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**STATE SUPPORT OF AGRICULTURE CREDITING  
IN KAZAKHSTAN**

**Abstract.** In this article, we investigated problems of availability of credit resources to subjects in agriculture. For carrying out research there were used economical and statistical methods of the analysis. Crediting 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 the 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 the creation of cooperative bank in Kazakhstan, that would promote the 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 the growth of agricultural sector for 2001-2016 averaged 4,4% a year, and the share in GDP makes about 4,5%. Nearly one fifth of 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 did not 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.

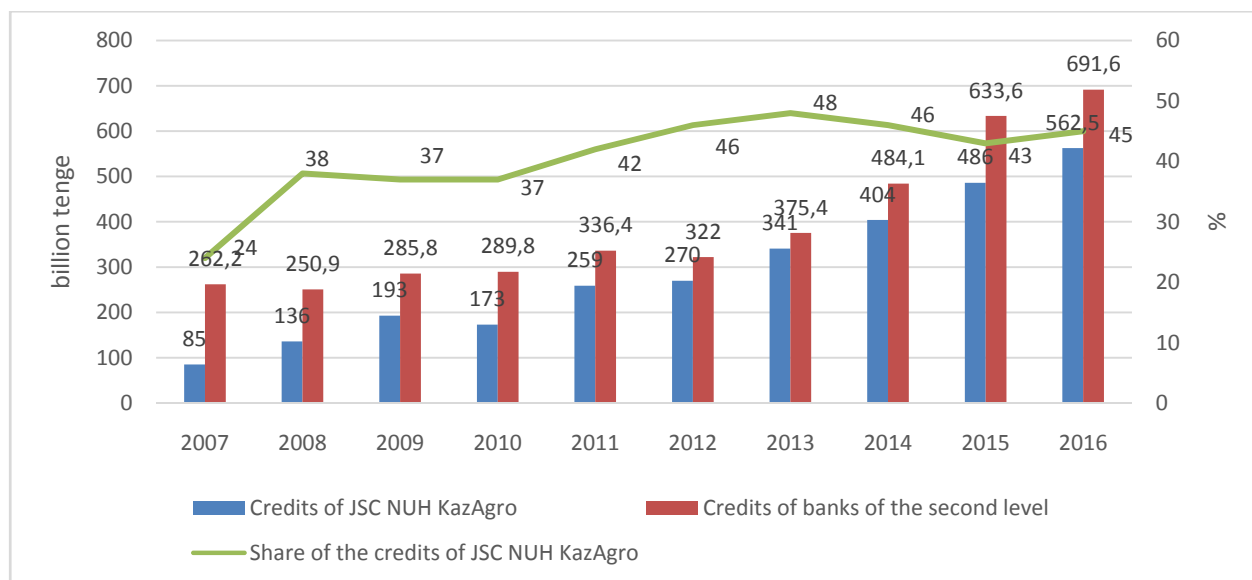
The purpose of scientific research in the assessment of the operating system of preferential crediting in agriculture and development of recommendations about ensuring availability of credit resources for agricultural producers.

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).



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 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 rate 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%. Share 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 1 – Structure of a credit portfolio of JSC NUH KazAgro

Years	JSC Agrarian Credit Corporation		JSC KazAgroFinance		JSC Fund of Financial Support of Agriculture	
	sum	specific weight, %	sum	specific weight, %	sum	specific weight, %
2012	82061146	63	28901531	22	18762054	15
2013	113210190	61	40242908	22	33630484	17
2014	100605389	49	53044703	26	50213705	25
2015	124504541	51	59739798	24	60705259	25
2016	135725198	52	54841601	21	69838862	27

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 the availability of financial resources in many respects depends 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 interest rates are subsidized, objects of crediting are much broader, than 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, than 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 the 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 the total number in the country [4]. It is very low indicator. The main reason for such situation is that not all farmers can meet the 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].

Table 2 – Credit offer of JSC NUH KazAgro

	Program	Object of crediting	Sum, billion tenge	Period	Interest rate	Graceperiod of repayment
Fund of Financial Support of Agriculture	- Igilik - Bereke - Esinzhay - Kasipker - Yntymak - Yrys - Koldau	- Increase in a livestock of Largely cattle and Small cattle - Fattening of birds and animals - Replenishment of current assets - Organization and expansion of nonagricultural and agricultural types of business	from 3 to 85 billion tenge	from 12 to 85 months	4-6%	From 6 to 12 months
KazAgroFinance	- Financial leasing of agricultural machinery and equipment - Special programs of leasing - Secondary leasing	Agricultural machinery and equipment	–	From 5 to 10 years	12 - 14,5%	No more than 2 years
Agrarian Credit Corporation	- Agrotechnology - Agrocommerce - Isker - Agroexport - Agrobusiness - Ken dala - Crediting of investment projects at the expense of means of the borrowed NF RK	Crediting of credit associations, banks of the second level, LX, IFI for the subsequent financing of agricultural producers	From 100 000 – to 50 billion	To 144 months	1-19%	To 36 months
KazAgroMarketing	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.					
Note: it is made by authors.						

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 conducts 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].

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 the analysis showed, 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 the 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 the 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 are: 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 the development of agricultural cooperatives is offered. 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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### **ҚАЗАҚСТАНДА АУЫЛШАРУАШЫЛЫҒЫН КРЕДИТТЕУ МЕМЛЕКЕТТІК ҚОЛДАУ**

**Аннотация.** Осы мақалада біз ауыл шаруашылығындағы субъектілер үшін несиелік ресурстарының қолжетімділігі мәселелерін зерттедік. Зерттеу жүргізу үшін экономикалық және статистикалық талдау әдістері пайдаланылды. «ҚазАгро» ұлттық басқарушы холдингі арқылы мемлекеттік жеңілдікті несиелендіру есебінен Қазақстанда ауыл шаруашылығын несиелендіру үнемі өсіп келеді. Несиелік өнімдерінің алуан түрлілігіне және несиелік берудің жеңілдікті шарттарына қарамастан, холдингінің несиелік ұсынысын қолдана алатын қарыз алушылар шеңбері шектелген. Ауыл шаруашылығы тауарларын өндірушілер үшін несиелік ресурстарының қолжетімділігін арттыру, біріншіден, ауыл шаруашылығы кооперативтерін дамыту және ауыл шаруашылығында сақтандырудың тиімді механизмін енгізу қажет. Екіншіден, Қазақстанда жеке кредиторлар жоқ және олардың тиімді жұмыс істеуі үшін жағдай жоқ. Сондықтан, Қазақстандағы кооперативтік банк құру ұсынылады, ол несиелік ұсыныстың бәсекеге қабілетті ортасын дамытуға және ауыл шаруашылығын қаржыландыруға капитал тарту үшін инвестициялық мүмкіндіктерді кеңейтуге мүмкіндік береді.

**Түйін сөздер:** несиелік, ауыл шаруашылығы, ауылшаруашылық кооператив, кооперативтік банк.

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### **ГОСУДАРСТВЕННАЯ ПОДДЕРЖКА КРЕДИТОВАНИЯ СЕЛЬСКОГО ХОЗЯЙСТВА В КАЗАХСТАНЕ**

**Аннотация.** В 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 «КазАгро». Однако, круг заемщиков, которые могут воспользоваться кредитным предложением холдинга, ограничен, несмотря на разнообразные финансовые инструменты. С целью повышения доступности кредитных ресурсов для сельхозтоваропроизводителей нами предлагаются следующие рекомендации. Во-первых, необходимо развитие сельхозкооперативов и внедрение эффективного механизма страхования в сельском хозяйстве. Эти меры помогут повысить уровень кредитоспособности заемщика, снизить отраслевой 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 по кредитному предложению и расширит инвестиционные возможности для привлечения частного капитала в финансирование сельского хозяйства.

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

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