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THE ROLE OF FINANCIAL CONTROL SERVICES EMPLOYEES IN FORMATION OF THE AGRICULTURAL ENTERPRISES' CREDIT POLICY

Abstract. The development of multi-vector economy, effective implementation of reforms in this sphere as well as improvement of living standards is impossible without a qualitative operation of financial controlling services, especially at agricultural enterprises. However, the lack of effective state support in this area as well as professional financial controllers in the agrarian sector had a negative impact not only on the resource provision, but also the whole profitability of enterprises in the industry. Therefore, at the present stage of development of Ukrainian agrarian sector the topical issue is definition of common principles for the implementation of effective financial and credit policy at the agricultural industry of the economy.

Given the topicality of the above issue and lack of its study, the main purpose of this Research is a determination of the role of financial / controlling services staff in the formation of the credit policy of agricultural enterprises and measures for its enhancement.

As a result of the analysis, we have found that financial controlling together with all its components provides for timely reflection and provision of information on financial and economic activities to external and internal users by experts for the purpose of further planning and implementation of their management decisions.

In addition, taking into account the above approach, we have identified the main stages in the formation of the credit policy at agricultural enterprises with the participation of controlling services staff. They include both financial controllers' analysis of an agricultural enterprise activity on the possibility of its crediting and scientific and practical approaches to the implementation of specific credit policies. We also have found that, first of all, it is necessary to involve financial controllers in all micro and macro credit development processes in order to increase the role of controlling services in the formation of the credit policy at agricultural enterprises.

The above approach is comprehensive and provides the conditions for a differential study of the problem of the effective financial controllers' performance at enterprises of the agrarian sector of the economy at both national and regional levels.

Keywords: agrarian sector of the economy; agricultural enterprise; financial controlling; financial controller; financial controlling service.

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РОЛЬ ПРАЦІВНИКІВ СЛУЖБ ФІНАНСОВОГО КОНТРОЛІНГУ В ФОРМУВАННІ КРЕДИТНОЇ ПОЛІТИКИ СІЛЬСЬКОГОСПОДАРСЬКИХ ПІДПРИЄМСТВ

Анотація. Обґрунтовано роль працівників служб фінансового контролінгу в формуванні кредитної політики сільськогосподарських підприємств. Визначено та розкрито категоріальний апарат щодо фінансового контролінгу і його складових. Охарактеризовано

основні етапи формування кредитної політики суб'єктів господарювання аграрного сектора економіки завдяки фінансовим контролерам.

За результатами проведених монографічних і соціологічних обстежень визначені основні напрями та показники оцінки ролі фінансових контролерів у формуванні кредитної політики аграрних підприємств окремих районів Київської області. Також запропоновано заходи підвищення ролі працівників служб фінансового контролінгу щодо формування кредитної політики сільськогосподарських підприємств.

Ключові слова: аграрний сектор економіки; сільськогосподарське підприємство; фінансовий контролінг; фінансовий контролер; служба фінансового контролінгу.

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РОЛЬ РАБОТНИКОВ СЛУЖБ ФИНАНСОВОГО КОНТРОЛЛИНГА В ФОРМИРОВАНИИ КРЕДИТНОЙ ПОЛИТИКИ СЕЛЬСКОХОЗЯЙСТВЕННЫХ ПРЕДПРИЯТИЙ

Аннотация. Обоснована роль работников служб контроллинга в формировании кредитно политики сельскохозяйственных предприятий. Определен и раскрыт категориальный аппарат относительно финансового контроллинга и его составляющих. Охарактеризованы основные этапы формирования кредитной политики субъектов хозяйствования аграрного сектора экономики благодаря финансовым контролерам.

По результатам проведенных монографических и социологических исследований определены основные направления и показатели оценки роли финансовых контролеров в формировании кредитной политики аграрных предприятий отдельных районов Киевской области. Также предложены меры повышения роли работников служб контроллинга по формированию кредитной политики аграрных предприятий.

Ключевые слова: аграрный сектор экономики; сельскохозяйственное предприятие; финансовый контроллинг; финансовый контроллер; служба финансового контроллинга.

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Introduction. The development of multi-vector economy, effective implementation of reforms in this sphere as well as improvement of living standards is impossible without a qualitative operation of financial controlling services, especially at agricultural enterprises. However, the lack of effective state support in this area as well as professional financial controllers in the agrarian sector had a negative impact not only on the resource provision, but also the whole profitability of enterprises in the industry. Thus, in 2015 capital investments in Ukrainian agriculture and profitability of agricultural enterprises were less than three times in comparison with similar indices in the industry and amounted to only 30.1mln. and 30.5% accordingly [1, p.33, 51]. As a consequence, in 2010-2015 this trend provoked a demographic crisis in the state's rural areas and a reduction in the number of hired agricultural workers by almost 1.5 times, which equaled only 491.4 thousand people [1, p.51]. Therefore, at the present stage of development of Ukrainian agrarian sector the topical issue is definition of common principles for the implementation of effective financial and credit policy in the agricultural industry of the economy.

Analysis of Publications and the Research Purpose. The research of the above mentioned issue was conducted by such foreign scientists as I. Blank [2], S. Wang [3], R. Hilton [4], P. Horvath [5], T. Rayhmann [6], K. Surfing [7], J. Weber [8], etc. There are also noteworthy works of local scientists, such as I. Davidovich [9], T. Karpenko [10], D. Kovalev [11], E. Anankin, S.

Danilochkin and N. Danilochkina [12], O. Tereshchenko and N. Babiak [13], S. Falco [14], A. Podderiyogin, M. Bilyk and L. Buriak [15]. The scientists identified key approaches to the development of financial and credit policy in various industries of the domestic and foreign economy. However, the result of the analysis of the role of financial control services staff in formation of an agricultural enterprises' credit policy is reflected insufficiently.

Given the topicality of the above issue and lack of its study, the main *purpose of this Research* is a determination of the role of financial control services staff in formation of an agricultural enterprises' credit policy. To achieve the purpose we have formed the *following main objectives*:

- to determine the categorical apparatus concerning the interpretation of the socio-economic essence of financial controlling, financial controller and controlling service;
- to describe the main stages of the credit policy formation at agricultural enterprises with the participation of financial controlling services staff;
- to propose measures for enhancement of the financial controlling services staff's role in the formation of credit policies at agricultural enterprises.

To implement all the above objectives, we used the following basic research methods: dialectical, abstract-logical, system-structural, etc.

Research Findings. The analysis found that there are different approaches to the interpretation of financial controlling essence as a social category. They are alike, but differ in individual components. So, most of the researchers *define this category* as the financial management system of the business development in the area of forecasting and planning mechanisms and tools to achieve business stable financial condition [9, p.10; 13, p.10].

In addition, the majority of scholars and practitioners who have been researching this issue define *the financial controller* as a person who works in the financial management system of the business development in the area of forecasting and planning mechanisms and tools to achieve business stable financial condition [9, c.10; 13, c.10]. That is, at the current level of agricultural sphere development this category of persons, in our opinion, first of all includes employees of accounting, heads of departments and senior staff, as well as managers and their deputies.

Given the foregoing interpretation of financial controlling, *the financial controlling service* is a division of a business entity responsible for the implementation of its overall sustainable and long-term concept of financial and economic effective management in terms of transformation of socio-economic relations.

We believe that, according to the interpretation of the above-described socio-economic categories, it is advisable to characterize *the main stages of the credit policy formation at agricultural enterprises with the participation of financial controlling services staff*. Thus, they include:

- an analysis of the results of financial and economic activities of business entity by employees of the financial controlling service;
- an assessment of the solvency of the above entity on the possibility of its crediting; experimental evaluation and adjustment of the current credit policy of an agricultural enterprise;
- theoretical analysis of the achieved results of the study (figure).

In our opinion, that will help to:

- carry out a systematic evaluation of financial and economic performance of economic entities by financial controllers;
- study the real lending needs and possibilities of the accountable economic entity;
- set a direct relation between a salary of financial controllers and economic results of the agricultural enterprises where they work;
- focus on current trends, conditions and prospects for the development of the credit market in the agricultural industry and the state as a whole;
- establish a state agrarian bank with representatives of the controlling services of each agricultural enterprise in its regional, district and local branches and offices;

- carry out audit of bank credit activity in the agricultural sector of the economy with the involvement of financial controllers of the leading economic entities of this industry etc.

We believe that, the proposed complex methodological approach to the formation of credit policy will help to identify the most significant components of it and develop effective measures for its improvement. We should also *highlight the main activities and expected results for the implementation of the above policy in the agricultural industry of the economy*, which we have determined through a monographic survey, expert assessments, multifactor comparison, and the like.

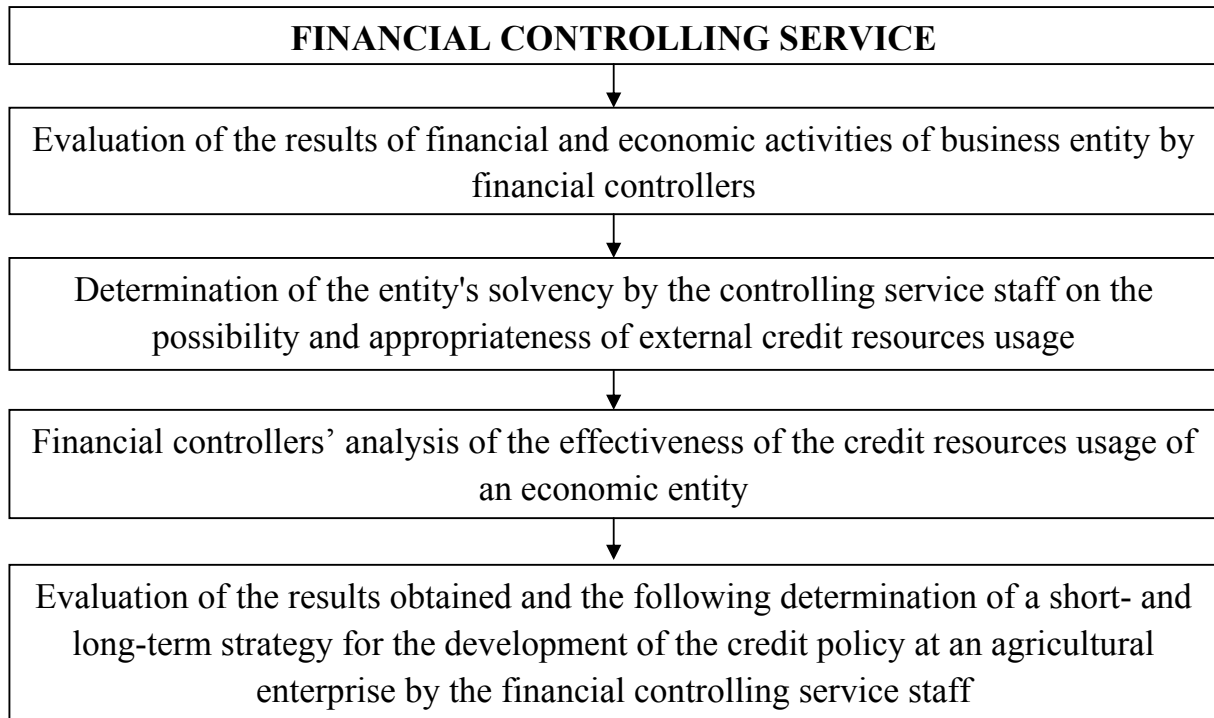


Figure. Main stages of the credit policy formation at agricultural enterprises with the participation of financial controlling services staff
Reference: Author's research

Due to the lack of the statistical information necessary for the characterization of the main stages of the credit policy formation at agricultural enterprises with the participation of financial controlling services staff, in 2016 we carried out our own sociological survey among 120 workers of agricultural enterprises of Bila Tserkva, Volodarka, Kaharlyk and Fastiv districts in Kyiv region. With the help of a survey questionnaire developed by the author we studied their opinion on the assessment of main factors' influence on the management decisions making by financial controllers. At the same the participants of the survey were: farm managers and heads of departments, including chief accountants (60%), accounting staff (40%). That is, those groups of specialists whose work is directly connected both with the creation of controlling services (enterprise managers and their deputies) and their productive activity (chief accountants, their deputies, accountants and other similar groups of employees). The results of this study are shown in more detail in Table. 1.

So, the basic measures on implementation of the main stages in the formation of the credit policy of the agrarians by their financial controllers include separate absolute and relative indicators of the economic, financial and tax performance of the relevant entity. At the same time, the expected result is the high level of profitability of such entity.

Table 1

Main measures and expected results on the implementation of the main stages in the formation of the credit policy at agricultural enterprises by employees of controlling services of Bila Tserkva, Volodarka, Kaharlyk and Fastiv districts in Kyiv region, 2016

No.	Measure Description	Expected Results
<i>Evaluation of the results of financial and economic activities of business entity by financial controllers</i>		
1.	Determination of the main planned and actual economic indicators, namely: profit (loss); labor productivity; level of profitability; coefficients of: depreciation of fixed assets (at the beginning and at the end of the year); the electric power of labor; the use of the machine and tractor fleet; the use of existing equipment, etc.	Comprehensive assessment of all the main activities of a business entity with the determination and orientation on the most effective and promising of them
<i>Determination of the entity's solvency by the controlling service staff on the possibility and appropriateness of external credit resources usage</i>		
2.	Calculation of the main planned and actual indicators of paying capacity, namely: statutory and reserve capital; investment; investments in fixed assets; foreign direct investment; tax liabilities ratio: financial stability, liquidity, etc.	Comprehensive assessment of the entity's solvency to determine the need, possibilities, resources and directions for attracting and using external credit resources
<i>Financial controllers' analysis of the effectiveness of the credit resources usage of an economic entity</i>		
3.	Determination of the main planned and actual indicators of the of the credit resources usage effectiveness, namely: payback period of the loan; level of return on the loan; net profit received from the lending facility; net present value of the loan; internal profitability of the loan; profitability of the lending object, etc	Financial controllers of the enterprise shall clearly determine: the purpose and necessity of obtaining a loan; value and cost of potential credit resources; cost of credit facilities; volume of potential net profit from the lending objects; possible alternatives for the use of credit resources and their benefits; risks accompanying the facility; liquidity of the lending facility
<i>Evaluation of the results obtained and the following determination of a short- and long-term strategy for the development of the credit policy at an agricultural enterprise by the financial controlling service staff</i>		
4.	Determination of the specific need for credit resources, groupings and evaluation of all credit risks and benefits	Adoption of a specific decision on usage of credit resources, or search for their alternative sources

Reference: compiled by the Author

However, in our opinion, the assessment of the chosen groups of respondents on the role of financial control services staff in formation of the agricultural enterprises' credit policy is ambiguous. Therefore, we have formed a set of basic directions and indicators to assess the role of financial controllers in the formation of the credit policy at agrarian enterprises in certain districts of the Kyiv region (Table 2). The main ones are: *determination of the main and auxiliary areas of enhancing the efficiency of the agricultural enterprise and their timely diversification; efficiency of planning, forecasting, control, consulting and other work of the agricultural enterprise; assessment of liquidity, solvency and credit risks of an agricultural enterprise and the like*. Respondents were asked to evaluate each of the identified areas and indicators based on their importance, and represent a point assessment with the scale from 1 (minimum) to 50 (maximum) points.

Table 2

Main areas and indicators of the assessment of the role of financial controllers in the formation of the credit policy at agrarian enterprises of Bila Tserkva, Volodarka, Kaharlyk and Fastiv districts in Kyiv region, 2016, points

Area, Indicator	Managers and their Deputies	Accounting Staff	Average
Definition of the main and auxiliary areas of enhancing the efficiency of the agricultural enterprise and their timely diversification	50	30	40,0
Efficiency of planning, forecasting, control, consulting and other work of the agricultural enterprise	50	35	42,5
Assessment of liquidity, solvency and credit risks of an agricultural enterprise	50	50	50,0
Evaluation of the market situation for products	40	30	35,0
Profitability	50	30	40,0
Average point of characteristic	48,0	35,0	41,5
Correspondence with all maximum possible parameters, %	96,0	70,0	83,0

Reference: Author's research

Based on the analysis of the respondents' answers, we introduce the quantitative assessment of the above areas and indicators, which in the current conditions of agricultural development determine the role of financial controllers in the credit policy formation at enterprises of this industry. The Table shows that the results of the sociological assessment made by managers, their deputies and accounting staff are different. Most of the managers and their deputies have set sufficiently high requirements regarding the qualitative criteria of financial controllers in the formation of the credit policy of agricultural enterprises, primarily the financial result and the search for ways to improve it. This is evidenced by the high average – 48 and the level of compliance with all the possible parameters – 96%.

A more thorough acquaintance with the above managers' and their deputies' assessment let us determine an ultimate goal on the role of controlling services staff at agricultural enterprises of this group of respondents. So, in their opinion, only the search for new ways to increase the profitability of agricultural enterprises in each reporting period can reflect the high role of financial controllers in the formation of effective credit policies of such entities. At the same time, controlling services staff prefers to provide its managers with the necessary accounting and statistical information, rather than determining strategic directions for the development of agribusinesses. This is evidenced by the high average score – 35 and the level of compliance with all the maximum possible parameters – 70%. That is, a significant disparity is formed in the preferences of the two above-mentioned groups of respondents, sometimes negatively affecting the quality of their work and interaction.

Taking into account all the above-mentioned research results, in our opinion, *in order to enhance the financial controlling services staff's role in the formation of credit policies at agricultural enterprises*, it is advisable to: carry out a systematic evaluation of financial and economic performance of economic entities by financial controllers; study the real lending needs and possibilities of the accountable economic entity; set a direct relation between a salary of financial controllers and economic results of the agricultural enterprises where they work; focus on current trends, conditions and prospects for the development of the credit market in the agricultural industry and the state as a whole; establish a state agrarian bank with representatives of the controlling services of each agricultural enterprise in its regional, district and local branches and offices; carry out audit of bank credit activity in the agricultural sector of the economy with the involvement of financial controllers of the leading economic entities of this industry etc.

Conclusions. Thus, in the analysis of the role of financial control services staff in formation of an agricultural enterprises' credit policy we have found that financial controlling together with all its components provides for timely reflection and provision of information on financial and economic activities to external and internal users by experts for the purpose of further planning and implementation of their management decisions.

In addition, taking into account the above approach, we have identified the main stages in the formation of the credit policy at agricultural enterprises with the participation of controlling services staff. They include both financial controllers' analysis of an agricultural enterprise activity on the possibility of its crediting and scientific and practical approaches to the implementation of specific credit policies. We also have found that, first of all, it is necessary to involve financial controllers in all micro and macro credit development processes in order to increase the role of controlling services in the formation of the credit policy at agricultural enterprises.

The determined approach is comprehensive and provides the conditions for a differential study of the problem of the effective financial controllers' performance at enterprises of the agrarian sector of the economy at both national and regional levels.

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