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PRAVDYUK O.L., Candidate of Economic Sciences, Associate Professor

NASTENKO M.M., Candidate of Economic Sciences, Associate Professor

Vinnytsia National Agrarian University

e-mail: pravduyk@gmail.com, nastenkom@ukr.net

FUNCTIONS AND PRINCIPLES OF FINANCIAL POLICY

Methodological and practical aspects of the effectiveness of financial policy in the agricultural sector of economy through the performance of its functions and application of the principles in accordance with the challenges of economic space are considered.

Keywords: *financial policy, functions, principles, agrarian sector.*

Introduction. Agricultural sector remains an extremely important part of the Ukrainian economy crucially determining socio-economic situation of the society, food and energy security of the state.

However, as experts say, active use of bioenergy resources may be one of the most important decisions to strengthen energy security of Ukraine. The potential of biomass, which Ukraine has today to produce energy, is about 30 million tons of fuel per year. The use of this capacity will allow Ukraine to replace 6 billion m³ of natural gas per year by 2020 and reduce annual greenhouse gas emissions by 11 Mt CO₂-eq. [1].

There are a number of problems of bioenergy development in Ukraine. Lack of financial resources is one the most fundamental problems that makes it impossible to develop energy sector and ensure energy security. Financial schemes operating in the energy sector are not focused on the inflows of the investment capital, but they tend to exhaust financial resources of the enterprises and redistribute revenues non-transparently. Only effective government financial policy in the agricultural sector of economy will contribute to overcoming the crisis and ensuring its further intensive

development through the performance of its functions and application of specific principles.

Analysis of recent researches and publications. Problems of the financial policy, its functions and basic principles have been studied in the fundamental works of such famous scientists as V. Borisova, O. Hudz, I. Dovzhenko, M. Demyanenko, M. Kropyvko, P. Layko, M. Malik, M. Mohylny, O. Nepochatenko, V. Onegina, N. Pravdyuk, P. Sabluk, P. Stetsyuk, A. Chupis, M. Yasnopolsky and others.

Critical analysis of the research results on this problem by the leading scientists has demonstrated complexity of the financial processes in agriculture and inability to resolve them quickly and unambiguously. There are quite considerable gaps in the disclosure of financial policy issues in the agricultural sector of the economy that are associated with the performance of its functions and application of the principles. Therefore, we consider it appropriate to pay attention to these issues, once again generalize versatile and diverse theoretical and methodological approaches to the study of monetary policy, its functions and principles, especially taking into account the fact that there is no common approach to these issues among scholars.

The purpose of the article. The purpose of the article is to find an adequate theoretical basis and to study approaches and practical recommendations aimed at determining the content and review of the functions and application of the principles of financial policy in the agricultural sector of economy in accordance with the challenges of the economic space.

Methods of research. The basis of the theoretical and methodological developments is represented by the achievements of the domestic and foreign scientific schools and general principles of the economic theory and research methodology including the logic used as a method of synthesis and interpretation and applied in order to clarify the nature of fundamental categories of the research.

Statement of the main material. Financial policy appears thanks to the set of specific functions among which "forecasting, planning, facilitating, coordinating, organizing, correcting, controlling" are the key ones [2]. By its functional orientation financial policy has a wide range of effects - from forecasting to controlling. In this

perspective, to study problem aspects of the financial policy it is important to get deeper comprehension and installation of the scientific terminology and conceptual apparatus on the content description of its functions.

Forecasting is a range of scientific views regarding the future progress in the economic space. It forms scientifically justified informational field on the qualitative and quantitative parameters of the development of financial design in the future.

Financial planning is a "systematic adjustment of the processes of formation, distribution, redistribution and exploitation of financial assets" [3, P. 562]. As a subjective substance, it gives objective results only when it is based on the understanding of the objective trends and patterns of social progress, trends of transformation of financial assets, effectiveness of the previous financial actions. Plans should be prepared at all stages of the development and at all levels. State budget serves as an example of the financial plan of the state.

A key position in this process is occupied by the exploitation of innovative methods and techniques of planning, multiple calculations on the basis of the advanced technologies and professional expertise of employees. Financial planning was started in the XIV century. That was the first tentative attempt to make a state budget and calculate income and to outline expenses of the state treasury.

"The first budgetary preliminar in the history of finance in Ukraine was formed by Hetman Danylo Apostol. Amount of expenditures of the Treasury was within 144 thousand rubles annually "[4, P. 75 - 76]. State treasury founded by Hetman had the first budget.

In Ukraine significant contribution to the development of financial planning was made by A.M. Yasnopolsky. He initiated a scientific school of the "territorial financial econometrics, the first one in the world" [5, P. 312-320]. He was convinced that financial planning should be carried out at the macro- and microlevels. Macroeconomic financial planning "occurs in three main forms: legislative, strategic and indicative" [6, P. 131-159].

In financial planning it is appropriate to outline the path of progress of the economic space and some of its areas that are a harmonious symphony of the

instruments, measures, tools and outlines the sequence, extent and terms of their exploitation in order to achieve the goal - economic efficiency and harmonization of the financial scenery.

In a centralized economy directive (imperative) plans were implemented. Economic agents were informed what products should be produced and what amount, at what price and who realize it to and what profits should be like. This process was ensured by the adequate centralization of supply of the tangible and financial assets.

As these processes were accompanied by considerable transaction costs caused by the adjustment of the single centre, an attempt to construct overall social production according to the example of "the single factory" [7] proved to have no prospects. The idea of the possibility of accumulating all the information on the prices and value of some nomenclatures of assets in a single center is utopian. F.Hayek and L. Mises made a significant contribution to shatter this illusion [8, P. 29].

Unlike imperative plan that are exploited in a centralized space, recommendation and indicative plans are implemented in the market space. Indicative planning is aimed to outline the following objectives: to determine a medium-term goal regarding formulation of the targets on the advancement of the national economic space; to adjust proportions of the targets regarding different sectors of the national economic space; to modify field objectives; to harmonize the exploitation of assets; to reduce the threats and amplitude of ranges as well as social dissatisfaction.

In this regard, it is appropriate to give an ironic remark of the famous French economist Jacques Ryuefa that "commissariat of planning is like a cock that thinks crowing makes the sun rise" [9, P. 187]. He was replied by a chief commissioner on planning, "We just want the sun not to rise in a thick fog" [9, P. 187].

Financial forecasting has been exploited in practice and economic theory for a long time as a function that allows you to predict the progress of economic phenomena and processes. In science, the process of forecasting as a certain prediction still requires knowledge of objective economic laws, scientific intuition and orientation. Thus, financial forecasting is rather complicated compared to the

process of financial planning. The process of financial forecasting is an outline of a certain prospect, a trajectory of the development of public finance, and the process of financial planning is an outline of the specific measures and tactical directions to achieve this strategic prospect. Objectivity of the defined financial forecasts affects both reliability of implementation of the current financial plans and time intervals of their operational implementation.

However, real economy cannot develop without objective financial planning. "Financial planning is used to implement the following objectives" [10 , P. 71-72]:

- "to install current, previous and future financial control of the appropriate, rational and effective exploitation of public labor, material and financial assets in all segments of the economic space;

- to expose the amount and sources of financial assets of all budgetary and extra-budgetary funds and programs to determine their distribution between the real sphere of the economic space and the area of finance and services. Help to eliminate the deficit by maximal accumulation of financial assets and reduction of expenditure that are not included into preferred and protected ones;

- to link key parameters of financial plans with other planned parameters of the economic and social development, to ensure a balanced equilibrium of labor, material and financial assets, sustainable financial frame of economic agents;

- to focus financial assets on the key points of economic and social development;

- to outline financial relationship of the economic agents and financial-credit system among them and their associations;

- to affect actively formation of a harmonious composition of material production and to outline scientifically reasoned ratio of spheres of the economic space by means of indicative planning;

- to promote the rise of production and its effectiveness, to improve the quality of competitive products and, as a result, welfare of citizens" [10, P.71 -72].

Promotion is a specific influence on the "incentives of economic agents, their actions, degree of dependence of production outcomes on the fees or some preferences" [11].

"Control is testing of implementation of plans on economic space development; a set of observations and identification of correspondence of economic agents' activity approved by managerial decision, exposing the results of state influence on the economic agent" [12, P. 344]. Variation and deviation of planned and achieved parameters revealed during a process of control become a basis for their correction.

Due to control, information flows on exploitation of the means and state of economic agents are accumulated and potential reserve capacity is revealed. "Control also induces to assess the results and achievements" [13].

Correction is an incitement to certain regulations; impact on the economic agent" to achieve its sustainability in the case of discrepancies from the planned schedules of task performance, set regulations and standards" [14].

Currently, economic science has no common understanding of content of the term "financial adjustment of the economy."

Thus, P.S. Nicholsky interprets financial adjustment as "redistribution of financial assets" [15, P. 77]. T.V. Huyda argues that "achieved scales of economic systems, significant complications of economic and regional relations determine feasibility of sustainable progress in all spheres of economic space and regions, while government financial adjustment is becoming more important" [16, P. 56]. V.M. Rodionova believes that the essence of the adjustment process is revealed in "balanced redistribution of the cost of a public product that is conducted by exploitation of the distribution leverage generated by fluctuations in prices, wages, finance, loans" [17, P. 72 - 73].

V. Oparin is convinced that "financial adjustment is based on the legal regulation of distribution relations at certain enterprises and in a society" [18, P.22]. V. Oparin says, "As finance represent distributive and certain redistributive relations, meaningful content of financial methods of correction is concentrated essentially in

the methods of distribution" [18, P. 22]. This statement is supported by A. Shashkovsky who treats financial adjustment as "a method associated with the regulation of distribution relations of economic agents in the spheres of economy and society as a whole" [19, p 144].

V. Gorelik argues that "the function of financial correction appears in ensuring sustainability of a particular system" [20, P. 70 - 74]. In our opinion, financial correction of the economic space is the activity aimed at the transformation of qualitative and quantitative parameters of financial processes and phenomena in the economic space thanks to the mechanism of extraction or injection of certain parameters of financial assets.

Tactical strategic objectives of financial policy are revealed and provided through "the financial adjustment of the economy". Successful mechanism of financial adjustment of some valuable proportions and balances of the progress of economic agents and economic space as a whole is provided by the location, purpose and position of finance in economic space. Adjustment of distribution, exchange, production and consumption is considered to be a direct function of financial policy.

Management of finance is separated to some extent from financial policy: since the correction or modernization of financial policy does not always lead to appropriate transformation of financial management. Financial adjustment, as opposed to financial management regarding financial policy, lacks some autonomy: any transformation of financial policy is reflected in financial correction. At the same time, forms, tools, instruments, means of financial adjustment can be sustainable. It emphasizes that "concrete manifestation of financial correction of the economic space does not always coincide with the real financial policy" [21].

Agriculture is one of the priority sectors of economy in Ukraine.

Thus, today biofuel production holds a leading position, as it affects both energy security and development of agriculture and machine manufacturing.

At present, the domestic market of biofuel is not developed, but there are prospects for its development. Despite this, there are some unresolved issues that require joint efforts of all market participants, including the state.

As for international experience, Brazil and the USA's practice of effective government support of biofuel production is worth studying. The main point of these programs was to support biofuel producers through crediting with minimal interest and to encourage car owners to consume gasoline containing bioethanol.

In Brazil the government organized wholesaling of bioethanol for their own needs and provided its sales as well. As a result, all principal car manufacturers were obliged by the government to produce cars that could run on pure ethanol without gasoline additives.

Today, Ukraine is unable to do the same, but for the future prospect it is an inevitable process.

In its turn, the use of financial-credit mechanisms of financial policy should be treated as one of the most effective means of achieving this goal.

According to Table 1 over 2005 – 2012, according to the data of the National Bank of Ukraine, bank loans increased 5.5 times. In particular, loans to agricultural producers increased 4.5 times. The main negative factor in the process of crediting agricultural production is seasonality and specificity of this industry.

Table 1

**Trend and structure of bank loans in Ukraine aimed at economic agents
in 2005-2012, mln UAH***

Industries	2005	2006	2007	2008	2009	2010	2011	2012
Loans given to economic agents, total	109895	166683	271417	443665	462215	500961	575545	605425
Including by the industries: manufacturing	33489	48545	70478	113713	114558	134409	135797	141606
Trade and public catering	44541	64723	104592	159986	170075	179353	213907	224454
Transport, communication and construction	10334	17846	32168	55264	57685	64102	72981	67095
Agriculture	8192	11874	16508	28812	26026	26852	34522	36844
Other industries	13339	23695	47671	85890	93871	96245	118338	135426

** Generalized according to the data of the statistical book "Bulletin of the National Bank"*

From 2005 to 2012 the number of agricultural enterprises that received loans decreased from 10,870 mln UAH to 2603 mln UAH.

Table 2

Trend of crediting agricultural enterprises by the commercial banks of Ukraine in 2000 - 2012 , billion UAH*

Indices	2000	2005	2006	2007	2008	2009	2010	2011	2012
Total number of loans given agricultural enterprise	2,1	10,4	12,8	14,6	20,1	6,8	10,1	14,9	13,5
among them:									
- short-term loans	1,9	6,7	8,1	9,8	10,3	5,0	7,0	10,3	9,6
- long-term loans	0,2	3,7	4,7	4,8	9,8	1,8	3,1	4,6	3,9
- concessional loans	0,8	7,6	7,0	7,8	15,1	2,6	6,2	4,1	1,3

** Generalized according to the data of the Ministry of Agrarian Policy and Food of Ukraine.*

Urgent demand of the national economy for financial resources causes the search for new sources of revenue. Capital of foreign investors is considered to be one of them, but its share that goes to Ukraine is very small and insignificant in comparison with other developed countries. Low level of investments is directly connected with the distrust of investors in the unstable tax system, non-transparent and unstable business conditions and other factors. For example, the judicial system of Ukraine as a guarantor of foreign investors' rights is also under considerable doubt and complicates the process of attracting foreign investments due to political circumstances and other negative factors.

Some principles of the financial policy are of special significance for its floating.

In scientific reference books "principle" (from the Latin principium - base, fundamentals) is defined as a conviction, view of things or upward postulate of any theory, doctrine [22].

As for the principles of financial policy, scientists and researchers suggest a diverse list of them. Thus, researchers supervised by Academician P. Sabluk believe [23] that agricultural policy should be based on the following principles:

- "priority of a person and rural dweller in exposing both objectives and specific mechanisms of its implementation;
- comprehensiveness and complexity, i.e. the influence of the state covering all aspects of agricultural activity should be systematic;
- in the process of developing a certain strategy and tactics of economic or political decisions relying on science as well as the results of their implementation that guarantees the reality of politics [23].

According to M. Horunzhy [24, P. 207], a basis for government adjustment of the agricultural sector development "should be based on the principle of complexity and continuity of management of the process of agrarian transformations, in which the only solution for overcoming the crisis and underdevelopment of agriculture should be ensuring of a priority status to agricultural policy and raising the role of existing legislation and development of other regulations and organizing measures for their implementation "[24, P. 207].

Conclusions. In our opinion, the following principles of financial policy should be treated as fundamental:

- environmental appropriateness;
- comprehensiveness and complexity;
- consistency and fairness;
- predictability and transparency;
- clarity and efficiency;
- priority and protectionism of the agricultural sector.

We believe that compliance with the above-mentioned principles will open up new opportunities for the development of agricultural sector.

Thus, the key objectives of the financial policy should include:

- 1) defining goals, trajectories, objectives and plan of the development;
- 2) planning of the "game" rules;

- 3) coordination of various financial interests of economic agents;
- 4) promotion of the economic development of economic agents;
- 5) monitoring and diagnostics of the existing development;
- 6) effective financial control.

Thus, current problems of financial support of the domestic agricultural sector can be solved by reviewing a number of programs aimed at enhancing country's image as a whole and support of agricultural enterprises that are oriented at the increase of financial resources in agriculture of Ukraine in the coming years.

Despite positive comments and efficiency of the target program associated with the mechanism of cheapening loans for agrarian enterprises it should be noted that there is a problem with drawing up loans that greatly complicates access to loan data for agricultural producers. Therefore, simplification of the procedure of drawing up a loan for the agricultural enterprises seems to be a logical and reasonable solution to this problem.

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Анотація

Правдюк О.Л., Настенко М.М.

Функції та принципи фінансової політики

Розглянуто методологічні та практичні аспекти дієвості фінансової політики в аграрній сфері економіки через прояв її функцій та застосування принципів у відповідності до викликів економічного простору.

Ключові слова: фінансова політика, функції, принципи, аграрна сфера.

Аннотация

Правдюк О.Л., Настенко М.Н.

Функции и принципы финансовой политики

Рассмотрены методологические и практические аспекты действенности финансовой политики в аграрной сфере экономики как следствие проявления ее функций и принципов в соответствии с вызовом экономического пространства.

Ключевые слова: финансовая политика, функции, принципы, аграрная сфера.