

NBU'S DISCOUNT RATE AS A MECHANISM OF INFLUENCE ON FOOD SECURITY IN UKRAINE

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Problem statement and analysis of recent research. On the verge of a new wave of the global financial crisis, the top priority for the Ukrainian economy is to maintain economic stability. The decisive role in this process is assigned to the monetary regulation of the economy. The monetary system, ensuring the continuity of the reproduction process, gives the stability to the national economy. In this regard, the issues of understanding the essential content of economic sustainability, determining its factors, developing corrective measures to create an effective system of monetary regulation are relevant. It is the rational policy of the National Bank of Ukraine aimed at lowering the discount rate that should lead to an increase in economic activity. As a result, business development, subject to the availability of credit resources, should contribute to raising the quality standards of food products. The correct formulation of strategic priorities of monetary policy should contribute to the establishment of food security as one of the key elements of social stability. Theoretical, methodological and practical aspects of food security in Ukraine through the mechanisms of financial incentives are covered in the works of Babych M. [1], Nastych V. [2], Shebanina O. [3], Shevchenko N. [4], Kvasnytsia O. [5] and others. However, despite the significant popularization of the approach aimed at monetary regulation of economic activity, the impact of lowering the discount rate on food security needs further research.

Presenting main results. Ensuring the food security of the state, ensuring sustainable development and a balanced food market, increasing the export potential of the agro-industrial complex, efficient functioning and increasing food production largely depend on the proper financial and credit security of the agricultural sector. Financial support for the development of agriculture in the region is provided through budget support, attracting credit resources and own funds of producers [1].

According to many scientists [1-5], the main directions of agri-food policy that would ensure the formation of food security should include:

- improvement of market mechanisms of price regulation, including parity price relations for agricultural and industrial products;
- improvement of the credit and financial system, tax policy, insurance and other mechanisms of a market economy;
- restoration and development of resource potential of agricultural production and food industry;

- accelerating the development of domestic industries that produce means of production for agricultural producers, creating a rational system of service, the formation of a market for material resources;
- improvement of land relations, rational use of land;
- ensuring legal and economic equality of all forms of management, restoration of destroyed production facilities;
- financial support of farms;
- stimulating the development of cooperation and integration of enterprises of all forms of ownership in the production, processing, marketing of agricultural products, agricultural services, trade and lending, etc.

The banking sector, as a "circulatory system" of any market economy, as a regulator of the monetary equilibrium in the country, as a stabilization factor, must support the economy with the help of the methods it uses [2]. The economic stability of the banking system is, first of all, characterized by the ability to withstand the threat of bankruptcy, crisis phenomena, which is an indicator of the economic potential of any country.

According to the legislation of most market economy countries, the Central Bank has the right to administratively change the value of the discount rate [4]. In response to changes in the economic situation, the Central Bank can both raise and lower the discount rate and, consequently, increase or decrease the money supply. In the theory and practice of a market economy, the change by the Central Bank of the discount rate in the theory and practice of a market economy is called the policy of "expensive" and "cheap" money.

The economic consequences of regulation of the discount rate are twofold. Raising the discount rate is one of the effective means in the fight against inflation, but at the same time causes a reduction in production, an increase in unemployment and social tension in society [5]. Lowering the discount rate helps to overcome the crisis, while at the same time causing inflation to rise.

The Board of the National Bank decided to reduce the discount rate from 8% to 6% [6]. This is the lowest discount rate in the history of independent Ukraine. The NBU decided to continue to ease its monetary policy at a fast pace, as it predicts that it is highly likely that consumer and investment demand will remain depressed longer than forecast. The NBU was able to take this decision against the background of a significant slowdown in inflation rates to 1.7% and the signing of a new program with the IMF for \$ 5 billion [6]. The statistics of the discount rate change in Ukraine is shown in Figure 1.

Unfortunately, the sharp decline in the discount rate of the National Bank of Ukraine only leads to a slow reduction in lending rates on short-term loans. At the same time, interest rates on long-term loans to enterprises remain at a constant level, which requires additional regulation by the state.

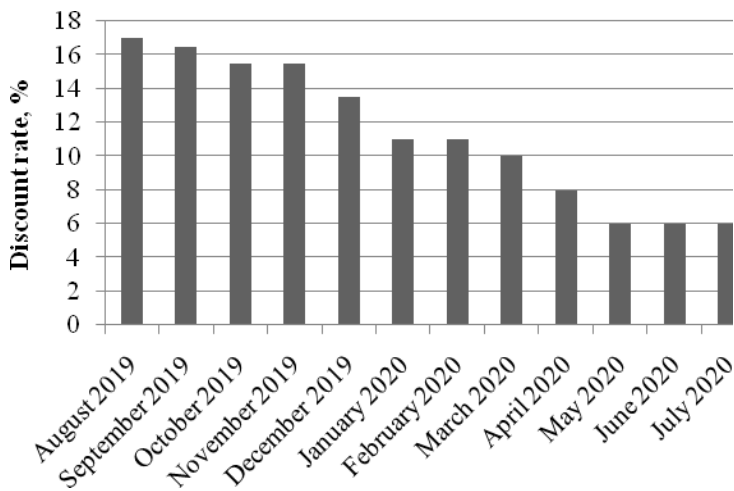


Fig. 1. Statistics of the discount rate change in Ukraine

Source: developed by the authors using [6].

The effective development of bank lending to agriculture is due primarily to the fact that today the agro-industrial complex provides an opportunity to address food security, create a reliable source of budget revenues and a strong production and economic potential for rural development [3]. Such a significant strategic importance of agriculture, along with the lack of attractiveness for private investors due to seasonality of production, high agricultural risks, lack of liquid collateral, dependence on climatic conditions necessitates the search for new financing instruments. The situation is further complicated by the high level of uncertainty inherent in the activities of such enterprises.

Conclusions and suggestions. A full-fledged food security system of Ukraine should include the following components: a stable food supply system based on a strong national agro-industrial complex, which is able to constantly provide the population with food at the required level, adequately responding to food market conditions; physical and economic availability of the necessary quantity and range of food for different categories of the population, which is ensured by their solvency, which does not endanger or undermine the satisfaction of other basic human needs; system of protection of domestic food producers from import dependence both in the form of food and in the form of resource provision.

The analysis of bank lending in the system of financial support for sustainable development of agriculture shows that it is necessary to improve the regulatory framework and legislation, to adapt regulations to the specifics of

lending to agricultural entities; expand channels of access to information on mortgage lending, ensure its accessibility, simplicity, transparency; to develop programs of crediting of the population of the village taking into account incomes and other features for interest to return to the village; optimize long-term credit resources in banks to ensure uninterrupted long-term lending; minimize financial costs and time spent on the loan application procedure.

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