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## **STATE FINANCIAL AND CREDIT PROVISION OF AGRICULTURAL MARKET OF THE REPUBLIC OF KAZAKHSTAN**

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State regulation of the agrarian sector in market terms must be legally formalized system of external influence on the activity of economic entities in the agricultural sector. Contradictory effects of individual elements of state regulation on agricultural producer causes a forced violation of the law and ignoring the separate lines of external influence. Government regulation creates a certain environment of management, which separately taken managing subject can feel better or worse depending on its ability to adapt for changes.

It must be emphasized that the regulation of reproduction in the agrarian sector cannot be done without consideration of the following specific conditions:

- The diversity and complexity of natural and climatic conditions; the riskiness of agricultural production;
- Instability of the income of rural producers, independent of the variability of weather conditions and market conditions;
- Lower degree of monopolization of production in agriculture compared to resource-saving and processing industries;
- More low income and instability that reduces the attractiveness of agriculture for investment;
- Underdevelopment of social infrastructure in rural areas;
- High volume of perishable products, which causes the need for its storage;
- Stability of demand for agricultural products due to the constant consumption of food.

In our opinion, under the system of state regulation it is necessary to understand organizational, economic and socio-legal impact of the state on economic entities of market relations in agriculture with a view to facilitating their effective functioning. It is possible to use various methods of regulation, however, any state regulation of the agricultural sector, ultimately, will be expressed in the form of various forms of financial support (financial regulation). Therefore, a set of financial forms and methods of regulation is the state a financial mechanism to support and stimulate agricultural production.

The modern system of state financial support for the agricultural sector of Kazakhstan's economy in the aggregate is accomplished using the following basic forms:

- subsidies and compensations for agricultural production and material and technical resources;
- preferential crediting of enterprises of agro industrial complex;

- leasing of agricultural machinery and breeding animals with the use of budgetary funds;
- public procurement of agricultural products and food;
- crop insurance of agricultural crops;
- tax benefits;
- debt restructuring of agricultural enterprises to the budget;
- budgetary financing of investment activities;
- financial support for agricultural science.[1]

The modern system of state financial support and financial regulation of agricultural producers is presented in Fig. 1.

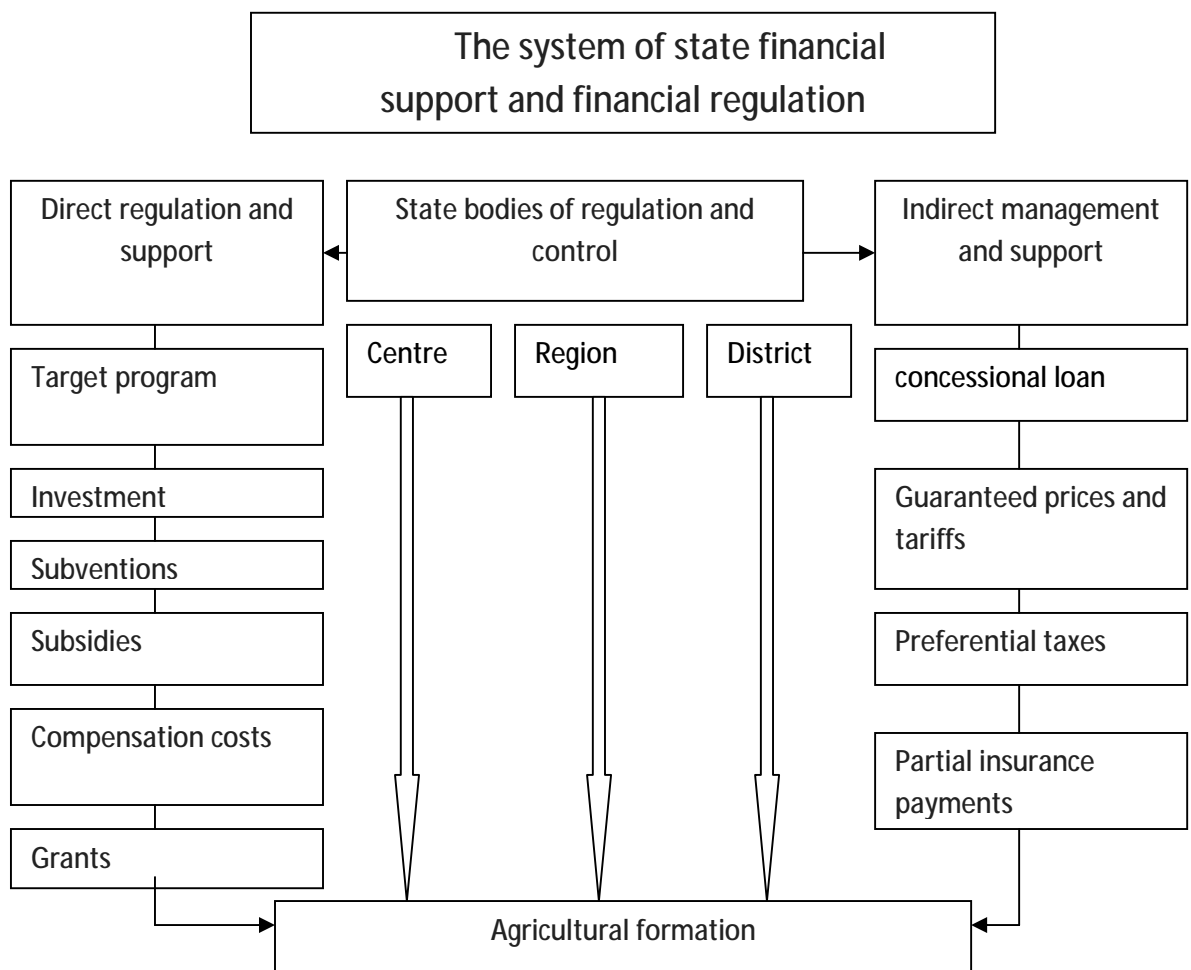


Fig. 1 – diagram of the system of state financial support and financial regulation of agricultural production.

Currently, the level of state financial support of agricultural production in conditions of insecurity of their fixed assets, primarily machinery and tractor Park and the equipment does not allow producing competitive high-quality products and food. Therefore, financial state support of agrarian sphere of economy should be implemented in the following areas:

- industrialization and observance of science-based technologies;

- scientific provision and innovative developments;
- development of financial and insurance infrastructure and clusters;
- regulation of markets of agricultural products and ensuring food security.[2]

It appears that it is necessary to rationalize the measures of state financial support of agricultural production and increase its efficiency. In this regard, it is necessary not only to increase volumes of the means allocated from the Republican budget, but also to improve their use by providing financial resources to entities based on the results of their activities, not depending on the size of their registered capital.

Thus, at present, the state financial support of agricultural commodity producers is carried out in several directions. Implementation of financial-credit and other financial services in rural areas carry out the following specialized Finance companies - subsidiaries of KazAgro with homogeneous functions on financing of agribusiness entities, differing only in the directions of financial support of certain segments and categories of entities:

- "KazAgroFinance" – financing of leasing operations in the provision of technological systems and equipment;
- JSC "agrarian credit Corporation" – financing at the expense of budget funds to agricultural producers through the system of credit unions, associations for the production, processing of agricultural products and services and non-agricultural businesses in rural areas;
- JSC "Fund for financial support of agriculture" – micro-crediting of rural population and micro-credit organizations;
- JSC "NC "food Corporation" carries out financing of spring sowing and harvesting operations of agricultural producers.[3]

Among these institutions direct provision of budget funds to agricultural producers is carried out by JSC "agrarian credit Corporation" by establishing network of credit partnerships.

For fifteen years, starting with 2001, the distribution of the budget by providing them agricultural credit associations with interest rate of 4% per annum (until 1 March 2005, the rate was 5%) was implemented with JSC "agrarian credit Corporation". These funds of the partnership carry out in the future, the provision of agricultural producers with the necessary funds, but at a rate of compensation in the amount of not more than 10% per annum.

In order to expand production agricultural producers should be supplied with financial and credit resources. The availability of financial and credit resources is always a major factor of stability of development of agro industrial complex of the country. Budgetary lending is one of the main directions of the state support of agriculture. The calculations showed that, despite the increase in lending, the need for financial and credit resources greatly exceeds supply.

The whole system of state influence on financial-credit relations in agriculture must be based on a set of interrelated economic, legal, information areas. Thus, state regulation should be aimed at the implementation of programmes

and activities in the framework of market interaction of economic agents, creating optimal conditions for their effective functioning, without violating the permissible boundaries of regulation of economic processes and preserving the financial independence of businesses.

#### References:

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