STATE SUPPORT OF CREDITING OF AGRICULTURE IN KAZAKHSTAN

Abstract. In this article we investigated problems of availability of credit resources to subjects in agriculture. For carrying out research were used economical and statistical methods of the analysis. Creditimg of agriculture constantly increases in Kazakhstan, generally due to the state preferential crediting through NUH JSC “KazAgro”. Despite various credit product and preferential terms of crediting, a circle of borrowers which can use the credit offer of holding is limited. For increasing of availability of credit resources, firstly development of agricultural cooperatives and introduction of the effective mechanism of insurance in agriculture is necessary. These measures will help to increase the level of solvency of the borrower, to reduce branch risk of agricultural production and possibility of giving mortgage providing in the form of the earth or property. Secondly, practically there are no private creditors and there are no conditions for their effective functioning in Kazakhstan. Therefore creation of cooperative bank in Kazakhstan, that will promote development of the competitive environment in the credit offer is offered, and attraction of the capital in financing of agriculture will expand investment opportunities.

Keywords: credit, agriculture, agricultural cooperative, cooperative bank.

In the annual message to the people the President N.A. Nazarbayev called agriculture “a new driving force of the economy” [1]. For this purpose there is a number of prerequisites, namely growth of agricultural sector for 2001-2016 averaged 4.4% a year, and the share in GDP makes about 4.5%. Nearly one fifth working-age population works in agriculture. In general this sector is extremely important for the solution of problems on ensuring food security and reduction of unemployment rate.

Development of agriculture is caused, first of all, by the state support which main directions are reflected in the State program on development of agro-industrial complex in the Republic of Kazakhstan for 2017-2021 (further – the Program). Subsidizing of rates of remuneration on the credits of subjects of agro-industrial complex, under credit-leasing contracts for acquisition of agricultural machinery and animals, processing equipment, on the credits issued to agricultural producers on financial improvement, and also increase the capital of “KazAgro” for granting the credits is offered in the Program [2].

However, now practical use of the instrument of preferential crediting of agricultural producers didn’t bring due effect. In this regard research of problems of availability of credit resources to subject of agriculture is a hot topic that formed the basis for writing of this article.

The purpose of scientific research in the assessment of the operating system of preferential crediting in agriculture and development of recommendations about ensuring availability of credit resources for agricultural producers.

For an assessment of a current state crediting of agriculture of the Republic of Kazakhstan economical and statistical analysis were used, including a method of group of economic indicators on certain signs; a method of a number of dynamics for definition of a pure and relative gain, growth rate; method of calculation of average sizes; graphic method.

Now the main creditors of agricultural producers are JSC “National operating holding “KazAgro” and banks of the second level”. Thus, the state financial support of agriculture in Kazakhstan is carried out by
NUH JCS KazAgro (further – Holding). In 2016 the total amount of subsidies, credits and transfers of Holding made more than 80% of the budget of the Ministry of Agriculture of RK, without expenses, connected summary and forestry [3].

As showed the analysis, for the last decade on domestic the credit market observes a tendency of growth of volumes of crediting of agriculture. (figure 1)

![Graph showing the structure of volumes of credits to agriculture in Kazakhstan.](image)

**Figure 1 – Structure of volumes of credits to agriculture in Kazakhstan**

Note: it is made by authors on the basis of statistical data of JSC NUH KazAgro/the Source: the annual report of JSC NUH KazAgro for 2016 [4]

Apparently from the figure 1, the credits issued by banks of the second level grew from 262,2 billion tenge in 2007 to 691,6 billion tenge in 2016, or by 2,6 times. However, according to National Bank of Kazakhstan, for the analyzed period the of agriculture in a total amount of the bank credits was reduced from 7,8% in 2011 to 2,5% in 2016 [5].

It should be noted that banks mainly credit large-scale steady enterprises for replenishment of current assets on ensuring short-term production. Thus, a source of part of the agricultural credits issued by commercial banks is the means borrowed JSC NUH KazAgro. So, the Holding carried out funding of banks of the second level for crediting of subjects of agro-industrial complex in 2014 for 20 billion tenge, in 2015 – for 44 billion tenge, in 2016 for 33 billion tenge.

Therefore, if the policy on subsidizing of interest rated for the credit wasn’t pursued from the state, banks of the second level actually would limit access to financing of subjects of agriculture. In our opinion, here the major limiting factors are:

- a conservative assessment of branch risks in agricultural production,
- deficiency of effective instruments of hedging of branch risks,
- low level of liquidity of mortgage providing agricultural producers,
- the shortage of sources of long-term funding demanded for financing of projects with a long payback period.

- weak methodology of the analysis of projects in agriculture,
- higher rates of remuneration on loans in comparison with subsidiaries of Holding.

As for JSC NUH KazAgro, for 2007-2016 the Holding increased volumes of crediting of agro-industrial complex from 85,0 billion tenge in 2007 to 562,5 billion tenge in 2016, or to 6,6 times.

Specific weight in a total amount of crediting made 45% in 2016 or increased by 1,9 times in comparison with 2007. It is significant growth and shows that the state represented by Holding gives essential state support to agriculture.

JSC NUH KazAgro carries out the state financial support of agriculture through the subsidiaries, including:
- JSC Agrarian Credit Corporation who grants soft loans to agricultural producers for the purpose of development of business in the village;
- JSC KazAgroFinance who finances acquisition of agricultural machinery in leasing;
- JSC Fund of Financial Support of Agriculture is engaged in microcredit in the village
- JSC KazAgroGaran carries out guaranteeing performance of obligations of subjects of the agrarian and industrial complex on loans (credits) and leasing provided by financial institutions;
- The KazAgroMarketing renders services of the operator within the “Agrobusiness – 2020” program for subsidizing of rates of remuneration for the credits, and also leasing of processing equipment and agricultural machinery of subjects of agrarian and industrial complex.

Thus only 3 subsidiaries credit agricultural producers: JSC Agrarian Credit Corporation, JSC KazAgroFinance and JSC Fund of Financial Support of Agriculture. The analysis of credit portfolio of Holding showed that for 2012-2016 the greatest specific weight in a total amount of the credits in the share of JSC Agrarian Credit Corporation which share in 2016 made 52,0%. Shared of JSC KazAgroFinance and JSC Fund of Financial Support of Agriculture in a credit portfolio of Holding are approximately identical and in 2016 made 21,0% and 27,0% respectively. (table 1).

<table>
<thead>
<tr>
<th>Years</th>
<th>JSC Agrarian Credit Corporation</th>
<th>JSC KazAgroFinance</th>
<th>JSC Fund of Financial Support of Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>sum</td>
<td>specific weight, %</td>
<td>sum</td>
</tr>
<tr>
<td>2012</td>
<td>82061146</td>
<td>63</td>
<td>28901531</td>
</tr>
<tr>
<td>2013</td>
<td>113210190</td>
<td>61</td>
<td>40242908</td>
</tr>
<tr>
<td>2014</td>
<td>100605389</td>
<td>49</td>
<td>53044703</td>
</tr>
<tr>
<td>2015</td>
<td>124504541</td>
<td>51</td>
<td>59739798</td>
</tr>
<tr>
<td>2016</td>
<td>135725198</td>
<td>52</td>
<td>54841601</td>
</tr>
</tbody>
</table>

Note: it is made by authors on the basis of statistical data of JSC NUH KazAgro. The Source: the annual report of JSC NUH KazAgro for 2016 [4]

It should be noted that ensuring availability of financial resources in many respects depend on credit conditions. We studied state programs of crediting of agricultural producers which are presented in table 2.

The analysis of conditions of granting the credits by subsidiaries of JSC NUH KazAgro revealed that its credit products have advantages before bank crediting. First of all, the Holding credits agricultural producers at the rates much below market, and partially interestesates are subsidized, objects of crediting are much broader, that other creditors. The Holding credits replenishment of authorized capitals of the companies, acquisition of agricultural machinery, replenishment of the fixed and working capital. Requirements to mortgage providing are lower, that in banks of the second level. Also the grace period of repayment of the credit for up to two years is provided. All these conditions make credit products of Holding more available for agricultural producers.

Despite various credit products and preferential terms of crediting, it should be noted that the circle of borrowers who can use the credit offer of holding is limited. As of January 1, 2017 the quantity acting country and farms on the republic made 177,8 thousand units, 10,3 thousand farms or 5,8% from them are the acting clients of subsidiaries of Holding of total number in the country. The number of the operating agricultural enterprises according to statistical data for January 1, 2017 made 9,8 thousand. Clients of subsidiaries of Holding are 2,2 thousand agricultural enterprises or 23% of total number in the country [4]. It is very low indicator. The main reason for such situation is that not all farmers can meet requirements for receiving the credit. It is connected with that in Kazakhstan generally small-scale farms are engaged in agro-industrial production. For example, in animal husbandry the share of personal subsidiary, small-scale country farms in production exceeds 70%, in plant growing – 45,5% [7].

The main problem of small farms in receiving financing, including credit resources is insufficiency of mortgage providing. Shortage of credit resources generates other problems of agricultural producers, such as a weak hardware, restrictions of introduction of modern technologies and means of production. Low efficiency of a production activity that conduces to decrease in solvency. A solution is association of small-scale farmers in agricultural cooperatives. For activation of this process were made the changes to
the Law of the Republic of Kazakhstan “About Agricultural Cooperatives” in which the main barriers on creation of agricultural cooperatives in Kazakhstan were eliminated [8].

Table 2 – Credit offer of JSC NUH KazAgro

<table>
<thead>
<tr>
<th>Program</th>
<th>Object of crediting</th>
<th>Sum, billion tenge</th>
<th>period</th>
<th>Interest rate</th>
<th>Grace period of repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund of Financial Support of Agriculture</td>
<td>- Increase in a livestock of Largely cattle and Small cattle - Fatteningofbirdsandanimals - Replenishment of current assets - Organization and expansion of nonagricultural and agricultural types of business</td>
<td>from 3 to 85 billion tenge</td>
<td>from 12 to 85 months</td>
<td>4-6%</td>
<td>From 6 to 12 months</td>
</tr>
<tr>
<td>KazAgroFinance</td>
<td>- Financial leasing of agricultural machinery and equipment - Special programs of leasing - Secondary leasing</td>
<td>Agricultural machinery and equipment</td>
<td>-</td>
<td>From 5 to 10 years</td>
<td>12% - 14,5%</td>
</tr>
<tr>
<td>Agrarian Credit Corporation</td>
<td>- Agrotechnology - Agrocommerce - Isker - Agroexport - Agrobusiness - Ken dala - Credit of investment projects or the expense of means of the borrowed NF RK</td>
<td>Creditimg of credit associations, banks of the second level, IX, IFI for the subsequent financing of agricultural producers</td>
<td>From 100000- to 50 billion</td>
<td>to 144 months</td>
<td>1-19%</td>
</tr>
<tr>
<td>KazAgroMarketing</td>
<td>Subsidizes contracts on the credits and leasing only for replenishment of current assets, with period of validity of a loan no more than 1 (one) year. Loans with the nominal rate of remuneration which isn’t exceeding 19% per annum in tenge and 10% in foreign currency are subject to subsidizing. Subsidizing consists in decrease in a rate of reward by 7% per annum of tenge and by 5% per annum in foreign currency.</td>
<td>Note: it is made by authors</td>
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</tr>
</tbody>
</table>

In the new edition of the law it is changed organizational and legal forms of agricultural cooperatives. So, if earlier agricultural cooperatives were created as non-profit organizations, now they are the commercial organizations. This status gives them certain advantages in activity. Besides, for registration of agricultural cooperative three participants are enough, and also participation of legal entities in creation of cooperative is allowed. The democratic principle in management of agricultural cooperative in underlain that is one participant has one voice, regardless of the size of a share and a contribution. Agricultural cooperatives had an opportunity to share profit between participants, the right to subsidizing and other types of the state support. The financial operator on development of agricultural cooperatives is JSC Fund of Financial Support of Agriculture.

As showed the analysis, the main operator of credit resources for farmers in Kazakhstan is JSC NUH KazAgro which shareholder is the state. In the credit market of the country there are no private creditors who could be alternative credit facilities of agriculture. In the developed foreign countries the wide choice of creditors who offer various programs of crediting depending on purpose of the credit and a financial position of the farmer is provided. Agricultural producers are served by branched system of commercial and cooperative banks, insurance companies, other, specialized organizations which are engaged in financial service of the agrarian sphere.
In Kazakhstan there are the prerequisites of creation of agricultural bank. About creation of such bank discussions at the level of the government are conducted. Creation of such bank is offered by merge of JSC Agrarian Credit Corporation to the existing credit associations [10].

In our opinion, the most interesting option of crediting is creation of cooperative bank. 75% of the agricultural credit fall to their share in France, in Germany – 44% and in the USA – 26% [9]. Successful functioning of cooperative banks in these countries is provided at the expense of two factors: unities of the relations of cooperative property from top to bottom and unities of system of functional communications. It is necessary for the state to create necessary conditions for existence of such bank. One of conditions is application of low interest rates for the agricultural credits. It is reached not only by policy of subsidizing of interest rates by the state that is applied and in Kazakhstan, but also by possibility of attraction of cheap investments into the capital of bank. For attraction of such investments specialized banks have to be created with the assistance of the state with big own capital. An indispensable condition is also the state guarantees to investors. In some countries the system of tax privileges is applied to stimulation of investments into the securities issued by agricultural banks. It raises possibilities of attraction of foreign investments.

Conclusion

The state support of crediting of agriculture is insufficiently effective and needs improvement. The factors containing growth of crediting of agriculture: high branch risk, low level of solvency and absence of mortgage providing agricultural producers.

For the purpose of increasing of availability of credit resources to agricultural producers is offered the development of agricultural cooperatives. It will raise possibilities of agricultural producers in preferential crediting, in the bank credits, and also in receiving leasing. Besides, creation of cooperative bank will promote development of the competitive environment in the credit offer and will expand investment opportunities attraction of the capital in financing of agriculture.

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УДК:336.717.061.338.43 (574) (045)
ГРНТИ:68.75.45

Р.А. Исмаилова1, Г.Ж. Матайгебаева2

1Казахский агротехнический университет им. С. Сейфуллина, Астана, Казахстан; 2Казахский агротехнический университет им. С. Сейфуллина, Астана, Казахстан

ГОСУДАРСТВЕННАЯ ПОДДЕРЖКА КРЕДИТОВАНИЯ СЕЛЬСКОГО ХОЗЯЙСТВА В КАЗАХСТАНЕ

Annotacja. В данной статье исследованы проблемы доступности кредитных ресурсов для субъектов в сельском хозяйстве. На основе экономико-статистических методов был проведен анализ кредитования сельского хозяйства в Казахстане. Результаты анализа показали, что финансирование сельскохозяйственных
предприятий имеет тенденцию роста, но в основном за счет льготного кредитования, предоставляемого НУХ АО «ҚазАгроп». Однако, круг заемщиков, которые могут воспользоваться кредитным предложением, ограничен, несмотря на разнообразие финансовые инструменты. С целью повышения доступности кредитных ресурсов для сельхозпроизводителей в нам предлагается следующие рекомендации. Во-первых, необходимо развитие сельскохозяйственных и внедрение эффективного механизма страхования в сельском хозяйстве. Эти меры помогут повысить уровень кредитоспособности заемщика, снизить отрассовой риск сельскохозяйственного производства и возможности предоставления залогового обеспечения в виде земли или имущества. Во-вторых, учитывая, что в Казахстане практически отсутствуют частные кредиторы и нет условий для их эффективного функционирования, предлагается создание в Казахстане кооперативного банка. Это будет способствовать развитию конкурентной среды на кредитном предложению и расширить инвестиционные возможности для привлечения частного капитала в финансирование сельского хозяйства.

Ключевые слова: кредит, сельское хозяйство, сельскохозяйственный кооператив, кооперативный банк.

ОЭЖ:336.717.061:338.43 (574) (045)
МРНТИ:68,75.45

Р.А. Исмаилова¹, Г. Магайбаева²

¹ С.Сейфуллин атындағы Қазақ агротехникалық университеті, Астана, Қазақстан;
² С.Сейфуллин атындағы Қазақ агротехникалық университеті, Астана, Қазақстан

ҚАЗАҚСТАНДА АУЫЛШАРАУЫШЫЛЫГЫН “ҚРЕДИТТЕУМЕМЛЕКЕТТІККОЛДАУ”

Аннотация. Осы мақалада біз ауыл шаруашылығындағы субъекттеріңіз нәсіп ресурстарының колективділігі өмірселерін зерттейік. Зерттеу жүргізу үшін экономикалық және статистикалық таңдау елдірі пайдаланылатын. ҚазАгроп улттық басқарушы әдіссері өндірісінің мемлекеттік және қызметкерлерінің мемлекеттік қызметтерінің өсімді жетілдіру өсімді қандайсыз мүмкіндікті көрсету қажет. Бұл қызметкерлер, қызметкерлер және ауыл шаруашылығындағы сақтанырғыштар үшін қызметкерлер, ауыл шаруашылығы каржылықтары үшін қызметкерлер, ауыл шаруашылығы кооперативтер қаржылықтану үшін қызметкерлер дайындықтан қаржылық және ауыл шаруашылығындағы сақтанырғыштар үшін қызметкерлер, ауыл шаруашылығы кооперативтер қаржылықтану үшін қызметкерлер, ауыл шаруашылығы кооперативтік банк қаржылықтану үшін қызметкерлер, ауыл шаруашылығы кооперативтік банк қаржылықтану үшін қызметкерлер, ауыл шаруашылығы кооперативтік банк қаржылықтану үшін қызметкерлер.

Түйін сөздер: нәсіп, ауыл шаруашылығы, ауыл шаруашылық кооператив, кооперативтік банк.

Information about authors:
Ismailova Rymkul Amanzholovna, Kazakh Agrotechnical University named by S.Seyfullin, professor, doctor.rymkul.kz@mail.ru. 
Mataybueva Gzhar Zharylgapovna, Kazakh Agrotechnical University named by S.Seyfullin, doctoral, guhar603@mail.ru.