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FORMATION AND USAGE OF FINANCIAL POTENTIAL IN FARMING

A financial potential should be considered as the most important tool for financial policy stabilization in the agrarian sector of economy in the context of farming development and improvement of financial activity of agricultural enterprises in the region, as on practice their current financial profile gives no objective assessment of potentiality of financial resources usage. Expediency of such approach to this problem is conditioned by vector re-orientation of farming towards formation of favourable finance and credit conditions due to providing agricultural commodity producers with sufficient amount of financial resources for extended reproduction and innovative development, financial stability and competitiveness on both home and foreign markets; and also for investment provision of reforms in the rural area via development of mechanisms promoting upgrade of material and technical base of farming, both formation of own sources for financing investments of commodity producers and their attraction from other branches of economy, foreign countries of financial markets as well as from people.

To unite the key characteristics of this complex economical category for gaining the aims of the research an author's definition of financial potential in farming was proposed: financial potential in farming is a general function and an estimated figure of the branch reflecting formation, distribution and usage of financial resources for ensuring efficient development and functioning of agricultural enterprises in the region.

Financial potential in farming as an indicator of the market estimation of potential income with financing of production capabilities of agricultural enterprises in the region and market parameters (information on prices, supply and demand, competition etc.) available can be potentially and actually evaluated basing on the choice of financial management mechanism dictated by market. In any case, financial potential is essentially grounded on the theory of financial resources management, and namely, management of financial flows, with change of their parameters influencing the financial results of activity and paying capacity of agricultural enterprises in the region and of farming in whole.

Financial provision of agricultural enterprises in the region involves all possible sources of finance: own (capital charges, income, budgetary funds, insurance compensations), loaned (long-term and short-term bank credits) and outside ones (bills payable). However, financial provision of the branch has certain peculiarities:

- insufficiency of own financial resources; necessity of loans (long- and short-term credits);
- need in state financial support of the branch development;
- absence of intensification of self-regulation, self-organization and self-financing processes, that are integral to enterprise functioning under developed market economies;
- underdevelopment of financial infrastructure in the branch;
- availability of independent information and advisory services for agricultural enterprises and, in particular, advising on alternatives of crediting economic activity of enterprises.

The whole number of components of financial potential in the branch must be reflected in the system of financial analysis indices, which should be considered as absolute and relative ones. Nevertheless, for financial provision of agricultural enterprises in the region not the indices themselves are of the vital importance, but their threshold values – indicators of boundaries, violation of which results in finance flexibility disturbance, impedes the development of various elements of reproduction, causes and forms negative, destroying tendencies in farming.

Assessment of financial potential of agricultural enterprises must reflect their functioning stability and facilities for improvement of their financial provision and of farming in whole, verify absence or presence of risks and ability to predict them. Considering the aforesaid a structure of financial resources, meeting the demands of an effective economy, availability of profitable production possibilities, sources of bankrolls proportionally satisfying economically substantiated parameters of financing, resource level of financial potential, meeting international standards, can be accepted as criteria of financial potential.

Taking into account importance and necessity of investment trend in farming under reforms in agrarian economy, issues of formation and usage of financial potential of agricultural enterprises in the region should be of major significance; this implies necessity of development of an efficient investment policy, forms and methods of financial forecasting with consideration of risk factors.

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