

Crediting of agricultural production in Kazakhstan

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Abstract. The article presents main indicators of agricultural development in Kazakhstan, issues of innovative development of agri-industrial complex, forms and types of loans, main sources, terms and conditions of crediting programs for agricultural production, processing of agricultural raw materials and food production, non-agricultural business activities. It shows the ways of micro-crediting system development.

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Introduction

In the process of agrarian reforming, when organizing of AIC activities is based on market economy principles, agricultural producers are in big need of creating conditions providing continuous-stable process of expanded reproduction of agricultural production, which requires appropriate organizational and economic mechanisms for sustainable development of AIC in regions. Today scientific way of finding effective forms of financial support to agricultural sector of economy requires the analysis of international experience. [1]

Support for low-income population groups – is a priority direction of public policy. With transition to market economy, the growing demand of domestic agricultural producers and consumers for financial resources required a better access to financial services. Like in many countries with transition economies, the development of small business was considered as one of the most effective methods of improving living standards of population, and crediting was a key component. [2]

The State plays a determining role in the formation and development of crediting system, which role is to create a favorable tax and investment climate for the expansion of production and business, organization of financial infrastructure and creating conditions for the development of competition between business entities.

At the same time, it should be noted that development of crediting sector in specific conditions, expressed by special economic development trends is typical for Kazakhstan. On the one hand, high economic growth, progress in legal regulation and development of bank loans as well as improved management systems are positive factors for the development of micro-crediting. On the other hand,

there are problems that create difficulties for the sustainable development of this process – such as limited volume of credit market, low population density, the uneven distribution of human resources.

Importance of this study lies in the fact that under these circumstances, bank loans remain inaccessible to small and medium-sized businesses, which in turn, create preconditions for the development of micro-credits as an integral part of financial system of the country. [3]

Relevance of the topic of the article is also determined by the fact that by studying the conditions of current functioning of credit system and its legislative framework, the need to improve the mechanism of micro-crediting increasing the areas of its correlation with socio-economic development of the country in the future has been determined.

Methodology

Improvement of the system of crediting of agricultural producers is aimed at promoting effective development of agri-industrial production on domestic and foreign markets, implementation of projects in the field of crop and livestock production, expansion of entrepreneurship in rural areas, enhancing of financial sustainability of agricultural enterprises.

Main part

In Kazakhstan the volume of farmland owned by land-users is 90.1 mln. ha, including arable land - 24 mln.ha, pastures - 63.3 mln.ha. Gross production output - 2.3 billion tenge, and share in gross domestic product - 11%. 8.3 mln of heads of livestock (in terms of conditional heads).

Natural conditions, their diversity have significant impact on potential development of efficient agricultural production. Thus, crop yield capacity and productivity of livestock have a certain

cyclic feature, that shows the dependence on the prevailing natural-climatic conditions.

Agriculture of Kazakhstan specializes in production of grain, beef, lamb, pork, horse meat, milk.

Major crop production areas completely coincide with arable land areas and perennial plants in the structure of land cultivation - cereals (wheat, rice, corn, rye, millet, buckwheat), technical, oil crops. Grain production occupies 70% of arable area [4].

Livestock production in Kazakhstan is less organized compared to grain industry. Main volume of meat and milk production in households is characterized by small-scale production, and therefore import of livestock products is prevailing. Poultry meat and eggs are produced in state-owned enterprises, because they require relatively high innovative technologies. Livestock production is widely spread: poultry production-56.1%, sheep - 29.7%, cattle - 8 9.4% [5].

Price disparity is considered as the main reason of financial problems of agricultural production, as there are no effective price regulation measures on market of material - technical resources. Farm machinery is imported from abroad, and their prices are close to the world prices, while domestic prices of agricultural products are 1.5 - 2 times lower than in the world. Therefore, the correlation of the rate of growth in sales prices and unit costs of major products indicates that production cost growth is the increase in sales prices, which reduces the efficiency of its production.

It should be noted that the level of intensification of agriculture lags behind the average world achievements, for example, in grain production it is 53.1% (the ratio of yields in Kazakhstan - 17 c/ha versus the average world's indices of yield capacity - 32 c / ha).

According to the estimates of susceptibility of enterprises to innovation processes characterized by share of active enterprises, innovative activity of enterprises of Kazakhstan corresponds to 4.3%, in the U.S. it is about 50%, Turkey - 33%, Hungary - 47% [6].

The main issues of innovative development of agricultural production in Kazakhstan are: high interest rates for using credit resources, lack of collateral, high risks in agricultural production, 80% depreciation of agricultural machinery and livestock production facilities. The existing level of agricultural technologic equipment has a negative impact on the use of modern agricultural technologies.

The main volume of credit means for the acquisition of main funds comes from borrowed and own funds of banks and leasing companies. Currently, about 30% of agribusinesses do not have access to

funding due to the lack of proper highly liquid collateral, unreliable financial condition.

In order to promote the efficient development of agri-industrial production on the domestic and external markets, a joint stock company "National Holding" KazAgro" has been established, which is based on the following principles: control (legislation documents, combination of indicative and strategic methods and state order), economic regulation (price, financial - crediting, tax), financial management (forecasting, investment, leasing, support of scientific and technical capacity), foreign economic activity.

As a financial operator of the key strategic agricultural development projects, the holding provides affordable, targeted and effective use of public and attracted resources, enhances further development of industrial, information and service infrastructure of agri-industrial complex. This allows to stimulate labor productivity through industrialization and diversification, to participate in food security assurance through the development and regulation of the domestic food market, promote the development and implementation of export potential.

Crediting of agricultural production is provided on the following programs: Employment 2020, "Tabigi orta", " Murabaha ", "Salam", crediting of small and medium-sized businesses in rural areas, microcredit organizations, "Sybaga", crediting of non-agricultural business activities in rural areas, rural consumer cooperatives, spring sowing and harvesting operations, replenishment of working capital, acquisition of main funds, investment purposes, plants processing of agricultural raw materials and food production plants, development of agri-industrial complex in livestock and crop production, leasing of agricultural machinery and animals [7].

Crediting of agricultural producers is provided on preference basis in form of reduction of interest rates of commercial banks at the expense of subsidies from State budget, which provides access to financial services, leasing of machinery and equipment, purchase of grain and other agricultural products at a fixed price, formation of the effective infrastructure providing services to agricultural production, rural credit associations, promotion of joining of small agricultural producers to supply-sales and service cooperatives, establishment of rural microcredit organizations, fund of guaranteed grain and cotton statements, formation of rural information - counseling centers, support of the development of insurance of agricultural production, construction of processing facilities and export production facilities.

Joint Stock Company "KazAgroFinance" provides funding in the following areas: meat, grain processing, dairy, bakery, fruits and vegetables, rice and oilseeds. Interest rate is 12.8 %, including subsidy

5.8 % per annum, and interest rate of 8% per annum without subsidies. During the period 2007-2013, about 80 bln. Tenge of budget funds were allocated for funding of investment projects. 185 projects have been implemented, including 16 on dairy farms, 20 on vegetable storages, 5 on poultry meat farms and 11 egg farms, 9 on greenhouses, 9 on vegetable farms, 53 projects on establishing reproduction farms, 12 on fodder production, 49 on processing of various products.

Joint Stock Company "Agrarian Credit Corporation" provides the following types of loans: for non-agricultural businesses in rural areas, enterprises processing agricultural raw materials and food, spring sowing and harvesting, credit unions, development projects in the field of livestock and crop production, specialized organizations.

Crediting on the program "Sybaga" is intended for the purchase of cattle breeding stock up to 7 years, breeding sires-producers for 2 years, replenishment of working capital - up to 2 years, acquisition and maintenance of main funds - up to 7 years. Interest rate - for agricultural producers - 6% annual, for credit unions - 3%. For crediting of non-agricultural types of business activities in rural areas the interest rate is 9.5%. Duration of the loan: for acquisition of main funds - up to 10 years, for replenishment of working capital - 2 years.

Direct crediting of agricultural producers for the spring sowing and harvesting works: from 1 million Tenge to 25 % of own capital of Corporation. Interest rate by 1 December of current year - 5 % per annum, until 31 March of the upcoming year - 7 % per annum.

Crediting of agricultural processing and food production plants. Interest rate for replenishment of working capital - 7% per annum, acquisition of main funds - 5 % per annum. Term of loan: for replenishment of working capital- up to 2 years, for acquisition of fixed assets - up to 10 years.

Interest rate for projects in the field of crop and livestock production: for acquisition of main funds, construction works and replenishment of working capital - 9.5% annual. Crediting period: for the main funds up to 10 years, for working capital - up to 2 years.

Interest rate for specialized organizations that don't provide specific types of banking operations - 1.35 % per annum, for those who do specific types of banking operations and have credit rating below "BB" - 6 % per annum. Loan term - up to 3 years.

The main activity of "Fund for Financial Support of Agriculture" is providing microcrediting for rural population and agricultural producers, crediting of microcredit organizations.

Loan portfolio of the Fund is 21.4 billion Tenge, including program " Sybaga" - 9.6 billion Tenge (45%), program "Rural microcredit " - 5.8 billion Tenge (27%), program "Microcrediting organization" - 2.6 billion tenge (12%).

Microcrediting on the Program of employment 2020 – involves citizens of the Republic of Kazakhstan who have the possibility of organizing or expanding their own businesses in rural areas. Maximum amount of 3 million tenge, interest rate - 6% per annum, the loan period is not more than 4.5 years.\

Microcrediting on program "Tabigi orta" – crediting of AIC entities, interest rate - 10% per annum, loan amount is up to 3 million tenge.

Microcrediting on program "Murabaha" for entrepreneurship in rural areas. For acquisition of main funds and biological assets not more than 3.7 million tenge, interest rate 9.5 % per annum, credit period not more than 4 years.

Microcrediting on program "Salam" - population, farms, individual entrepreneurs and legal entities engaged in business activities in the countryside: the loan amount is not more than 3.8 mln. tenge, interest rate - 9.5% annual, the credit period: not more than 1,5 years.

Crediting of microcredit organizations (MCOs) – crediting of MCO for further lending of microcredits for rural population and agricultural producers for livestock development, crop production and other types of business in rural areas. Loan amount from 5 to 350 million tenge, interest rate - 7.5% per annum, the loan period is not more than 6 years.

So, in all types of loans for agricultural producers of Kazakhstan, interest rate for the period 2006 - 2012, was 16 %, and at preferential rates, taking into account the subsidy - 10%. In this regard, financial market situation is that 42% of loans for agricultural sector are for subsidiaries of the JSC "KazAgro".

It should be noted that in Kazakhstan it is needed to legally confirm the regulation on exemption of commission payments of agricultural producers on loan issuing and services, except for interest rates, like in Russia and Belarus. [8]. This increases the existing interest rates to 4.5%, which leads to the increase of production unit costs and reduces its competitiveness on domestic and foreign markets. Preferential loans are provided only for the persons who are actually engaged in agricultural production. Credit is spent only for the intended purpose, i.e. the construction of new production facilities, equipment, replenishment of working capital for the development of agricultural production. Crediting period of agricultural producers is up to 1 year (short-term) to 10 years (long-term).

Loan is granted only to those producers who are solvent, and have stable financial situation, positive credit history, are not subject to reorganization, liquidation, bankruptcy, have no debts on taxes and other obligatory payments to the budget, debt to banks and other financial institutions, they should have an operating business, sufficient collateral base or other resources to minimize the risks of transience of the received funds and assurance of execution of obligations, necessary infrastructure for livestock management, forage base, grazing areas, veterinary and sanitary conditions on farm, own livestock in the amount of not less than 25% of the total purchased livestock quantity, competitive products and services.

Conclusion

The main prerequisite for restoration of production potential of agriculture, overcoming of its economic and technological backwardness, technical modernization and transition to innovative development is to attract investments in the sector [9], process of financing of which for the majority of agricultural producers is difficult due to the shortage of own funds.

In this regard, the role of external, especially recurrent funding sources is significantly increasing in agriculture. As part of the national financial system, the system of agricultural crediting is an important specific area, which operation provides the accumulation of temporary free funds and their redistribution in accordance with the needs of agricultural producers in the formation of funds at various stages and phases of production, distribution, exchange and consumption [10].

Measures undertaken in the country on the development of crediting of agricultural sector of the Republic helped to create the necessary conditions for stabilization of agri-industrial production, extending of export opportunities, improvement of living standards and welfare of rural population, as well as strengthen positive trends in agricultural sector.

Findings

1. Main problems impeding the innovative development of Kazakhstan's agricultural production: high interest rates for using credit resources; lack of collateral; high risks of agricultural production; agricultural machinery and industrial livestock facilities are worn out to 80%, which negatively affect the use of modern agricultural technologies.

2. Currently, about 30% of agricultural enterprises do not have access to funding due to lack of collateral, and unreliable financial condition.

3. In Kazakhstan, crediting is foreseen for small and medium-sized businesses in rural areas,

microcredit organizations, non-agricultural business activities in rural areas, rural consumer cooperatives, spring sowing and harvesting operations, working capital, acquisition of main funds, investment purposes, enterprises processing agricultural raw materials and food production, development of agribusiness in livestock and crop production, leasing of agricultural machinery and animals.

4. Crediting of agricultural producers is provided on preferential terms in the form of lower interest rates of commercial banks at the expense of subsidies from the State budget.

5. Preferential credits are issued only to persons engaged in agricultural production and spent only for targeted purpose.

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