financial support of agricultural enterprises' competitiveness.

Source: author's calculations

Therefore, already in the current year the management of the company should take effective measures to improve the level of financial security. To this end, we propose the development of an effective strategy and the timely ongoing monitoring of the competitiveness of the enterprise (Fig. 3).

The strategy for improving the financial support of an agricultural enterprise's competitiveness (Fig. 3) suggests the choice of an agricultural enterprise for the development paradigm among the proposed alternatives. The implementation of paradigms of existence, equilibrium, or perfection should be combined with an increase in the level of economic and financial security and a reorientation of export activity.

### 3. Conclusions

The strategy of improving the financial support of an agricultural enterprise's competitiveness provides an agricultural enterprise with the choice of developing paradigms among the alternatives proposed. The implementation of paradigms of existence, equilibrium, or perfection should be combined with an increase in the level of economic and financial security and a reorientation of export activity.

The proposed strategy for improving the financial security of agricultural enterprises' competitiveness enables the implementation of the scenario of the competitive development of an agricultural enterprise. A system of estimation of the formation, accumulation, and utilization of the financial resources of agricultural enterprises by average local and regional indicators for typical agribusiness enterprises was developed, which makes it possible to make comparisons based on the listed indices in the regions and to identify weak and strong places of competitiveness.

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