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**Instruments of state regulation and fiscal mechanisms of financial and investment support and development of agricultural enterprises**

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**Abstract.** The purpose of the study is to substantiate the priority components and instruments of state regulation and the use of fiscal mechanisms to ensure the growth of financial and investment resources and the development potential of agricultural enterprises. **Methods** used in the research process: monographic, historical, system-structural-analysis and synthesis, problem-target approach. **Results.** The structure and components and tools of state regulation of financial and investment support and other priorities for the development of agricultural enterprises are determined. These include institutional support, currency regulation, overcoming bureaucracy and corruption. Particular importance is given to fiscal mechanisms and regulation of property rights. The main problems hindering the development of regional media platforms are presented. The main problems include: inadequate provision of the Internet access; low quality of traffic, content (no advertising market, no paid subscription) and fact-checking; the influence of the media founders on editorial policy; the dominance of hidden advertising. In domestic business conditions, agricultural entrepreneurs must rely on a clear definition of the legality of the actual existing rights of owners. This requirement is aimed at reducing the number of errors in management decisions, the implementation of long-term development strategies, risks and the amount of transaction costs of economic activity. **Practical meaning.** Agricultural enterprises, department of agro-industrial development of district and regional state administrations, tax authorities, economic faculties of universities. **Prospects for further research.** Prospects for the development of agricultural enterprises on the basis of state support and prudent fiscal policy.

**Keywords:** agricultural enterprises, financial and investment support, state regulation, fiscal mechanisms, taxation, currency legislation, institutions, property rights, protectionism.

JEL Classification: Q10, Q13, Q14, Q18, Q19.

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Інструменти державного регулювання та фіскальні механізми фінансово-інвестиційного забезпечення й розвитку аграрних підприємств

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Анотація. Метою статті є обґрунтування пріоритетних складників та інструментів державного регулювання й використання фіскальних механізмів забезпечення зростання фінансово-інвестиційних ресурсів й потенціалу розвитку аграрних підприємств. Методологія. У досліджені застосовані загальнонаукові методи, зокрема: монографічний, історичний, системно-структурного-аналізу і синтезу, проблемно-цільовий підхід. Результати. Визначено структуру та складники та інструменти державного регулювання фінансово-інвестиційного забезпечення та інших приоритетів розвитку аграрних підприємств. Серед них інституційна підтримка, валютне регулювання, подолання бюрократії та корупції. Особливе значення відведене фіскальним механізмам і регулюванню прав власності. У вітчизняних умовах господарювання суб'єкти аграрного підприємництва повинні спиратися на чіткі визначення законності фактично існуючих правомірностей власників. Дана вимога направлена на зменшення кількості помилок у прийнятті управлінських рішень, здійсненні стратегій перспективного розвитку, ризиків і величини трансакційних витрат здійснення господарської діяльності. Практичне значення. Аграрні підприємства, управління агропромислового розвитку районних і обласних державних адміністрацій, податкові органи, економічні факультети університетів. Перспективи подальших досліджень. Перспективи розвитку аграрних підприємств на засадах державної підтримки та виваженої фіскальної політики.

Ключові слова: аграрні підприємства, фінансово-інвестиційне забезпечення, державне регулювання, фіскальні механізми, оподаткування, валютне законодавство, інститути, майнові права, протекціонізм.

1. Introduction.

A comprehensive analysis and assessment of the agricultural market, agricultural production, investment inflows over the past decade in Ukraine, suggests that the current model is not optimal. This is true both from the point of view of the market structure itself and from the point of view of realizing the investment potential of agricultural formations to meet the needs of the agro sphere economy in financial and investment resources. It is characterized by the presence of certain systemic constraints, structural imbalances and problems that give rise to the need to develop appropriate measures of state regulation.

The main systemic limitations and problems that significantly constrain the growth potential of investment support of domestic agricultural production include the following: 1. Imperfection of the legal framework and mechanisms of state regulation; 2. Limited savings and low motivational interest of citizens.
to participate in investment funds; general immaturity and underdevelopment of the country’s stock market. It is also the presence of significant structural disparities in the mutual investment market in terms of the prevalence of closed-end venture investment funds over open and integrated public, focused on attracting funds from individual investors; underdeveloped regional structure of the mutual investment market.

The third group of problems is characterized as low information transparency of investment fund asset management companies; low quality of risk management in as-set management companies (hereinafter – AMC); a significant share of imperfect financial instruments in the activities of collective investment institutions (CII); limited opportunities to create new types of funds; low level of financial and investment awareness of citizens and others.

2. Literature review.


3. Methodology.

The theoretical and methodological bases of the study are scientific works in the financial and credit support of agricultural enterprises. The following research methods are used to achieve the purpose of the work: monographic, historical, system-structural-analysis and synthesis, problem-target approach.

4. Research objectives.

The purpose of the study is to substantiate the priority components and instruments of state regulation and the use of fiscal mechanisms to ensure the growth of financial and investment resources and the development potential of agricultural enterprises.

5. Results and discussions.

State regulation in the field of investment is not only a production and economic but also a socio-political process based on the implementation of relevant state activities as a set of forms and methods of state influence on the mutual investment market in order to form its optimal model. With the help of adopted laws and regulations, it determines the principles of formation and development of objective relationships in this market. State regulation of the investment market is also manifested in the establishment of legislation, rules, requirements and procedures of market participants (CII, AMC, investors, exchanges, intermediaries, etc.) and their interaction with each other in the market environment. The adoption of laws and regulations forms important mechanisms (motivational, legal, organizational and economic, etc.) and tools for state regulation of investment institutions, which determine their actual emergence and sustainable development.

It should be noted that in modern economic conditions, the structure and dynamics of investment activities in the country, especially the inflow of direct investment are far from perfect. However, in recent years in the field of investment, key laws and regulations have been adopted for its development (Gudzenko and Adamenko, 2009). These important institutional units and instruments of investment mechanisms have provided the legal and organizational basis for the establishment, operation, termination and liability of economic entities. They determine the features of management of their assets, set requirements for their composition, structure and storage. This also applies to the issue, placement, circulation, accounting and redemption of securities of agricultural formations.

We are talking about the use of investment certificates of mutual investment funds (hereinafter – UIFs) and shares of corporate investment funds (hereinafter – CIFs), the procedure and scope of disclosure of information
about the activities of investment institutions and more. At the current stage of inflow and attraction of foreign investments, further state measures are expected to improve the legislative and regulatory framework of investment institutions.

Of particular importance is the improvement of the procedure for the creation and liquidation of corporate or mutual investment funds; expanding the AMC’s capacity to create specialized investment funds (money market funds, government securities funds, bond funds, equity funds, index funds, bank metal funds, funds). The best international practice testifies to the expediency of establishing requirements for the nominal form of issue of securities of enterprises and the existence of their securities in undocumented form; establishment of requirements for payment of the value of CII securities, including shares of corporate investment funds in the formation of the initial authorized capital, exclusively in cash; improving the system of disclosure of information about the activities of mutual investment institutions.

Ukraine has a system of state regulation, but it should be significantly complemented by various forms of institutional and legal regulation (self-regulation), which is carried out by major institutions of securities markets and other financial instruments (stock exchanges, central depository, clearing organizations) and/or professional associations, participants (Marmul and Romaniuk, 2019). They operate on the principles of self-regulation and manage these institutions, strengthening and consolidating the supervisory functions of state regulators. The fiscal mechanism is one of the important methods of state regulation. The key component of the fiscal mechanism is budget and tax methods of state regulation: expenditures of public funds, taxes, regulation and control. The state influences foreign investment through budget, tax policy, state support system. At the same time, fiscal regulators such as taxes and non-tax payments, financial benefits and sanctions are of paramount importance for its development. At the same time, the increase in foreign investment does not require direct public spending.

The most important method of regulation in this area is its tax incentives, incentives for infrastructure, professional activities of participants, transactions with CII securities and income from them. Favorable state policy on taxation and currency regulation of joint investment should create conditions for both national investors (including the population) and foreign participants in investment activities to invest in the national economy through investment in investment funds (Okrepka, 2010). In order to improve tax incentives in its development in Ukraine, it is necessary to implement the following measures:

- elimination of discrepancies in the interpretation of the term “mutual investment institutions” in accordance with the Tax Code (Article 14.1.86) and the Law of Ukraine “On Joint Investment Institutions (Mutual and Corporate Investment Funds)”;
- clarification of the definition of the object of taxation for the application of a rate of 5.0% on income paid by the asset management company, accrued on the placed assets in accordance with paragraph 167.2 of Art. 167 of the Tax Code;
- attribution to the investor’s expenses of the full amount of funds paid in exchange for shares during the initial public offering of shares at market prices, as well as the placement of additional issues of shares;
- inclusion in the issue income of the amounts received by the issuer in excess of the proceeds from the re-placement of own issue shares over the repurchase price as such, which belongs to the equity transactions. According to the Tax Code, “issue income is the amount of excess of revenues received by the issuer from the issue (issue) of own shares (other corporate rights) and investment certificates over the nominal value of such shares (other corporate rights) and investment certificates (during their initial placement), or over the redemption price during the subsequent placement of
investment certificates and shares of investment funds; “
- exclusion in the norms of the Tax Code of the concept and procedure for determining the object of taxation, which does not comply with the procedure for investment funds established by the Law of Ukraine “On mutual investment institutions (mutual and corporate investment funds)”. This should lead to a correct interpretation of tax legislation by the SFS of Ukraine. In particular, the use of the concept of “income” in tax legislation to determine the income of an individual CII investor, which is subject to taxes at a reduced rate, similar to the taxation of income on bank deposits to replace the concept of “investment income paid by AMC”; “
- establishment of unified approaches to the taxation of investment income of citizens (at a rate of 5.0%) received on investment transactions of purchase and sale of securities of agricultural formations; “
- exemption from taxation of activities for the administration of private pension funds; “
- clarification of types of professional activity on the stock market that are not subject to taxation (types of professional activity that are subject to licensing in accordance with the law); “
- exemption of the issuer from payment of the state duty for registration of the prospectus of issue of securities by joint investment institutions, which carry out public placement of CII securities; “
- exemption from taxation of investors’ transactions on conversion (exchange) of CII securities managed by one asset management company; “
- amendments to the laws of Ukraine, which regulate the procedure for collection and amount of tax payments based on the results of financial activities of mutual investment institutions; “
- exemption of the National Commission on Securities and Stock Market from court fees. In order to implement these measures, it is necessary to make changes and additions to the Tax Code and other laws of Ukraine.

The regime of currency regulation of securities transactions in Ukraine also needs to be improved and optimized. In particular, it is necessary to simplify the procedure for foreign exchange transactions by institutional investors in order to invest in foreign securities in accordance with the laws of Ukraine (Mishchenko, 2010). It is important to ensure the implementation of the provisions of the legislation on the possibility for institutional investors to purchase foreign securities, taking into account the peculiarities of the functioning of international securities markets.

Disclosure of the peculiarities of property rights regulation through a set of these contradictions allows for each specific period of time to develop an appropriate mechanism for the development of property, find optimal solutions to economic problems of its operation and, thus, intensify the transition of the economy to sustainable socio-economic growth (Marmul and Kovalenko, 2008). The main task of property theory in the interpretation of Western economists is to analyze the interaction between economic and legal systems of their regulation.

But this interaction is not always realized in the individual behavior of economic agents. Therefore, the argument is usually unfolded in the following sequence: property rights determine what costs and rewards agents can expect for their actions; shifts in the system of property rights lead to shifts in the system of economic incentives; the response to these shifts will be a change in the behavior of economic agents. Regulation of economic activity of agricultural formations is based on a number of fundamental principles: legality, legitimacy, reciprocity, encumbrance (Smolenyiuk, 2013). Each of these four principles has its own characteristics of expression in the implementation of agricultural enterprises, caused by: - the complexity of the domestic legislative system and the legal security of business processes; “
- instability of socio-economic development of the country; “
- a high degree of dependence on the European and world vector of economic
development.

One of the problems that arises in the regulation of economic activity of agricultural enterprises, mainly at the stages of their early development, is the presence of so-called “hidden conflicts”. In the institutional systems of different countries there are textually similar legal terms and concepts, endowed with different content (Ihnatenko and Marmul, 2017). These include such concepts as “movable and immovable property”, “property rights”, “heirs”, “place of contract”. The economic component of the problems of regulating the activities of agricultural enterprises follows from their responsibilities to regularly provide accounting and financial reporting on business results (Chugunov and Pasichny, 2016).

Existing problems, contradictions and shortcomings in the regulatory regulation of property rights of enterprises significantly complicate the economic activities of owners in the agricultural sector, lead to disputes with regulatory authorities and auditors. However, any fact of economic activity, even if there are problems with its regulation at first, must be documented in order to ensure legality and further appeal/confirmation of their rights (Vasyltsiv (ed.), Voloshyn, Boikevych and Karkavchuk, 2012).

In addition, almost all the problems of sustainable socio-economic development of agricultural enterprises, including environmental, technological and social modernization, creating conditions for joint ventures, investment attractiveness, associated with ensuring a clear definition of property rights and their protection (Moiseenko and Marchenko, 2011) Weak protection of property rights in Ukraine, mergers of property and power, raids that are carried out, including with the help of state law enforcement agencies, corrupt taxes on property and business have significant opposition to the development of agricultural formations.

The authors of scientific publications offer the following tools for financial and credit support of agri-food enterprises such as: leasing, factoring, government loans (Irtyshcheva and Kramarenko, 2011a; 2012b).

6. Conclusions.

Historical, social and cultural features of creation and further development have determined the general factors of insufficient level of normative-legal protection of agricultural enterprises. Among them: the nature of privatization (including through mortgage auctions); corruption and criminal ties of domestic agribusiness. Therefore, elimination through state regulation requires the application of gray tax optimization schemes due to the imperfection of tax legislation; negative attitude of a large part of society to private property, especially to owners of large enterprises. It is also necessary to overcome such phenomena as distrust of sources of information, which promotes business as an “opaque” activity; imperfection of the judicial and legal system; reduction of costs for licensing, certification of goods and services, marketing research of markets. Therefore, in domestic business conditions, agricultural entrepreneurs must rely on clear definitions of the legality of the actual existing legitimacy of the owners. This requirement is aimed at reducing the number of errors in management decisions, the implementation of long-term development strategies, risks and the amount of transaction costs of economic activity.

References


