

## CREDIT UNION IN THE SERVICE COOPERATIVES SYSTEM

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**Summary.** The present state and prospects of credit unions development in the country are investigated. The main problems that control the development of cooperative structures are revealed. It is proposed the realization of organizational, legal and economic measures for the development of agricultural cooperatives, as an institution of integration relations. It is proved that one of the ways of increasing the effectiveness of the management system in agricultural production is the creation of cluster formations. The main research methods are analytical.

**Keywords:** service cooperatives, credit unions, cluster associations, cooperatives, agricultural cooperation

**Introduction.** Agriculture is an equal segment of the credit market in Ukraine. 16% of the loan portfolio are concentrated here. This position of sector is the result of macroeconomic indices stability of the business environment improvement in the country, ownership identification of borrowers property, introduction of incentive policy so on. Credit market potential is growing every year, amounts of money and commercial lending are increasing, but producers need for borrowed funds is not provided in full. It is covered 50% for short-term resources, and 2% are for long-term resources.

Now limited credit resources in rural areas are caused not only by feature of agricultural lending but the lack of financial infrastructure ability as to medium and long-term loans. Today credit unions have become a powerful tool of microcredit in rural areas, contributing to the problem of credit lack. Besides getting a loan in the credit union is often easier and quicker, than in the bank.

The problem of credit unions functioning are considered in many publications of national scientists, particularly in the works of V. Ambrosova and V. M. Onyehinoyi [1] O. M Tretiak [4] M. I Malik [2] V. I Topihy [3] and others. However,

this problem is urgent and requires further study.

The present state and prospects of credit unions development in the country are studied in research. The main problems that control the development of cooperative structures are revealed. It is proposed the realization of organizational, legal and economic measures for the development of agricultural cooperatives, as an institution of integration relations. It is proved that one of the ways of increasing the effectiveness of the management system in agricultural production is the creation of cluster formations. The main research methods are analytical.

The description of the article main content. One of the important grounds of formation and successful operation of service cooperatives is the territorial concentration agricultural producers and required condition of project development of cooperative organization is to be their initiative and interest. The support of the government cooperative formation and agricultural public association are of great importance. Service cooperatives direct their activities to serve agricultural and other production of cooperatives members. These cooperatives are created for the provision of services related to the production, processing, crop production marketing, livestock, forestry and fish farming. Their characteristic feature is to serve most of the cooperative members, not for profit. Thus, service cooperatives provide services under the statute to others in the amount that is not exceeding 20% of the total cooperative turnover.

Creation of the service cooperatives credit unions in the area of activity is perspective (hereinafter CU) (Fig. 1).

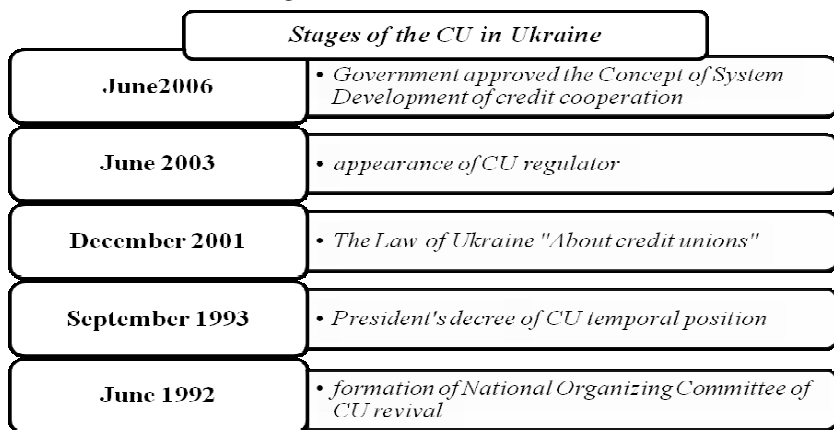


Fig. 1. Stages of the CU in Ukraine

In common ideological and methodological foundations, credit unions and agricultural service cooperatives work together to overcome the shortage of financial resources in the service cooperatives in order to increase the turnover of funds in credit unions (Fig. 2).

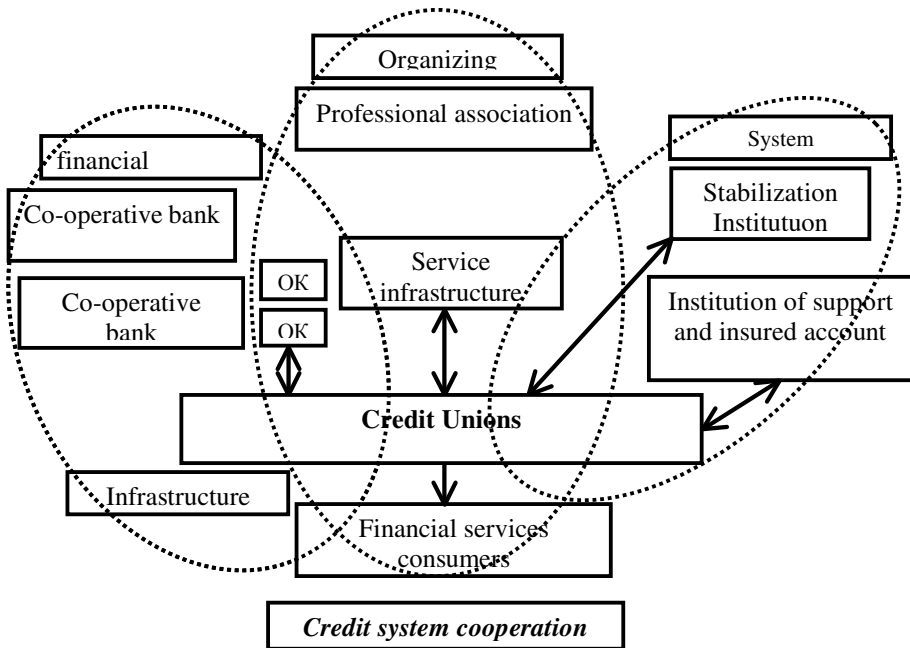


Fig. 2. The system of credit cooperation

Government policy should be based on the principles of promoting cooperation, non-interference in cooperative activities; defense cooperation and compliance with cooperative principles; integration of the cooperative sector in other sectors; Ukrainian cooperation, co-operation with international cooperative organizations.

The study of cooperative structures made it possible to identify the main problems that control their development:

- this type of business, as an agricultural service cooperative, is not provided for the Economic Code of Ukraine. The lack of legal format of regular financial support of cooperation development and unprofitable nature of agricultural service cooperatives;

- lack of understanding and unwillingness agricultural formation and rural residents to cooperation, inappreciation the point and benefits of the cooperative model of agricultural enterprise because the cooperative idea is not getting effective political and public information support;

- lack of interests co-ordination of potential participants cooperation, the existence of business enterprises different in sizes;

- lack of systematic selection and training of cooperative leaders, lack of top managers; ineffective or inaction of the National Agricultural Cooperatives.

The results of the analysis of agricultural cooperatives development, as the institution of integration relationship and problems that control its development, confirm the need for organizational, legal and economic measures:

- develop and adopt the National concept of cooperation as the basis of agricultural market infrastructure and rural development; promote regional cooperation centers, which provide consulting assistance to created cooperatives together with advisory services, increase educational knowledge to potential cooperators, create a school of cooperative leaders, organize attestation of civil servants responsible for cooperation development;

- for cooperative groups staffing to establish specialists training of agricultural cooperation in higher educational agricultural establishments. Provide education and training abroad of national experts from the cooperative development of higher qualification level;

- intensify research in the areas of cooperation development and integration in agricultural production, use wider the synergistic approach to methodological grounding system of the cooperative sector with distinguishing factors of structure-forming multi horizontally and vertically integrated cooperative system. Systematize economic indicators for assessing the efficiency of the cooperative structures and expand the study of factors affecting the cooperation development. Note the role of public institutions in the formation and development of cooperation and integration relations.

However, it is difficult for cooperatives to provide adequate competitiveness because of the objective reasons. In particular, collective decisions are less flexible in comparison to commercial entities. Expressed social cooperative nature complicates the realization of aggressive agricultural marketing policy. Internal factors preventing from the cooperative sector formation are the lack of qualified managers, poor activity of cooperative members in implementing the adopted strategy,

unconscious conviction in the correctness of the chosen path, mutual trust and personal impact.

Another problem is the cooperative sector investment, which does not cooperate with foreign investors because of unprofitable nature of activities and opportunities to attract internal investments are not as powerful as in a joint-stock business. The absence of external sources of funding and limited own resources are hindrance to the formation of material and technical basis of agricultural service cooperatives.

Support policy of cooperation development should be based on the principles of non-interference in cooperative activities; compliance of cooperative principles; integration of the cooperative sector in other sectors; Ukrainian cooperation with international cooperative organizations. ASC requires significant funds that are not for those who need cooperatives.

The effectiveness activity of corporate economic structures is largely influenced by processes related to restructuring, changes in property relations, management, organizational structure on vertically and horizontally which violated the traditional economic mechanism of management. The lack of state control over their activities led to deepening of the negative impact on the development of rural settlements (the creation of large holdings).

Creating integrated structures in Ukraine is an objective response to the needs of the national economy in the structural changes that is the rehabilitation and establishment between economic agents of strong property and financial relations and new financially stable institutional structures formation on their basis .

One of the ways of increasing the effectiveness of the management system in agricultural production is the creation of cluster formations. The features of cluster associations that allow to distinguish them from other types of associations are highlighted:

- common to all members of the brand (product, name);
- presence of the leader (integrator) - large enterprise, defining long-term economic and innovation strategy of the association;
- joint distribution network of goods markets output (including international);
- voluntary and open membership of independent enterprises of different legal forms;
- cooperation and trust based on parity exchange between food chain participants;

- higher quality production standards, working conditions and social improvement;
- the presence of arbitration court to solve disputes between farms inside the cluster;
- close interaction cluster association with government and local authorities on the basis of public-private partnerships.

Conclusions. Today it is necessary to take seriously the question of building credit cooperatives in rural areas. Practice has shown that the banking industry is not able to finance each farmer who received a small plot of land. Credit unions offer real opportunities of significant impact on small business and private entrepreneurship in rural areas. One of the real ways of achieving prosperity in modern Ukrainian village is to give credits to small and medium businesses . Therefore, lending agencies in rural areas find a niche in a market environment without creating competition to commercial banks.

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## **THE STATE OF AGRICULTURE IN UKRAINE IN 2013-2014**

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**Summary.** In this paper we investigate the state of the branch agriculture in Ukraine. Identified promising areas of livestock development and rastenivodstva estimated the human resources and remuneration enterprises. Noted the problem of the production and sale of products in the agricultural sector.