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## PECULIARITIES OF LENDING TO AGRICULTURAL BUSINESS IN UKRAINE AND ABROAD

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In the current environment, agricultural enterprises are strategically important for Ukraine, as they ensure the country's food security. The agricultural sector of Ukraine is one of the key sectors of the country's economy, providing a significant portion of exports and employment. The level of development of the agricultural sector is directly proportional to the amount of money invested in its development. Currently, bank loans are one of the sources of meeting the credit needs of agricultural producers. They help to balance the need for capital with available own funds. However, agricultural enterprises in Ukraine face a number of challenges in obtaining loans, including high interest rates, lack of sufficient collateral, and an unstable legal and economic environment. Compared to developed countries, where the agricultural sector is actively supported through government programs, subsidies and concessional lending, Ukrainian farmers are often forced to rely on their own resources or look for alternative sources of financing. The introduction of new financial instruments such as crop receipts, leasing, and risk insurance is also important. To increase the availability of credit resources in Ukraine, it is necessary to improve the financial infrastructure, strengthen government support for the agricultural sector, and create favorable conditions for attracting investment. Comparison with international experience allows us to identify the most effective approaches to the development of the agricultural credit system.

## ОСОБЛИВОСТІ КРЕДИТУВАННЯ АГРАРНОГО БІЗНЕСУ В УКРАЇНІ ТА ЗА КОРДОНОМ

**Кушнір С.О., Семібратова Є.С.***Запорізький національний університет**Україна, 69011, м. Запоріжжя, вул. Університетська, 66***Ключові слова:**аграрний сектор,  
агрокредитування, фінансовий  
стан, комерційні банки,  
державна підтримка,  
фермерські господарства,  
європейські стандарти.

В сучасних умовах аграрні підприємства є стратегічно важливими для України, адже задовольняють продовольчу безпеку країни. Аграрна галузь України є одним із ключових секторів економіки країни, що забезпечує значну частину експорту та зайнятості населення. Рівень розвитку аграрної галузі прямо пропорційний сумі вкладених у її розвиток грошей. У даний час банківські кредити є одним з джерел забезпечення потреб сільськогосподарських виробників у кредитних ресурсах. З їх допомогою відбувається збалансування потреб в капіталі з наявними власними коштами. Однак, аграрні підприємства в Україні стикаються з низкою проблем при отриманні кредитів, зокрема високими процентними ставками, відсутністю достатнього забезпечення, а також нестабільністю законодавчої та економічної ситуації. У порівнянні з розвиненими країнами, де аграрний сектор активно підтримується через державні програми, субсидії та пільгове кредитування, українські аграрії часто змушені покладатися на власні ресурси або шукати альтернативні джерела фінансування. Важливим аспектом є також впровадження новітніх фінансових інструментів, таких як аграрні розписки, лізинг та страхування ризиків. Для підвищення доступності кредитних ресурсів в Україні необхідне вдосконалення фінансової інфраструктури, посилення державної підтримки аграрного сектору та створення сприятливих умов для залучення інвестицій. Порівняння з міжнародним досвідом дозволяє визначити найефективніші підходи до розвитку системи аграрного кредитування.

### Statement of the problem

Lack of financing is one of the main problems of the agricultural sector in Ukraine. The lack of sufficient funding prevents agricultural enterprises from modernizing and improving their technical facilities.

Banks and investors are now very cautious about the agricultural sector, which limits access to credit for businesses.

The lack of financing can be overcome by financial instruments such as loans and grants. It is important to actively use government programs and subsidies to develop the agricultural sector.

### Analysis of recent studies and publications

Research on the issues of ensuring the efficiency of lending to the agrarian sector was done by many scientists. The problem of financing agricultural enterprises through bank loans is widely considered and analyzed in the scientific works of O. Chernobay, V. M. Gomza, O. S. Nakonechnaya, L. I. Galas [1].

### Objectives of the article

The purpose of the article is to study the peculiarities of agricultural business lending in Ukraine and abroad, to identify the main problems of access to financial resources for agricultural enterprises, and to compare the domestic experience with international practice in order to formulate recommendations for improving the agricultural lending system in Ukraine.

### The main material of the research

In Ukraine, lending to agricultural businesses is implemented through several main mechanisms, including government support programs, commercial bank financing, and cooperation with international financial institutions. State support includes programs for partial compensation of interest rates on loans, subsidies for the purchase of machinery and equipment, and grant programs for agricultural enterprises. These measures are aimed at reducing the financial burden on farmers, stimulating their activity and attracting investment in the agricultural sector.

Agribusiness lending programs in Ukraine and abroad are an important tool for ensuring financial stability, development and competitiveness of the agricultural sector. These programs are aimed at supporting farmers, agricultural enterprises and cooperatives that ensure food security, rural development and export potential. They differ from country to country, depending on the level of economic development, legislative framework, and the specifics of the agricultural sector.

The mechanism of bank lending to agricultural enterprises is a lending procedure that each commercial bank carries out independently in accordance with the established credit policy.

The requirements for borrowers to obtain a bank loan include good financial standing, profitability, positive credit history, availability of collateral, regular cash flows to current accounts, sources of repayment, additional costs and insurance of the collateral.

Prior to the full-scale invasion of Russia, the share of loans granted to domestic agricultural enterprises remained quite low and amounted to only 9% of the total [1]. Agricultural enterprises mainly invest their own funds in their operations. For comparison, in developed countries, the share of bank lending reaches 70% of the working capital of the agricultural sector. The main obstacles to obtaining loans by agricultural companies are: high risks and interest rates, stricter collateral requirements from lenders, insufficient interest of banks in lending to startups and small and medium-sized enterprises, limited experience in agribusiness, dependence of borrowers' solvency on natural and climatic factors, as well as availability, condition and depreciation of fixed assets.

However, since 2023, the Ukrainian banking system has increased lending to the agricultural sector. Figure 1 shows the structure of the bank loan portfolio by type of economic activity as of 11 months of 2024.

Agricultural enterprises received the largest share of loans, accounting for 45%. The second place went to trade enterprises, which received 24% of all loans. Lviv, Kharkiv, Dnipropetrovsk, Odesa, Kyiv, Vinnytsia regions and the city of Kyiv were the leaders in terms of loan volumes.

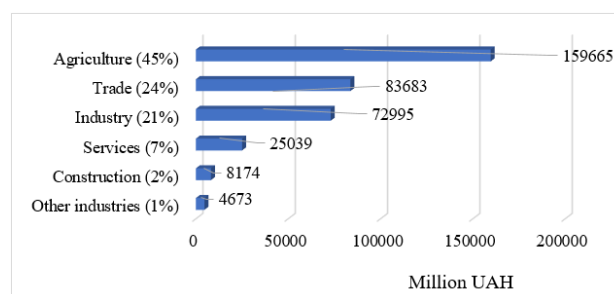


Fig. 1 – Volume and structure of the bank loan portfolio as of 01.12.2024 p

Note: compiled on the basis of [4]

Let us consider the current offers of domestic commercial banks to provide agricultural loans.

State-owned banks are the key players in providing loans. In 2023, PrivatBank became the leader in agricultural lending, providing UAH 6.4 billion in loans to farmers. This year, the bank is also not losing its position. As of the end of 2024, JSC CB PrivatBank provided financing to more than 3 thousand agricultural companies in the amount of UAH 10.6 billion as part of the program of credit support for agricultural producers.

At JSC Oschadbank, lending to the agro-industrial complex is also one of its priority areas. The bank ranks second among all Ukrainian banks by the number of loans granted. In 2023, the bank provided about 3.4 thousand loans worth more than UAH 5 billion to agrarians representing MSMEs [2]. As of October 1, 2024, loan agreements in the agricultural sector amounted to UAH 9.9 billion.

More than 30% of all loans received by farmers are provided by banks with state guarantees, which greatly simplifies access to bank financing for enterprises. The

Table 1 – Proposals of domestic commercial banks in terms of lending to agricultural enterprises as of 01.12.2024 poky

№ s/n	Bank	Average interest rate	Loan disbursement fee	Maximum loan term, months
1	JSC Oschadbank	18,70%	from 0,5% to more	36
2	JSC CB PrivatBank	19,50%	1-1,5%	60
3	JSC “Credit Agricole Bank”	16,50%	0,01%	60
4	OTP Bank JSC	16,95%	1-1,5%	36
5	JSC Ukreximbank	22,00%	0,20%	84
6	JSB “Ukrasbank”	20,15%	0,5-1,0%	60
7	JSC Agroprosperis Bank	21,75%	0,5%	84
8	JSC “Bank Credit Dnipro”	21,00%	1,5%	36
9	JSC Raiffeisenbank	18,65%	0,5-0,99%	60
10	JSC Globus Design Bureau	16,00%	from 0,5-1%	60

state plays a key role in agricultural financing programs through the 5-7-9% program and state guarantees.

The state support program “Affordable Loans 5-7-9%” [3] helps agricultural enterprises gain access to the necessary financial resources and provides low-interest loans for agricultural enterprises. Thanks to the program, the agricultural sector is able to operate. With the loan funds, farmers can buy seeds, fertilizers, fuel and lubricants to prepare for sowing and harvesting, pay salaries to employees, and restore farms.

It is worth noting that agricultural enterprises in Ukraine received the largest number of loans through the government program “Affordable Loans 5-7-9%”. Since its launch in February 2020 until December 2024, farmers have taken out loans totaling UAH 160 billion [4].

Currently, the Affordable Loans 5-7-9% program allows entrepreneurs to receive up to UAH 90 million in one tranche. The interest rate is 0% during martial law and for one month after its termination.

The program was extended by the government even during the war, maintaining its relevance for small businesses. At the same time, the adopted State Budget for 2025 provides more than UAH 6 billion to support the agricultural sector [5]. Thus, since budget funding for farmers has been limited since 2022, bank lending has become one of the main sources of financing for current projects of agricultural enterprises.

In Ukraine, the Fund for Partial Guaranteeing of Loans in Agriculture was launched in 2023. The Fund's activities are aimed at supporting small, small and medium-sized farmers who cultivate land of up to 500 hectares. This is a support for small farmers to be able to get loans. The Fund will guarantee to Ukrainian banks to cover up to 50% of loan obligations.

Borrowers can receive investment loans for up to 7 years, loans for the purchase of land for up to 10 years, and working capital for up to 3 years, with a maximum loan amount per borrower of UAH 30 million [6].

For comparison, it is worth considering the specifics of lending to farmers in the EU. In the EU, agricultural enterprises have free access to credit resources thanks to government and banking support programs. The main focus of such programs is to increase competitiveness, preserve ecosystems, efficiently use natural resources, support economic and social revitalization of rural areas,

and promote adaptation to climate change and prevent natural risks.

Among the European Union countries, Germany, France and Poland can be distinguished as having well-developed agricultural lending systems. In Germany, state-owned banks play a key role in offering long-term loans to farmers to modernize production facilities.

France provides farmers with financial support through a loan guarantee system, which reduces risks for creditors and makes financing more affordable. France has a special tax regime for rural producers that reduces the tax burden. Farmers who buy agricultural machinery can receive compensation of up to 40% of its cost. In addition, there is a special “tax credit” that allows you to pay only 60% of the tax, and the rest is compensated by the state. The interest rate for farmers producing organic products is only 2% per annum. For buyers of agricultural machinery, banks provide loans at 2-3% per annum, with no interest paid for the first year [7].

Credit Agricole Bank is a partner for the majority of French farmers, providing financing and support to agricultural production regardless of the market. It provides special financing and additional services for organic producers, including deferred loan repayment, additional funds for the purchase of machinery and special offers for crop insurance against climatic influences.

Poland also actively supports its farmers as part of its rural development program, including subsidies per hectare of sown area and special programs for young farmers. In addition, the government reduces the cost of agricultural machinery by 80%. In Poland, banks are actively financing farmers by providing long-term loans (up to 25 years) at low interest rates (3-5% per annum), which allows farmers to use cheap financial resources. Land is most often used as collateral for such loans. Poland actively uses the resources of the European Union to develop agricultural infrastructure and support farms.

In the Netherlands, there are government programs that provide guarantees for farmers for part of the loan. This applies to both small and medium-sized enterprises, including young farmers under 39 years of age, who can receive loans to optimize production, improve product quality or animal welfare conditions [7].

The main advantages of European lending programs are low interest rates, long loan repayment terms, and the

availability of grants and subsidies, which can significantly reduce the financial burden on farmers. At the same time, the procedure for obtaining financing can be quite complicated due to high reporting requirements, compliance with environmental standards and other regulatory norms [8].

Comparing Ukrainian and European programs, it is worth noting that in Ukraine, the level of state support for agribusiness is lower and the interest rates on loans are much higher. At the same time, international programs operating in Ukraine are gradually adapting European practices.

The effectiveness of agricultural business lending programs depends on a comprehensive approach that includes the availability of financial resources, technical support, a favorable regulatory environment, and infrastructure development. Given the experience of the European Union, Ukraine has significant potential to improve its programs by introducing new financial instruments and expanding international cooperation.

Ukraine's agricultural sector faces numerous challenges, such as high dependence on seasonality, limited access to long-term investment resources, volatile markets, and infrastructure constraints. In this context, the development of modern lending programs is critical to ensuring sustainable growth. The European experience can serve as a basis for reforming the Ukrainian agribusiness financing system [1].

One example of the successful use of international financial mechanisms is the EU Credit for Small and Medium Enterprises program, which is implemented through a number of Ukrainian banks with the support of the European Investment Bank [9]. This program allows agricultural producers to obtain loans on favorable terms, with reduced rates and long maturities, which facilitates the implementation of investment projects to modernize and expand production. However, access to such resources requires farmers to have a high level of financial literacy, business transparency, and compliance with international reporting standards.

Among the examples of European loan programs that could be adapted in Ukraine are the financing mechanisms in Poland. Here, farmers have access to concessional loans through the Agency for Restructuring and Modernization of Agriculture, which offers subsidies for interest payments. Such loans are aimed at updating the technical park, setting up processing plants, building agricultural infrastructure, and implementing environmental projects. The advantage is the simplicity of procedures and active support from local administrations.

In Germany, agricultural business lending programs are based on cooperation between the state, banks, and regional support funds. For example, KfW Bank offers low-interest loans for investing in farm development, digital technologies, and renewable energy sources. An important aspect is the long-term support of projects aimed at reducing dependence on fossil fuels and increasing production efficiency [10].

Comparing these approaches to domestic lending, it can be noted that long-term financing mechanisms are currently underdeveloped in Ukraine. The bulk of loans provided by Ukrainian banks are short-term and aimed at

seasonal needs, such as the purchase of fertilizers, fuel, or seeds. This limits the ability of farmers to implement large-scale investment projects that require significant financing and a long payback period.

To further develop the agricultural lending system in Ukraine, it is advisable to adapt the best practices of European countries. In particular, the creation of state and regional loan guarantee funds will reduce risks for banks and expand access to finance for small and medium-sized farmers. In addition, intensified cooperation with international financial institutions opens up opportunities for attracting profitable loans and grant funding.

Equally important is the work to simplify the procedures for obtaining loans and ensure transparency of financial mechanisms. This will help increase confidence in the lending system and encourage farmers to actively attract investment to develop their farms.

A key factor in the successful adaptation of Ukraine's agricultural lending system to European standards is the creation of a favorable institutional environment. This includes improving legislation, developing financial instruments, and raising the level of financial literacy among farmers.

One promising area is the introduction of specialized credit lines for small farmers. European experience shows that such programs provide equal access to finance for all categories of farmers, regardless of their size or specialization. For example, Poland has programs targeted specifically at small farmers who face difficulties in raising capital due to limited resources or low creditworthiness. These programs are supported not only by public funds, but also by EU structural investment funds, such as the European Agricultural Fund for Rural Development [11].

Financial instruments for cooperatives are common in Europe. In Denmark and the Netherlands, farmers' cooperatives receive loans under state guarantees to develop processing plants, build warehouses and logistics centers. This approach allows small producers to share resources, reducing the cost of individual investments. However, dependence on the cooperative model can be a barrier for farms that operate independently.

Infrastructure projects financed through loans play an important role in increasing the competitiveness of the agricultural sector. In France and Germany, farmers receive financing for the construction of warehouses, cooling systems, and transportation of products. Such projects are supported by national funds or through direct EU investment. Despite the significant positive impact on farm efficiency, infrastructure projects take a long time to implement and pay off.

It is worth noting that the Ministry of Agrarian Policy and Food of Ukraine, with the assistance of the EU, has established and put into operation a state automated information system for collecting, recording, storing, and processing information on agricultural producers - the State Agrarian Register (SAR). The State Agrarian Register provides online access to support programs for all registered agricultural producers, regardless of their legal form. The information system is similar to the registers of agricultural producers that exist in all EU member states [12].



### Conclusions

Thus, compared to European programs, the Ukrainian lending system focuses on partial compensation of interest rates on commercial loans, which does not meet the long-term needs of farmers. Lending rates in Ukraine are significantly higher than in the EU, which limits access to finance. In addition, environmental and innovative projects, which are prioritized in European programs, are not yet sufficiently supported in Ukraine.

Ukrainian farmers also face less support for cooperative structures. While in the EU, cooperatives are an important tool for accessing financing and implementing large projects, in Ukraine this model is developing slowly, which reduces the competitiveness of small producers. Another important difference is the lack of a significant amount of grant programs that could support innovative solutions.

However, Ukraine has prospects for integrating European experience. Active cooperation with international financial organizations, such as the EBRD and the European Investment Bank, creates conditions for adapting

EU best practices. Expanding state guarantees, supporting long-term loans, promoting sustainable development, and improving the cooperative system could significantly increase the availability of financing for Ukrainian farmers.

Today, Ukraine's agricultural business is supported by financial assistance programs, compensation for the restoration of infrastructure and equipment, grants for the development of horticulture and greenhouses, and tax benefits. These measures have become important tools to support the industry, especially in times of war.

In order to restore and further develop the agricultural sector, it is necessary to continue adapting Ukraine's agricultural policy to European standards and legislation, which will facilitate the country's integration into the European Union and strengthen the competitiveness of Ukrainian agribusiness in international markets.

Foreign experience shows that agricultural sector support policies aimed at stabilizing the financial condition of farmers and ensuring their competitiveness in international markets are extremely important in the context of globalization.

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