

**SCIENTIFIC APPROACHES  
TO MODERNIZING  
THE ECONOMIC SYSTEM:  
VECTOR OF DEVELOPMENT**

**Collective monograph**

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**Reviewers:**

*Prof. nadzw., dr hab. Stanisław Kunikowski, Rektor of Cuiavian University in Wloclawek (Republic of Poland);*

*Prof. dr hab. Joanna Marszalek-Kawa, Uniwersytet Mikołaja Kopernika w Toruniu / Nicolaus Copernicus University (Republic of Poland);*

*Dr Henryk Stępień, Associate prof. of the Faculty of Social and Technical Sciences, Rector's representative for Development of Cuiavian University in Wloclawek (Republic of Poland).*

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## **CHAPTER 15**

### **PROSPECTS OF PROVIDING FINANCIAL SECURITY OF AGRICULTURAL DEVELOPMENT**

**Prystemskiy O. S.**

#### **INTRODUCTION**

The inconsistency of the reforms that determined the agricultural development in Ukraine, the evolutionary transformation of the international agrarian market led to the disruption of the efficiency of the industry and threatened its financial security, which necessitated a revision of the state's priorities for shaping the foundations of further successful socio-economic development in the long run. Measures to strengthen national, food and financial security of agricultural development were of particular importance. The political and economic system of Ukraine has undergone significant changes over the years of independence, complemented by the transformation processes of the last decade, which covered all sectors of the national economy. The intensifying factor for the development of agriculture and strengthening its financial security is the presence of structural changes in economic activities in Ukraine, which occurred as a result of military-political events and prevented the development of heavy industries, including the implementation of national regional programs. Therefore, taking into account the objective processes taking place in society, the positive influence of factors on the development of agriculture, such as favorable natural and climatic environment for agricultural production, fertile land, compliance with the tendency of decreasing rural population, as a prerequisite for providing the industry with skilled workers, enhancing innovation and investment technical and technological development, convenient geographical location, as well as the ancient traditions of agricultural production, we believe that the issues of strengthening the financial security of the industry in the conditions of the present cause justified both scientific and high practical interest. This leads to a steady increase in the importance of theoretical understanding of new scientific approaches to ensuring and enhancing the financial security of the state's agriculture and the development of directions for the implementation of relevant practical recommendations.

The scientific views of researchers do not fully capture the current trends in financial security in agriculture, principles, factors and patterns of its formation and strengthening. The complex and multifaceted issue of the financial security of agricultural development is considered by individual elements and levels, which complicates its comprehensive study as a single system and the establishment of existing cross-industry correlations.

### **15.1. Reserves to strengthen the financial security of agricultural development**

The issue of strengthening the financial security of agricultural development is of national importance, as it involves addressing many key issues of the effective functioning of the existing economic system of the state.

The financial security of agricultural development must be shaped in accordance with the transformational trends of the national economy, and it is therefore advisable to target the reinforcement reserves that are produced by the very essence of the concept. We consider it necessary to systematize the reserves for strengthening the financial security of agricultural development, namely: strengthening the security of state protection, ensuring the debt safety of agriculture, increasing the security of financial solvency, ensuring the security of financial independence of agricultural enterprises, strengthening banking security, strengthening the insurance protection of agricultural producers, ensuring the security of foreign producers activities and the financial market. Each of the proposed reserves is aimed at solving certain problem areas, namely the financial security of agricultural development. It should be emphasized that the relationship that exists between the state and the financial security of agricultural development is manifested in the security of state protection of food security. At the same time, the emphasis should be on the close correlation between the financial security of agricultural development and the food security.

The product that is created as a result of the functioning of agriculture provides the necessary foodstuffs to the population of the state, and at effective work, the population of other states. Stimulating the high level of financial security of agriculture, it is possible to ensure the strengthening of the existing level of food security of the state.

The main reasons for the decline in security of state protection in the context of financial security of agricultural development are the factors of the food dependence of the state, such as:



- 1) food shortage and low level of solvent demand, which cause the imbalance of the domestic food market in supply and demand;
- 2) dependence of the domestic market on imported food supplies, the lack of competitiveness of the national agri-industrial complex;
- 3) low competitiveness of products in terms of quality or price, provided the food sufficiency for the own production;
- 4) underdeveloped foreign economic relations, closed domestic food market;
- 5) low efficiency of activity of economic entities in agri-industrial complex;
- 6) transformation of export of food products to the end in itself of development of agri-industrial complex;
- 7) increase of obligations to cover external debt at unstable exchange rate of national currency<sup>1</sup>.

The undoubted consequences of a decline in financial and food security will be a deterioration in food security for health, a decrease in the physical, economic and social availability of food and a disruption in the balance of the population of the state.

We believe that the financial security of agricultural development still requires direct financing at the expense of budgetary funds. In most cases, only large agricultural formations show considerable efficiency of their work. On the other hand, the situation of medium and small business entities is more demanding by addressing the issue of security of state protection, because they are characterized by relatively worse performance indicators (low financial performance, profitability, etc.), limited self-financing, lack of interest in their activities of prospective investors, which cause a deterioration in the financial security of agricultural development. Accordingly, in view of the negative impact of the breach of financial and food security of the industry, the state should create favorable conditions for the functioning of this particular part of economic entities, supporting their solvency, competitiveness, reliability by indirect methods<sup>2</sup>.

In our opinion, first of all, the state represented by the relevant ministry should take part in intensifying the export activity of small

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<sup>1</sup> Zelenska O.O. (2012). Systema prodovolchoi bezpeky: sutnist ta hierarkhichni rivni [Food security system: essence and hierarchical levels]. *Visnyk ZhDTU*, no. 1(59), pp. 108-112.

<sup>2</sup> Prystemskiy O.S., Movchan A.I. (2016). Oborotni zasoby v systemi zmitsnennia finansovoi bezpeky silskohospodarskoho pidpriemstva [Working capital in the system of strengthening the financial security of an agricultural enterprise]. *Skhidna Yevropa: ekonomika, biznes ta upravlinnia*. №5. URL: <http://www.easterneurope-ebm.in.ua/5-2016-ukr>

and medium-sized economic entities in terms of product sales by facilitating the necessary information in the conclusion of relevant agreements. Therefore, it is advisable to use modern information platforms for distribution of export policy conditions of different countries, a range of products that are in high demand and so on, by manufacturers.

Another reserve to strengthen the financial security of agricultural development should be called debt safety. We emphasize that in this context, debt safety is understood by us as a certain level of ratio of external and internal, accounts payable and accounts receivable of all economic entities of the industry, which allows to effectively implement the assigned financial, economic, social and political functions of agriculture. Accordingly, the factors that determine the state of debt safety in the context of financial security of agricultural development are: the level of trust between economic entities in the industry and beyond, the state of the regulatory framework, the status of existing and potential debt obligations, prospects for differentiation of debt government liabilities, monetary policy and debt instruments.

According to systematic factors, we consider it necessary to direct resources to reinforce this aspect, in particular by facilitating factoring operations in agriculture. Projecting the concept of debt safety from the plane of the national economy into the plane of financial security of the development of agriculture, let us note the priority of the state monetary policy. The experience of functioning of agriculture in the recent period showed that the financial security of agricultural development has a direct dependence on the state of monetary policy, which is reflected in fluctuations in the value of the national currency.

The next reserve for improving the financial security of agricultural development should be referred to as security of solvency, under which it is necessary to understand the ability of economic entities to meet their financial obligations in full and within the specified time. Let us note that insufficient attention to solvency security causes a breach of debt safety. In addition, if the optimal balance of the assets structure of the enterprises of the industry is breached, excessive debt to creditors arises. This issue is of particular relevance for the financial security of agricultural development, because due to the seasonality of production processes in the industry there is no stable cash flow, and as a result, the revenue generated must accumulate to ensure solvency throughout the annual cycle.

The starting point from the previous ones is the security of financial independence, which is the ability to carry out financial and economic activities despite the circumstances of exogenous power. The fundamental difference between this reserve and financial solvency security is its orientation to the mechanism of realization of the main tasks of the industry.

In order to achieve it, it is necessary to have stable legal support, independence from counterparties, independence from clients, availability of intangible assets, reliable management, orientation towards creating a reserve money fund, optimal financial plan, etc.

Among the priority reserves for enhancing the financial security of agricultural development, one should also mention banking security, which is not directly dependent on industry impact but determines the state of security of the industry. We believe that banking security in the context of financial security of agricultural development is revealed as a state of protection of interests of the banking system (banks, bank customers) from external and internal threats.

The agrarian insurance system should develop in the following areas:

1. Promoting the development of the agricultural sector aimed at increasing its ability to influence the development of new insurance products and use insurance services.

2. Improvement of the Ukrainian legislation governing the provision of insurance services to the agrarian market and the provision of agricultural support to agricultural producers on agrarian risks.

3. Implementation of the main aspects of the Law of Ukraine "On State Support for Agriculture in Ukraine", which in particular provides:

- insurance for the risk of loss of agricultural products (part of it) and capital assets is carried out voluntarily by the agricultural commodity producer and is carried out on the basis of an agreement between the insurer and the insured;

- comprehensive insurance: insurance against the destruction or damage of an object due to a certain list (complex) of adverse events, and not all the foreseeable risks;

- types of voluntary insurance, which is licensed, are determined in accordance with the rules (conditions) of insurance, adopted by the insurer, registered by the authorized body;

– replacement of the name of the Agricultural Insurance Subsidies Fund by the State Agency for Agricultural Risk Management.

4. Institutional development aimed at increasing the capacity of the state to carry out its functions in this system.

5. Stimulating and facilitating the development and consolidation of the insurance sector aimed at enhancing its ability to provide skilled services to the agricultural sector<sup>3</sup>.

Based on the interests and capabilities of the system members, the central role in it should belong to the government, which, by implementing the state policy of support of agricultural insurance, ensures coordination of interests of other members of the system and consolidation of their efforts, directing them to achieve the main goal of the development of the system.

The full development of the agricultural risk insurance system also requires the development of subsidiary organizations (professional and public associations, expert legal structures). Central to these organizations is agricultural producers' associations. An individual farmer is virtually deprived of the opportunity to infuse the insurance conditions offered to him/her by insurance companies. Therefore, the first and foremost function to be played by agricultural associations is to participate fully in the development and decision making of new insurance products.

The security of foreign economic activity in the context of financial security of agricultural development requires special attention and should be interpreted as a condition in which agriculture is able to effectively implement export policies taking into account the interests of both the food security of the state and the need to enter the international markets of economic entities of the industry. Thus, the security of foreign economic activities contributes to: improving the state's image, ensuring foreign exchange earnings, increasing investment interest in the state's industry, improving the security of the banking sector, improving the level of industry development, improving the culture of production, expanding the structure of financial resources and more.

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<sup>3</sup> Tanklevska N.S. (2010). *Finansova polityka staloho rozvytku ahrarnykh pidpriemstv Ukrainy: teoriia, metodolohiia, praktyka: monohrafiia* [Financial policy of sustainable development of agricultural enterprises of Ukraine: theory, methodology, practice: monograph]. Kherson: Ailant, 376 p.

## **15.2. Mechanism for strengthening the financial security of agricultural development**

The mechanism of formation of financial security of agricultural development should be designed in accordance with the basic provisions and principles of implementation of the overall security strategy of the state, guided by trends in the development of the financial system<sup>4</sup>.

The active evolution and transformation of the economic system provoked corresponding changes in the financial environment of the functioning of the agricultural sector, which necessitated the search for an effective mechanism for forming the financial security of agricultural development. The basis of this mechanism is the following basic elements: financial security, financial controlling and asset management. The formation of financial security of agricultural development should be carried out under the influence of internal and external factors that determine the general state of functioning of the industry and its inherent characteristics.

Implementation of the mechanism for strengthening the financial security of agricultural development should be carried out according to an algorithm that provides a phased operation<sup>5</sup>: first of all, it is necessary to determine the strategic purpose and objectives of this mechanism of agricultural development, which will depend on the formation of other steps of the algorithm. The second phase is aimed at determining the current state of financial security of agricultural development and forecasting the possible dynamics for the future. In the third phase, the possible internal and external threats to the financial security of agricultural development should be outlined and measures should be taken to neutralize them or control them. The fourth phase should include the choice of management methods and tools that should be used depending on the outcome of the previous steps. It is important to note that the use of different methods and tools for shaping the financial security of agricultural development must be integrated in order to maximize its impact. The final phase of the algorithm should cover the elements of control and monitoring of its functioning. One of the important elements of financial security development of agricultural

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<sup>4</sup> Prystemskyi O.S. (2015). Problemy ta elementy mekhanizmu finansovoi bezpeky silskohospodarskykh pidpriemstv [Problems and elements of the mechanism of financial security of agricultural enterprises.]. Aktualni problemy ta perspektyvy rozvytku obliku, analizu ta kontroliu v sotsialno-orientovani systemi upravlinnia pidpriemstvom: zb. materialiv Mizhnar. nauk.-prakt. konf., 15 sichnia 2015 r. Poltava: PDAA, pp. 181-183.

<sup>5</sup> Kartuzov Ye.P. (2012). Analiz mekhanizmu upravlinnia finansovoiu bezpekoiu pidpriemstva [Analysis of the financial security management mechanism of the enterprise]. *Aktualni problemy ekonomiky*, no. 7 (133), pp. 118-124.

development is financial control. It should be aimed at coordinating cost-benefit processes, risk accounting, internal consulting and directions for further development of the enterprise. For agriculture, the role of financial controlling is very important as it allows most specific sectoral characteristics to be covered.

We believe that the mechanism of formation of financial security of agricultural development should be aimed at solving the following tasks: optimization of cash flows of economic entities of the industry; formation and distribution of profits; crisis management; intensification of attraction and efficiency of use of investments; estimation of cash flow in mass; optimization of capital structure; financial risk prevention.

Effective financial system of the state with available qualitative and accessible financial resources helps to increase the competitiveness of agricultural enterprises. The lack of money from agricultural entities in which the non-payment crisis manifests and on which the financial security of the industry depends, is subject not only to their economic activity but also to the rational and effective management of the cash flows created in the operating cycle. In this case, cash flow, through economic entities, ensures the reproduction of the capital of the industry, provides the opportunity to ensure the full development of operational, investment and financial activities, and in quality management it is able to reduce the risk of debt to suppliers and counterparties, increase solvency, financial condition and investment agriculture, ensuring a high level of financial security. Therefore, in shaping the financial security of agricultural development, it is necessary to focus on managing the cash flows that saturate production processes, ensure the timely conduct of financial and economic transactions and that are responsible for the state of solvency and financial independence.

Therefore, when designing the financial policy of an enterprise, it is necessary to choose a capital structure that will allow to increase the market value of the economic unit at the lowest cost of capital. It is optimal to have a capital structure that will minimize the weighted average cost of capital and, at the same time, maintain the firm's credit reputation at a level that enables it to raise new capital on acceptable terms.

The next element of the mechanism of formation of financial security of agricultural development should be called the elimination of financial risks, the factors of which are:

- lack of sufficient equity and formation of sub-optimal structure of sources;

- insufficient amount of own working capital and deterioration of the maneuverability of current assets;
- irrational allocation of attracted funds in assets; sub-optimal ratio between current assets and fixed assets; inefficient economic management, usage of land and assets, etc.

Improving the effectiveness and efficiency of measures to reduce the magnitude of financial risks that affect the mechanism of financial security formation of agricultural development at the level of economic entities is possible only on the basis of a systemic approach. The main result of this approach is to obtain a systemic impact in the form of an additional reduction in the overall level of financial risk, or in the form of a reduction in the costs of implementing preventive and compensatory measures to reduce financial threats. Therefore, this approach involves the presence in the mechanism of assessment and reduction of financial risks of the following elements: collection of information on the occurrence of systemic impacts; identification of systemic impacts; diagnostics of preconditions for occurrence of certain systemic impacts, their potential and quantitative parameters; mechanism of realization of necessary system impacts and synthesis of obtained system impacts. There are two types of systemic impacts:

- the first impact is manifested in a parallel increase (decrease) in the level of financial risks, other than those to which one or another method of influence was originally directed;
- the second impact is manifested in the form of a reduction in the costs of determining financial risks, taking into account the external diversification of financial risks, when the joint manifestation of risks leads to the opposite financial result of the entity. This is the so-called counterbalance effect.

Currently, the system of internal mechanisms for neutralizing financial risks of agricultural enterprises involves the use of the following basic methods<sup>6</sup>:

1. Avoiding risk.
2. Limiting the concentration of risk.
3. The risk diversification mechanism is used primarily to counteract the negative financial consequences of non-systematic (specific) types of risks.

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<sup>6</sup> Ekonomichna bezpeka pidpriemstva: navch. posib. / Donets L.I. ta in. Kyiv: Tsentr uchbovoi literatury, 2008. 240 p.

4. The mechanism of transfer (minimization) of financial risks involves their transition to partners during separate financial transactions.

5. The financial risk self-insurance mechanism is based on the provision of part of the financial resources to the enterprise, which allows to overcome the negative financial consequences from those financial transactions where these risks are not related to the actions of counterparties.

6. Other methods of internal risk mitigation used by an enterprise may include: securing a counterparty's claim for an additional level of risk premium for a transaction, obtaining certain guarantees from counterparties, providing compensation for possible financial losses from risks through a system of penal sanctions.

Thus, the formation of effective financial security of agricultural development should be based on the developed mechanism, which provides elemental consideration of such components as cash flow management, minimization of financial risks, attracting investments, optimization of the capital structure in balanced financing, asset management and financial controlling.

### **15.3. Modeling the level of financial security of agricultural development**

Under current conditions, agricultural development must be in line with global trends and take into account the transformational vector of evolution of the national economy, aimed at maintaining financial security. Accordingly, it is necessary to take into account these aspects when substantiating and developing a model of strengthening the financial security of agricultural development, the formation of which involves the adaptation of agrarian, social, environmental, financial, investment-innovation and foreign economic policies.

The model of enhancing the financial security of agricultural development should include strategic management that enables the security actors to adapt rapidly to the changing environment, undesirable risks and threats, the achievement of financial interests and the long-term success of agricultural entities in the process of financial security of agricultural development<sup>7</sup>.

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<sup>7</sup> Barashian V.Iu., Vereshchaha V.Iu. (2014). Systemnyi pokhod k razrabotke stratedyy obespecheniya fynansovoi bezopasnosti predpriyatya [Systematic approach to developing a strategy for ensuring the financial security of the enterprise]. *Teoreticheskiye y prykladnye aspekty sovremennoi nauky*, no. 5 (5), pp. 20-24.



The model of enhancing the financial security of agricultural development involves taking into account possible development options, forecasting cash flow and how much to spend in the current and immediate periods. Cash flow management involves the organization of the purposeful influence of the management system on the financial and economic relations that arise in the process of movement of cash assets of the enterprise in order to achieve the desired indicators of status and development. The cash flow management strategy in our understanding is defined as an algorithm for solving the set objectives within the strategic objectives, based on the existing financial status and real potential, taking into account the possible changes of the external and internal environment in order to form the highest level of emergence of the cash flow in the long term to ensure economic development under the terms and conditions of self-financing and profitability. Another component of an effective strategy for strengthening the financial security of agricultural development is the capital structure management strategy, which is focused on establishing the optimal combination of the necessary classical and alternative sources of financing. The process of capital formation of an enterprise requires observing the following principles: taking into account the prospects of agricultural development; ensuring correspondence between the amount of capital raised and the volume of assets of the agricultural enterprise; ensuring optimal capital structure; minimizing the cost of capital formation from different sources; ensuring high efficiency of capital use in the process of functioning of the enterprise<sup>8</sup>.

The crisis strategy is another important element of the overall strategy of strengthening the financial security of agricultural development. The instability of the external environment requires the appropriate response of agricultural operators to the dynamics of the market and the behavior of competitors, as well as the establishment of a certain procedure for enhancing the financial security of agricultural development. The main tasks should be: to identify ways to use financial resources effectively in the long term; determination of perspective directions of financial relations of economic entities of the industry with other entities of the economic system of the state; defining a system of

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<sup>8</sup> Demianenko M.Ia., Zuieva O.I. (2010). *Finansovi resursy silskohospodarskykh pidpriemstv Ukrainy: teoriia i praktyka: monohrafiia* [Financial resources of Ukrainian agricultural enterprises: theory and practice: monograph]. Kyiv: NNTs IAE, 190 p.

measures to ensure financial sustainability; justification of crisis exit and crisis management methods, etc.<sup>9</sup>

In carrying out financial and economic activities, business entities find themselves in difficult situations that require rapid and balanced response, which is not always possible to provide the enterprise, therefore, in the area of risk is the financial security of the entire industry. Therefore, the formulation of a strategy to strengthen the financial security of agricultural development should involve the use of elements of a financial risk management strategy aimed at overcoming negative situations. Methods that can be effectively used to enhance the financial security of agricultural development can be: risk avoidance, limiting market concentration, hedging, diversification, risk sharing, self-insurance.

The formation and implementation of the model of strengthening the financial security of agricultural development should be carried out within the framework of the corresponding concept, the implementation of which envisages the implementation of key provisions of the current state target development programs and strategies. We believe that the concept of financial security of agricultural development should be aimed at enhancing the state's existing financial and agricultural security potential, including mechanisms for efficient use of financial resources to ensure agricultural development and financial security management. Mechanism of implementation of the Concept of strengthening the financial security of agricultural development will provide purposeful influence of authorities and management on financial relations in agriculture, transforming the existing agrarian, financial, investment-innovation, social, foreign economic and other policies in order to achieve the planned financial security plans for rural development farms.

It is proved that the model of strengthening the financial security of agricultural development should be based on the mechanism of strengthening the financial security, which will contribute to ensuring the financial stability and financial independence of the economic entities of the industry. In modern conditions, classic sources of resources are used to finance agriculture: business entities' own funds, credit and investment financial resources. It should be noted that the volume of own financial resources has a constant dynamics to increase and their share in the

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<sup>9</sup> Prystemskyi O.S., Movchan A.I. (2015). Teoretychni aspekty zahrozy finansovoi bezpeky rozvytku silskoho hospodarstva [Theoretical aspects of the threat to financial security of agricultural development]. *Naukovo-ekonomichnyi zhurnal Khmelnytskoho ekonomichnoho universytetu «Nauka y ekonomika»*, Vyp. 3(39), pp. 60-63.

overall structure of financing is quite significant. At present, this state of affairs is not a testimony to the ability of the agricultural sector to self-finance, but is rather to testify to the financing of agrarian producers at the expense of healed sources.

First of all, it should be noted that the current state of unstable functioning of agricultural sector entities causes high risk for their financing through bank credit mechanisms, which leads to excessively high interest rates on credit resources. Accordingly, the financial security of agricultural development is deteriorating because of the increase in the final cost of the financial resources that will be used in production processes.

The analysis of other possible sources of financing to enhance the financial security of agricultural development revealed the possibility of using such instruments as letters of credit, bank guarantees, overdrafts, commodity and trade finance, barter transactions, foreign currency loans from non-residents, leasing and more. The most suitable for agriculture in our opinion is leasing, which allows to take into account the peculiarities of economic activity of the industry. Also, the prospects for using IPO and venture financing are highly effective.

Strengthening the financial security of agricultural development should occur within the specified model through reinforcement reserves that are combined by elemental composition (state security, debt safety of agriculture, security of financial solvency, security of financial independence, banking security, security of foreign economic activity and security of non-banking financial market) and in line with the management model of financial security of agricultural development.

Considering the current status of the state's economy, we believe that enhancing the financial security of agricultural development can occur under two scenarios: an inertial scenario (reflecting existing trends in the state's and agricultural development) and a scenario of strengthening financial security. The introduction of a model for strengthening the financial security of agricultural development will improve the quality of agriculture and the economic system of the state.

Thus, focusing on the above, we believe that the model of strengthening the financial security of agricultural development through the introduction of appropriate reserves and management model, using the proposed strategy will contribute to: improving the financial efficiency of agriculture, financial independence of agricultural enterprises, the stability of the industry; strengthening the

competitiveness of the state's agriculture; food security; increasing the welfare of the nation; strengthening of foreign economic relations, etc.

## **CONCLUSIONS**

The issue of strengthening the financial security of agricultural development is of national importance. It is revealed that the reserves for enhancing the financial security of agricultural development, in view of the nature and delineated security functions on a national scale, are the following: strengthening the security of state protection, ensuring the debt safety of agriculture, improving the security of financial solvency, ensuring the security of financial independence, strengthening banking security, ensuring the security of foreign economic activity and the non-banking financial market.

It is revealed that debt safety, which proposes to understand a certain level of ratio of external and internal, accounts payable and accounts receivable of all economic entities of the industry, which allows to implement its functional task effectively, is a reserve for strengthening the financial security of agricultural development and depends on business entities of the industry and beyond, the status of the regulatory framework, the status of existing and potential debt obligations, the prospects of differentiation of liabilities of monetary policy, the government debt, the rate of development of agriculture and nature and climatic factors.

It is argued that the security of the functioning of the banking system, which is not directly dependent on industry influence, determines the state of financial security of the development of the industry. We believe that banking security in the context of financial security of agricultural development is revealed as a state of protection of the interests of borrowers and creditors against external and internal threats.

It is justified that the security of foreign economic activity in the context of financial security of agricultural development requires special attention and should be interpreted as a condition in which agriculture is able to implement export policies effectively taking into account the interests of both the food security of the state and the need to enter the international markets of economic entities of the industry. Thus, the security of foreign economic activities contributes to: improving the state's image, ensuring foreign exchange earnings, increasing investment interest in the state's industry, improving the security of the banking

sector, improving the level of industry development, improving the culture of production, expanding the structure of financial resources, etc.

The necessity of introducing a mechanism for enhancing the financial security of agricultural development is justified, given the need for timely identification, prevention and neutralization of threats to the financial and economic interests of agrarian business entities and avoiding the likelihood of reducing the efficiency of functioning of the industry and the level of its financial security of development.

The proposed scientific approach to the method of assessing the level of financial security of agricultural development and the development of a mechanism for strengthening the financial security of agricultural development with a powerful block venture capital financing of economic entities of the industry have led to the construction of a model of strengthening the financial security of agricultural development. The formulation and implementation of a strategy for strengthening the financial security of agricultural development should be carried out within the framework of the proposed concept, the implementation of which envisages the implementation of key provisions of the current state target programs and development strategies.

The model of strengthening the financial security of agricultural development, based on the paradigm of financial security development of the industry, takes into account the relevant reserves of strengthening and management strategies, which will contribute to: improving the efficiency of agriculture, financial independence of agricultural enterprises, financial stability of the development of the industry; strengthening the competitiveness of agriculture; strengthening of foreign economic relations of economic entities; ensuring the food security of the state.

## **SUMMARY**

The political and economic system of Ukraine has undergone significant changes over the years of independence, complemented by the transformation processes of the last decade, which covered all sectors of the national economy. The inconsistency of the reforms that determined the agricultural development in Ukraine, the evolutionary transformation of the international agrarian market, led to the disruption of the efficiency of the industry and threatened its financial security, which necessitated a revision of the state's priorities for shaping the

foundations of further successful socio-economic development in the long run.

The issue of strengthening the financial security of agricultural development is of national importance, as it involves addressing many key issues of the effective functioning of the existing economic system of the state. The mechanism of formation of financial security of agricultural development should function in accordance with the basic provisions and principles of implementation of the overall security strategy of the state, guided by the tendencies of development of the financial system. The model for enhancing the financial security of agricultural development should include strategic management that enables the security actors to adapt rapidly to the changing environment, undesirable risks and threats, the achievement of financial interests, and the long-term success of agricultural entities in the process of ensuring the financial security of agricultural development.

Strengthening the financial security of agricultural development should be pursued through a respective strategy, which is reflected in the model of strengthening the financial security of agricultural development.

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**Information about the author:**

**Prystemskiy O. S.**

Doctor of Economics, Associate Professor,  
Professor at the Department of Accounting and Taxation,  
SHEI «Kherson State Agrarian University», Ukraine  
ORCID: <https://orcid.org/0000-0001-9743-3563>