

## Assessment of state supports and subsidies efficiency in ensuring financial security of Ukrainian agricultural enterprises

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**Abstract.** The study aimed to assess the impact of state subsidies and loans on the financial stability and competitiveness of Ukrainian agricultural enterprises in the face of economic challenges. Comparative analysis, content analysis of reports and data on state support for the agricultural sector for 2025, and theoretical research methods were used to identify possible areas for improving existing financial instruments. An analysis of the budgetary allocations for state subsidies shows that UAH 4.726 billion is earmarked for the support of farmers in 2025, which will help reduce production costs and increase the competitiveness of agricultural enterprises. An assessment of tax privileges, particularly the special VAT regime, has shown its importance for reducing costs and maintaining the competitiveness of farmers. The study also included an analysis of concessional loans, in particular the Affordable Loans 5-7-9% programme, which is an important tool for supporting agricultural enterprises in Ukraine. In 2024, according to PrivatBank, more than 3,000 loans worth UAH 10.6 billion were granted to agricultural enterprises. The mechanisms of state support in Ukraine and Canada were compared. The Canadian experience demonstrates that certain mechanisms can be adapted, such as subsidies for machinery and support for small farms. The results showed that government subsidies, loans and tax privileges significantly impact the financial stability of agricultural enterprises in Ukraine, providing access to finance, reducing costs and increasing market competitiveness.

**Keywords:** agriculture; infrastructure deficit; competitiveness; instability; loans

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## INTRODUCTION

The research relevance is determined by the importance of ensuring the financial security of agricultural enterprises in Ukraine in the context of constant economic and social challenges. Agriculture is one of the main components of the national economy, and its stability directly affects food security, export potential and socio-economic development of the regions. However, the agricultural sector faces numerous challenges, including low levels of investment, market volatility, high production costs and limited access to financial resources. In such circumstances, state support and subsidies become important tools to maintain the financial stability of agricultural enterprises, increase their competitiveness and ensure their resilience to external and internal economic influences. Assessment of the effectiveness of these measures can identify both the positive and negative aspects of state aid and offer ideas for improving existing procedures. Financial support for the Ukrainian agricultural sector under martial law has become critical to ensuring economic stability. D. Titov & V. Oleksienko (2024) studied the impact of the war on the sector, pointing to the destruction of infrastructure and increased financial risks. The authors emphasised the importance of new financial instruments, such as international grants and insurance, to support businesses. The authors also identified the need for special financial products, such as soft loans and war risk insurance programmes. The development of new models of support for farmers and the adaptation of financing to war conditions are issues that require further study.

Ensuring the economic security and sustainability of the Ukrainian agricultural sector in the context of martial law and post-war is an important task for ensuring the stability of the economy. S. Herasymchuk (2023) explored the challenges faced by the agricultural sector, including limited access to resources, rising costs of defending against threats, and declining demand for products. The author emphasised the importance of developing strategies to support the stability and development of the agricultural sector, including improving legislation, providing access to credit for farmers, and investing in infrastructure. However, it is necessary to continue exploring mechanisms for more effective investment attraction and the use of new technologies in production. In terms of the effectiveness of state financial support instruments for agricultural enterprises in Ukraine, A. Osipova (2020) highlighted insufficient funding and inefficient use of available instruments. The author emphasised the need to improve support strategies and expand access to finance for small and medium-sized producers and stressed the need for additional research to improve oversight and evaluate the

effectiveness of the use of public funds, as well as to create new financial instruments for farmers.

The main threats to the economic security of agricultural enterprises, such as climate change, volatility of agricultural prices and legal risks, were identified by Yu. Mykhnovetskyi (2024), proposes measures to improve security, including financial support, infrastructure investment, and innovation. Improvements in risk monitoring and legislative regulation in the agricultural sector require further study. Maintenance of financial subsidies for agriculture is important for increasing the efficiency of agricultural development. K. Chen & Z. Wang (2022) examined a model for evaluating agricultural subsidies based on a combined algorithm using analytical hierarchy and data mining techniques with constraints. Their study showed that income-based subsidies were the most effective, while technology subsidies were less effective. However, the authors noted the need to improve the allocation of financial resources and the subsidy system to ensure sustainable agricultural development.

The growth of crisis phenomena in the Ukrainian economy, such as military conflicts, inflation, and declining investment, has led to a deterioration in the financial security of agriculture. M. Kunytska-Ilichash (2023) studied the methodology for assessing the financial security of the agricultural sector, focusing on an integral approach and the need to improve methods through additional indicators. The results demonstrated the importance of enhanced monitoring for effective management decisions. New elements such as tax and innovation indicators should be introduced to improve risk assessment. The decline in the effectiveness of agricultural subsidies globally has become an important issue for food security. C. Li *et al.* (2022) investigated the effectiveness of agricultural subsidies, finding that they significantly increased cropland, grain production, and farmers' incomes, which contributed to improved production capacity and higher incomes. However, some studies have shown that in the long run, the effect of subsidies may be limited. Further research is needed on the long-term effects of subsidies and their role in poverty reduction.

In the context of martial law, financial support for agribusiness has become critical to the stability of the agricultural sector. T.V. Kurman (2023) studied the legal support of agrarian relations in the field of financial support, identifying key problems such as the lack of an effective legal regulation mechanism and the need for urgent changes in legislation to support agribusiness. The author emphasised the importance of urgently introducing financial support measures, such as grants

and compensation for agricultural enterprises, as well as the need to adapt legislation to wartime conditions. The development of effective programmes for the recovery of agribusiness after the war and the improvement of grant support procedures are shortcomings that require further study. The study aimed to analyse the impact of state support on the financial stability of Ukrainian agricultural enterprises and to determine the effectiveness of subsidies in ensuring their competitiveness in the face of economic challenges. The objectives of the study were to assess the impact of state subsidies on the economic sustainability of agricultural enterprises in Ukraine; and to identify factors that affect the effectiveness of state financial support in the agricultural sector.

## MATERIALS AND METHODS

The study covers the period of 2024-2025, assessing the impact of state subsidies and loans on the financial stability of Ukrainian agricultural enterprises. The comparative analysis was used to evaluate the mechanisms of state support for the agricultural sector of Ukraine and identify the advantages and disadvantages of existing programmes (Koznova, 2024). Generalisation was used to process data on budgetary funds for subsidies and loans through a simple description, which included an analysis of the amount of funding and an assessment of their impact on the agricultural sector (Budget 2025: What..., 2024). Content analysis of analytical articles identified key aspects of financial support for farmers (Subsidies for farmers..., 2024). This determined the scale of financial support and the main areas of its use, including such areas as compensation for humanitarian land demining and financing the development of land reclamation systems.

The research also included an analysis of tax privileges, in particular, the special regime of value-added taxation (Kyiv School of Economics, 2017). The assessment of this mechanism determined the impact of tax policy on reducing production costs and maintaining the competitiveness of agricultural enterprises. An analysis of tax changes that could reduce the administrative burden and stimulate the development of the agricultural sector, based on comparative analysis and descriptive research methods for assessment of the effectiveness of tax changes and their impact on the sector, was a substantial part of the study. The study also analysed concessional lending mechanisms, the "Affordable Loans 5-7-9%" programme, which is substantial for the support of agricultural enterprises in Ukraine. Under this programme, the number of loans disbursed, through PrivatBank (2024a; 2024b) was studied to assess the role of both the public and banking sectors in providing access to finance for farmers and other agricultural enterprises.

Comparison of subsidy and credit mechanisms in Ukraine and Canada, where the agricultural sector is supported through government programmes that include financial assistance, insurance and agricultural development strategies, was emphasised. The Canadian experience was selected due to its successful practices in supporting farmers, which could be useful for improving Ukrainian programmes. The comparison has identified potential areas for improvement of Ukrainian state funding programmes that could increase the effectiveness of support to Ukraine's agricultural sector. Based on the results obtained, recommendations were formulated to improve subsidy and lending programmes aimed at increasing the financial stability of agricultural enterprises. Possible areas for the development of new forms of support that could help increase the efficiency of public funds and ensure the long-term sustainability of the agricultural sector were identified. This includes expanding access to concessional loans for small farms, improving the process of registration and distribution of funds through automated platforms, and reducing administrative barriers to financial support, which will reduce the time for paperwork and speed up access to the necessary resources for farmers.

## RESULTS

Assessment of the impact of subsidies and loans on the financial performance of companies is an important part of their operations, as these financial instruments directly affect the ability of companies to operate, develop and achieve their strategic goals. In the context of the ongoing economic changes and crisis in the agricultural sector, analysing the effectiveness of government subsidies and loans is particularly important. In this situation, it is necessary to consider how these instruments increase the financial stability of companies and affect their competitiveness and ability to adapt to new economic conditions. One of the main mechanisms of state support is subsidies, which are intended to stimulate the growth of agricultural enterprises, reduce costs and increase financial stability. The impact of subsidies on farms' financial performance is significant and complex. Subsidies reduce production costs, which can significantly increase the profitability of companies. The analysis of state support mechanisms for the agricultural sector identified some problems, such as inefficient allocation of funds and unequal access to subsidies, as well as opportunities to improve financing mechanisms, in terms of transparency of the allocation of public resources and ensuring equal access for small and medium-sized enterprises. An analysis of open-source publications has revealed a trend of growth in the number of loans and their volume, which indicates an increase in demand for financing in the agricultural

sector, especially during the period of full-scale invasion, when farmers need additional resources to restore production capacity (Budget 2025: What..., 2024).

This is achieved by stimulating investment in new technologies and infrastructure, as well as subsidising the cost of raw materials and energy. Lowering production costs and allowing for competitive product prices, increases the competitiveness of companies both domestically and internationally.

Subsidies also improve the financial stability of agricultural enterprises. State support liquidity of enterprises and ensure necessary investments in development. This allows companies to introduce new technologies, expand production and improve infrastructure, which is important for development. At the same time, subsidies can have undesirable effects. For example, indirect subsidies, such as tax debt write-offs, can encourage companies to hope for additional government assistance, which sometimes leads to a reduction in incentives for good management and productivity (Wu *et al.*, 2022). Loans are another substantial for financing agricultural enterprises, especially when it comes to raising resources for production or expansion. Loans allow enterprises to quickly raise the necessary financial resources, which speeds up the production process and prevents delays in production. Thus, loans are necessary for stability of cash flow and production. Loans can also encourage companies to increase productivity. Companies need to constantly control costs, optimise processes and increase productivity to repay the loan on time. This can be a strong incentive to innovate, improve management practices and increase production. However, loans carry certain risks for companies. The main risk is the debt burden, which can lead to increased financial instability. In the event of unfavourable economic conditions or a decline in revenues, companies may face problems with debt repayment, which may lead to bankruptcy or forced production cuts (Lebid, 2016). In addition, credit may be restricted by laws and regulations. For instance, certain enterprises may not be able to access concessional loans due to poor funding or a poor credit history. In addition, high interest rates on loans, especially for small and medium-sized enterprises with limited access to financial resources, may make them inefficient.

Subsidies and loans are important instruments in the process of improving the financial stability of agricultural enterprises. Increasing competitiveness, obtaining additional financial resources and stimulating investments in development are the results of these measures. While these instruments have many advantages, they also have some risks that require careful management. Misuse of loans or subsidies can lead

to increased debt or reduced management efficiency. To use credits and subsidies effectively, enterprises should regularly analyse their financial position to assess the potential consequences for their financial stability. In addition, government programmes should aim their support for innovation in the long-term perspective, focusing on improving the technological level of enterprises and increasing their production capacity. These instruments can significantly improve the financial performance of agricultural enterprises and contribute to their sustainable development only if properly managed and controlled. In the context of economic instability, climate change, and external challenges such as war and economic sanctions, effective government support for farmers is becoming substantial for ensuring national food security and rural development. Given this, determination of the effectiveness of state support is a critical task for formulating a strategy for the development of the agricultural sector. Subsidies provided to agricultural producers to stimulate production and increase the competitiveness of products are one of the main forms of state support. In 2025, UAH 4.726 million is to be allocated to support farmers and other agricultural producers. This money will be used to provide subsidies per unit of cultivated land, especially in areas where the hostilities have ended. In addition, UAH 1,000 million has been allocated to cover the costs of humanitarian demining of agricultural land. The restoration of production facilities and agricultural land through these measures is an important step in the recovery of the agricultural sector (Koznova, 2024).

Another important component of state support is programmes aimed at developing reclamation systems. The programme provides for up to 50% compensation for the cost of reconstruction or construction of new reclamation systems, with a maximum amount of assistance of up to UAH 26,500 per hectare of cultivated land (Subsidies for farmers..., 2024). These measures improve water supply in agricultural regions, which in turn increases yields and sustainability of agricultural production, especially in the context of climate change. Concessional loans are also an important aspect of state support. Farmers can receive concessional interest-free loans, which promotes agricultural development, without having to accumulate in-house funds to implement production plans. This allows agricultural enterprises to respond more quickly to changes in the market and modernise their production facilities.

The effectiveness of subsidies and loans is ensured by reducing production costs, which allows for competitive prices in domestic and foreign markets. In the context of inflation and rising raw material prices,

reducing the cost of agricultural production is a key factor in maintaining the financial stability of agricultural companies. In addition, compensation for humanitarian land demining and support for land reclamation systems allow farmers to restore damaged or degraded land, which contributes not only to production growth but also to improving the environmental situation in agricultural regions. All these aspects contribute to increased production efficiency and ensure a stable cash flow. Tax privileges are also an important aspect of state support for farmers. Ukraine has various forms of tax privileges, including a fixed agricultural tax, a simplified taxation system and a special regime for value-added tax (VAT). The fixed agricultural tax allows farmers to reduce their tax burden, while the simplified taxation system reduces administrative costs for small and medium-sized businesses. Before its abolition in 2016, the special VAT regime allowed farmers to retain a part of the VAT to compensate for input costs, which amounted to approximately UAH 14 billion in 2014 (Kyiv School of Economics, 2017).

Tax privileges mitigate the costs of farm upkeep and increase competitiveness of their products both domestically and internationally, as they reduce the cost of final products, making them more affordable for consumers. This allows agricultural enterprises not only to maintain their market share, but also to increase sales on foreign markets, which in turn increases revenues and financial stability. The draft budget for 2025 envisages 9 billion UAH in expenditures for the Ministry of Agrarian Policy and Food of Ukraine, of which 5 billion UAH is planned to be allocated to support farmers. This is a significant increase of 4 billion UAH compared to 2024, reflecting the government's growing focus on supporting the agricultural sector. It is worth noting that part of these funds is earmarked for lending, which allows farmers to receive concessional loans for the development and modernisation of production. Table 1 shows a comparison of the impact of subsidies, soft loans and tax privileges on the financial security of agricultural enterprises, in the context of reducing production costs and their interaction with each other.

**Table 1.** Comparison of financial support for agricultural enterprises

| Type of financial support | Description                                                                                         | Percentage reduction in costs | Impact on financial stability                                               | Interaction with other mechanisms                                                                |
|---------------------------|-----------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Subsidies                 | Reduction of costs per unit of cultivated land, increasing product competitiveness                  | 10-15%                        | Maintains stability by keeping prices competitive                           | Amplifies the impact of soft loans and tax breaks, reducing production costs                     |
| Concessional loans        | The ability to obtain financing without having to accumulate funds reduces capital investment costs | 20-25%                        | Increases stability by being able to quickly adapt to changes in the market | Helps modernise production facilities and increases efficiency by reducing capital expenditure.  |
| Tax benefits              | Reduced tax burden, and reduced administrative costs for small and medium-sized businesses          | 5-10%                         | Reduces financial costs and increases profitability                         | Increases financial stability by reducing the tax burden, which has a positive impact on profits |

**Source:** compiled by the authors based on *Subsidies for farmers. Who is eligible for assistance and how to get it? (2024)*, *Budget 2025: What will farmers have enough money for? (2024)*

Table 1 demonstrates that all three types of financial support – subsidies, soft loans and tax privileges significantly impact the financial stability of agricultural enterprises, but each of them works in different ways. Subsidies reduce production costs, which is important for maintaining product competitiveness. Concessional loans provide enterprises with the opportunity to invest in modernisation, which helps to increase production and improve efficiency. Tax privileges, in turn, reduce the tax burden and increase the profitability of enterprises, allowing them to maintain financial stability. All these mechanisms interact with each other, reinforcing each other's effect and helping agricultural enterprises to adapt more quickly to changes in the market, reducing costs and increasing productivity. The budget of the Ministry of Agrarian Policy provides for the following major assistance: 200 million UAH has been allocated

for the restoration and construction of reclamation systems. This is an important step in restoring land affected by hostilities or environmental degradation. For family farmers, UAH 5 million will be allocated to compensate for the unified social tax, which will help to stabilise their finances. Furthermore, UAH 80 million will be allocated for preferential interest-free loans to farms, which will enable farmers to obtain financial capital for development. In addition, a significant portion of the budget, amounting to UAH 4.7 billion, will be allocated to pay subsidies to farmers for each hectare of land, as well as for the maintenance of cows, sheep and goats. This area received additional funds of UAH 3.93 billion compared to 2024, which significantly supports agricultural producers (Budget 2025: What..., 2024).

In addition, the Ministry of Economy of Ukraine plans to provide grants for the development of

horticulture, berry growing, viticulture and greenhouses in the amount of UAH 1.4 billion, as well as compensation for the costs of humanitarian demining of agricultural land in the amount of UAH 1 billion. However, no direct funding from the budget is envisaged to partially compensate for the cost of agricultural machinery and equipment manufactured in Ukraine. In addition, by 2025, UAH 18 billion will be allocated for the "Affordable Loans" programme (PrivatBank, 2023a). Under this programme, the maximum loan amount that agricultural producers could receive was increased to UAH 90 million. This provides additional financial resources to develop and modernise their enterprises. The programme also includes preferential loans for the restoration of war-damaged assets of enterprises in the high-high-risk zone (Budget 2025: What..., 2024). The distribution and proper organisation of state support in the 2025 budget will determine its effectiveness. To maximise the impact of public resources on the development of the agricultural sector and food security, it is necessary not only to increase spending but also to guarantee transparency and control over their use. Despite how important it is for the state to support the agricultural sector; certain problems need to be addressed. One of the main ones is the inefficient use of the budget. There are still problems with the transparency of loans and subsidies, which sometimes leads to uneven distribution of resources among enterprises. In addition, systems for overseeing how public money are spent need to be improved to prevent misuse. Another problem is the need to develop a more balanced agricultural policy that considers the real needs of farmers and their readiness for innovation and changes in the market. It is also necessary to account for international experience in agricultural policy to integrate best practices and ensure sustainable development of the sector.

Subsidies provided to farmers directly reduce the cost of agricultural production, which helps to maintain competitive prices on the market. This is an important factor for the financial stability of enterprises, as it allows them to maintain profits even in the face of rising raw material and energy costs. In addition, the availability of concessional loans enables agricultural enterprises to obtain financing for the development and modernisation of production facilities. This allows companies to adapt to market changes more quickly, increase production efficiency and reduce the risks associated with lagging technological development. Concessional lending allows farmers to modernise machinery and purchase new equipment, which in turn helps to increase productivity and reduce production costs. In turn, compensation for the costs of humanitarian land demining and reclamation systems allows farmers to return to use land that has been damaged by hostilities or environmental problems. Land reclamation is an important step in stabilising agricultural production and increasing yields, which directly affects the financial performance of companies. Tax privileges, such as the simplified taxation system and the fixed agricultural tax, allow agricultural enterprises to reduce their tax burden. This reduces the financial costs of enterprises and contributes to their profits, which is important for ensuring financial stability. In the future, state support should be aimed not only at recovery from crisis situations, but also at the long-term stability and development of the agricultural sector through the introduction of innovations, the provision of soft loans and the creation of favourable conditions for the development of new areas of agriculture, such as horticulture and viticulture. Table 2 illustrates the problems and prospects for the development of state aid to agriculture in Ukraine.

**Table 2.** Problems and opportunities for the development of state support for the agricultural sector of Ukraine

| Issues                                                                               | Opportunity                                                                                                                          |
|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Low efficiency in the use of funds                                                   | Improving the mechanisms for allocating budget funds to ensure their uniform and targeted use                                        |
| Uneven distribution of subsidies and loans                                           | Optimisation of the subsidy and credit system, targeting the highest priority enterprises and regions                                |
| Need to improve mechanisms for controlling the use of public funds                   | Strengthening control and transparency in the use of public resources to avoid their misuse                                          |
| Lack of adaptation to international standards in agricultural policy                 | Implementation of high-quality international practices to improve the effectiveness of agricultural policy                           |
| Low innovation in agriculture due to lack of incentives for investment               | Developing programmes to support innovation and modernisation of farmers' production facilities                                      |
| Poor development of new areas of the agricultural sector (horticulture, viticulture) | Expanding financial support programmes to develop new areas of agriculture                                                           |
| Insufficient integration of agricultural policy with other sectors of the economy    | Develop an integrated strategy for the development of the agricultural sector that considers the interests of other economic sectors |
| The need to balance policy with the needs of farmers and new economic conditions     | Formation of a clear and balanced agricultural policy that meets new market requirements and technological progress                  |

**Source:** compiled by the authors based on O. Mysnyk (2022)

State support for the agricultural sector is a key factor in the development of agriculture in Ukraine. It reduces production costs, increases the competitiveness of products and guarantees company stability. Effective programmes of subsidies, loans and tax privileges can significantly improve the financial stability of the agricultural sector and contribute to its long-term development. Nevertheless, to increase the effectiveness of state aid, it is necessary to further improve policies, reduce administrative obstacles and encourage more efficient use of resources. Only if state support is used effectively will Ukraine's agricultural sector be able to achieve sustainable growth, competitiveness and food security. Lending is necessary for the development of the agricultural sector, providing access to the necessary financial resources for modernisation and expansion of production capacity. One of the main programmes is the "Affordable Loans 5-7-9%", which provides concessional loans to farmers on favourable terms (PrivatBank, 2023a). These loans can be used for business development, purchase of machinery, purchase of seeds, and modernisation of production facilities. Ukrainian banks are also actively developing programmes to support farmers. PrivatBank is one of the leaders among Ukrainian banks in supporting small businesses and entrepreneurs. According to the Ministry of Finance of Ukraine, PrivatBank (2024b) provided 36.7 thousand loans worth UAH 52.3 billion, most of which were used to support the agricultural sector and important businesses during the war. In 2024, the bank provided financing to more than 3,000 agricultural companies in the amount of UAH 10.6 billion, ranking 3<sup>rd</sup> among all banks in terms of credit support to the agricultural sector.

PrivatBank's credit support includes both working capital loans and investment loans for business development. In 2024, 40% of agricultural loans were investment loans for business development and purchase of fixed assets, and 60% were working capital loans. The Bank actively supports all programmes, both by raising funds from international partners and through government support, so that clients can obtain loans on the most favourable terms. The "Affordable Loans 5-7-9%" programme has become an important tool for financial support to agricultural enterprises in Ukraine, especially in times of economic difficulties and martial law. Since the launch of the programme in February 2020, more than 92,000 loans have been issued for a total amount of about UAH 317.7 billion. This has allowed businesses, including agricultural enterprises, to access credit resources on favourable terms. The programme is an important tool to support small businesses, as it provides an opportunity to obtain loans on

favourable terms, which reduces the financial burden and ensures the stability of production activities, especially in times of economic difficulties. In 2024, the distribution of public funds between large agricultural companies and small farmers in Ukraine revealed a significant imbalance. Small farmers received support through special programmes aimed at farms that cultivate up to 120 hectares or keep up to 100 cows. They could receive UAH 4,000 for each hectare of land, UAH 7,000 for each cow, and UAH 2,000 for each goat or sheep. In total, about UAH 4.7 billion was earmarked from the state budget to support small farmers. At the same time, large agricultural companies received a much larger share of public funds through the mechanisms of VAT refunds on agricultural exports and other programmes. Given historical practice, large companies receive a much larger share of total state support for the agricultural sector (Prasad, 2024).

The programme significantly affected the development of small farms, enabling them to obtain financing on favourable terms. In 2024, more than 8,750 loans worth UAH 46.9 billion were disbursed to support farmers, which underscores the high demand for the programme among agricultural businesses. Since the beginning of 2025, 944 loans worth UAH 4.5 billion have been disbursed (Cherkasy Regional State Administration, 2025). However, the programme also has certain limitations. The average loan size is about UAH 3.5 million, which can be too large for small farms, especially those with limited resources. In addition, the availability of credit for large agricultural companies is much higher, as they are better able to secure loans and usually receive larger loan amounts on more favourable terms. For small farms, this can create inequalities in access to financial resources, although the programme contributes to the development of small enterprises through the provision of concessional loans (Krytska, 2023). Overall, the "Affordable Loans 5-7-9%" programme had a significant positive impact on the development of agricultural enterprises, especially small farms, by facilitating access to loans on favourable terms. It allows small agricultural enterprises to stabilise production, expand their business and create new jobs, which is important for rural development. However, to achieve maximum effect, further improvement of the availability of credit to small farmers is needed, especially given their limited financial capacity compared to large agricultural companies.

There are also several mechanisms in place in Ukraine to help small farms gain equal access to finance. One of these mechanisms is the Partial Guarantee Fund for Agricultural Loans, which allows small farmers to receive loans under state guarantees, which

reduces risks for banks and simplifies access to finance (A large-scale awareness-raising..., 2024). In addition, the Ukrainian government provides subsidy programmes and grants to small farms for cultivated land and other activities. For example, in 2025, a subsidy of UAH 4,000 per hectare is envisaged for farms that cultivate between 1 and 120 hectares of land. In addition, microfinance organisations provide loans to small entrepreneurs who have limited access to traditional bank loans, which is especially useful for those who are just beginning their business. These mechanisms contribute to equal access to finance for small farms, although

they still face certain obstacles and imbalances compared to large agricultural companies. To expand the definition of agricultural sector financing, a comparison was made with Canada, one of the most developed agricultural countries. Canadian farm support programmes are an example for many countries around the world, including programmes such as AgriInvest (Government of Canada, 2024), Sustainable Canadian Agricultural Partnership (Government of Canada, 2023c), Canadian Agricultural Loans Act (Government of Canada, 2022; 2025). Table 3 shows the main differences between the subsidy and credit mechanisms in Ukraine and Canada.

**Table 3.** Comparison of subsidy and credit mechanisms in Ukraine and Canada

| Mechanism               | Ukraine                                                                                               | Canada                                                                                                                       |
|-------------------------|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Main subsidy programmes | Subsidies per hectare of land, livestock support, subsidies for agricultural equipment                | AgriInvest, Sustainable Canadian Agricultural Partnership                                                                    |
| Credit programmes       | "Affordable Loans 5-7-9%" programme, preferential loans through OTP Bank and PrivatBank               | Canadian Agricultural Loans Act, Farm Credit Canada, AgriInvest                                                              |
| Maximum loan amounts    | Up to 5 million UAH per hectare of land, up to 3 million UAH for the purchase of equipment            | Canadian Agricultural Loans Act: up to 500 thousand USD for land and construction, up to 350 thousand USD for other purposes |
| Interest rates          | 5-7% (for the "Affordable Loans" programme)                                                           | Canadian Agricultural Loans Act: Prime + 1% or Residential Mortgage Rate + 1%                                                |
| Conditions of receipt   | Business in the agricultural sector, activity in agriculture                                          | Business registration, experience in agriculture (less than 6 years for Canadian Agricultural Loans Act)                     |
| Peculiarities           | Reimbursement of part of the costs of agricultural products, preferential terms for small enterprises | Programmes for beginning farmers, cooperatives, regional support programmes, development grants                              |
| Challenges              | Limited budget funds, unequal access to finance for small farmers                                     | Limitations on the size of loans, lack of sufficient information among potential participants                                |

**Source:** compiled by the authors

While Ukrainian subsidy and credit mechanisms contribute to the development of the agricultural sector, there are certain limitations and challenges. While the "Affordable Loans 5-7-9%" programme is an important instrument of financial support for farmers, the effectiveness of these initiatives may depend on limitations on the maximum loan amount, as well as on the lack of information about available support programmes. Canada has a more developed system of lending to farmers than Ukraine, through the Farm Credit Canada and Canadian Agricultural Loans Act programmes, which provide more flexible terms of financing. Ukraine can learn from Canada's experience to improve access to credit for large agricultural companies and increase government support in other regions. The Canadian agricultural support programme is an important part of the national economic policy. Canada annually provides significant support to agricultural enterprises, including subsidies worth about USD 12.5 billion (Kevany *et al.*, 2024). Overall, the Canadian agriculture sector contributes about 1.8% of the country's gross domestic product, with a direct contribution of agriculture to the gross domestic product of USD 36.3 billion in 2022. Considering the sector's impact on other related

industries, its economic importance is substantial, although the relationship between subsidies and gross domestic product growth is complex and indirect (Canadian Federation of Agriculture, 2024). In terms of access to credit, Canada has an advance payment programme that provides farmers with interest-free loans based on the value of their agricultural products. As of 2023, the interest-free loan limit has been temporarily increased to USD 350,000, but after 2023 it will drop back to USD 100,000 unless further adjustments are made. Farmers have expressed concern that the current limit is too low given the rising costs of production. General requirements for participation in such programmes include being actively engaged in agriculture and having a viable business unit, although requirements may vary depending on the specific programme.

Canada has a developed system of government subsidy controls that includes a variety of regulatory mechanisms, including a demand management system for dairy, poultry and eggs. This system includes tariffs and production quotas to maintain domestic prices above international levels. The level of government support for agriculture in Canada is assessed by the Organisation for Economic Co-operation and Development,

which uses indicators such as the Producer Support Estimate and the General Services Support Estimate to monitor the effectiveness and structure of agricultural support (Bombrun, 2024). Canada's state support mechanisms demonstrate high adaptability to global challenges. For example, the increase in the limit of interest-free advances was a direct response to the rising production costs faced by farmers. Canada's Sustainable Canadian Agricultural Partnership initiative includes a five-year, USD 3.5 billion plan to support sustainability, innovation and risk management in the agricultural sector (Government of Canada, 2023c). It aims to help farmers adapt to climate change and market fluctuations. In addition, programmes such as the Agricultural Climate Solutions Programme (Government of Canada, 2023a) and Living Labs (Government of Canada, 2023b) promote sustainable practices and technologies that assist farmers in adaptation to climate change.

An analysis of Canadian state support mechanisms demonstrates that they are highly efficient and flexible, allowing for a quick response to changes in economic and environmental conditions. However, for Ukraine, it is necessary to address the specifics of the national economic situation, in particular the high level of risks due to military operations and adapt these mechanisms to the specifics of the Ukrainian agricultural sector. Canadian mechanisms, such as interest-free loans and concessional financing programmes, can serve as a model for improving state support for agricultural enterprises in Ukraine, especially in the context of small farm development and climate change adaptation. It is necessary to increase access to finance for small farmers, improve awareness of government programmes, and create more flexible lending conditions for large agricultural enterprises to help Ukraine become more competitive in the global market. Reduction of interest rates on loans to farmers is a key area for improving state support. The "Affordable Loans 5-7-9%" programme is effective, but for investments that take longer to make, the terms of concessional loans should be extended to ten years. This would allow small and medium-sized farms to make long-term investment commitments without overburdening them in the short term. It is also necessary to continue and expand concessional lending opportunities, including the possibility of partially offsetting the cost of the loan. This will reduce the burden on businesses, which is especially important in times of economic instability. The process of obtaining loans will be more transparent and faster if digital platforms are used to register and assess the creditworthiness of businesses. Automation of such processes will help management to reduce the workload they have and reduce the time required to review applications.

Expanding grant programmes for the development of innovative projects is another way to improve state support. In Ukraine, there is a growing interest in technological solutions in agriculture, including agricultural innovation and organic farming. With state support for such projects through grants and low-interest loans, farmers will be able to obtain the funds necessary to implement new technologies that will improve production efficiency. Support for horticulture, berry growing, and viticulture is particularly important. For 2025-2026, it is necessary to expand and extend grant programmes for planting and developing processing plants for agricultural products. By 2025, there is a significant deficit of infrastructure in Ukraine that could facilitate agricultural development. Primarily, it concerns land reclamation systems, as well as the development of systems for storing and processing fruits and vegetables. The creation of new crop storage facilities and the modernisation of existing systems should be the main objectives of state aid in this area. This will allow farmers to reduce storage losses and become more stable in the market. In addition, the development of transport infrastructure is crucial for farmers. Building and repairing roads and reducing customs barriers for exports will allow farmers to transport their products faster and cheaper. To increase the effectiveness of support programmes, it is necessary to strengthen control over their implementation. The introduction of new automated systems for the provision of state support to the agricultural sector will help to increase the transparency of this process. Automatic allocation of funds and registration of enterprises in the system will increase the trust of farmers and prevent misuse of funds, as demonstrated by the experience of the State Agrarian Register in Ukraine. The involvement of the Accounting Chamber in the audit of budget expenditures and activities of state-owned enterprises optimises the process of tracking the effectiveness of financial expenditures on agricultural support. This can be a significant step towards increasing the transparency of financial transactions with public funds and eliminating corruption schemes.

To ensure access to new markets for Ukrainian agricultural products, it is also necessary to develop international cooperation. Supporting exports by participating in international events and signing new trade agreements will help farmers diversify their markets and earn more money from exports. Expanding opportunities for attracting international investment and grants will provide farmers with additional resources that they can use to develop their companies. Therefore, state support for the agricultural sector should include not only financial measures, but also a comprehensive

approach to infrastructure development, reduction of administrative obstacles, increased control and transparency, involvement of partners from other countries, and introduction of automated systems that are an effective tool for improving the agricultural economic situation. Improving subsidy and loan programmes, creating new forms of support and stimulating innovative solutions will be an important step towards increasing the competitiveness of the Ukrainian agricultural sector in the global market.

## DISCUSSION

State support to the agricultural sector through subsidies is an important means of ensuring financial stability and development of agriculture. Effective support for farmers is vital for maintaining food security, increasing competitiveness and sustainable development of agricultural enterprises in the face of global economic challenges, including military conflicts, climate change and economic crises. In such circumstances, government subsidies become even more important as they help to provide access to finance, reduce production costs and promote technological innovation in agriculture. The study assessed the impact of government subsidies and loans on the financial stability of agricultural enterprises in Ukraine, while C.M. Viana *et al.* (2022) examined financial mechanisms to support the agricultural sector at the global level. Both approaches to the analysis of financial support for farmers as an important element of the sector's stability and development are similar. The study highlighted specific state support programmes in Ukraine, such as soft loans and tax exemptions, while C.M. Viana *et al.* (2022) addressed general international mechanisms and strategies for supporting agriculture.

The study by L. Marmul *et al.* (2021) and the current study used similar methods to examine how the agricultural sector is supported through subsidies, loans, and tax breaks. Both studies emphasised the importance of these instruments for maintaining the financial stability of agricultural enterprises. On the other hand, this study covered the Ukrainian context, in particular the war and its impact on the financial stability of the agricultural sector, while L. Marmul *et al.* (2021) analysed general support mechanisms in the context of international trends. Current research and the study by C. Bernini & F. Galli (2024) both address subsidies on agricultural enterprises, on their economic and environmental performance. Both papers emphasised how subsidies can reduce production costs and contribute to sustainable development. However, this paper analysed the full-scale invasion environment in which Ukraine is currently operating, evaluating budgetary funds, loans, and tax privileges. In contrast, the study by C. Bernini

& F. Galli (2024) focused on Italy's experience with the EU's Common Agricultural Policy, analysing the impact of subsidies on spatial effects and their economic consequences for the agricultural sector.

The impact of subsidies on the efficiency of the agricultural sector, in particular on the financial stability and competitiveness of enterprises, was addressed both in the current study and by F. Liu *et al.* (2024). Both studies emphasise how subsidies reduce production costs. However, this paper analyses budgetary funds, credits and tax privileges, focusing on Ukraine and the impact of the war on the agricultural sector. On the other hand, the study by F. Liu *et al.* (2024) addressed the experience of rapeseed cultivation in China and used alternative methods of analysis. The current study and M.W. Barbosa (2024) both addressed the impact of government subsidies on the agricultural sector. Both studies emphasised the importance of financial support for agricultural efficiency. However, this study covered support mechanisms in Ukraine during the war, such as subsidies, loans and tax exemptions, while M.W. Barbosa (2024) studied sustainable agriculture policies internationally. In addition, M.W. Barbosa (2024) assessed the spatial effects of subsidies, which differs from the approach in this study, which was based on the context of the war in Ukraine.

V. Piñeiro *et al.* (2020) analysed the importance of using economic, regulatory and environmental incentives to encourage the transition to sustainable agricultural practices. The authors noted that soft loans, subsidies, and tax breaks are important mechanisms to support farmers, particularly in the context of global environmental change. The main similarities between the studies were in the focus on financial instruments as the main mechanisms for stimulating farmers, as well as in the comparison of national approaches to international experience. However, an important difference was that V. Piñeiro *et al.* (2020) addressed the sustainability of agricultural practices through environmental and economic incentives, while this study assessed the mechanisms of support for farmers through the prism of economic stability in times of war focusing on the crisis in Ukraine and the need for urgent financial instruments. J.A. Pérez-Méndez *et al.* (2019) and the current study both covered the effectiveness of subsidies for agricultural enterprises. Both papers emphasised the importance of subsidies to reduce costs and maintain competitiveness. However, this study focused on Ukrainian realities, considering the impact of full-scale invasion and analysing not only subsidies but also tax privileges and credits. Whereas J.A. Pérez-Méndez *et al.* (2019) addressed European subsidy mechanisms, within the EU's Common Agricultural Policy.

S. Khalmirzayeva (2023) and the current study both analysed state support mechanisms for the agricultural sector, in particular subsidies. However, S. Khalmirzayeva (2023) analysed international experience, comparing the practices of state support for agriculture in different countries, such as the US, Canada, and the EU, and adapting these mechanisms to the conditions of Uzbekistan. In turn, this study covered the specific conditions of Ukraine on supporting farmers in the context of a full-scale invasion. The present study and D. Amaglobeli *et al.* (2024) both addressed subsidies for the agricultural sector. They both emphasised the importance of state support for increasing production efficiency. However, this study focused on the global experience of subsidies, with an emphasis on environmental and social development. At the same time, D. Amaglobeli *et al.* (2024) addressed economic subsidies and political aspects of support in individual countries. C. Edwards (2023) analysed the effectiveness of government support programmes for agriculture in the UK, focusing on subsidies that promote sustainable development and environmental efficiency. The study also considered the impact of subsidies on agricultural adaptation to climate change. Both papers emphasised the importance of subsidies to support the agricultural sector and increase efficiency. However, this study focused on Ukrainian realities and the war, while C. Edwards (2023) analysed environmental aspects in the UK.

This study and P. Lal *et al.* (2023) both address government support for the agricultural sector through subsidies to improve economic stability. Both assess the role of subsidies in promoting agricultural efficiency and development. However, this study covered the situation in Ukraine under the conditions of war, analysing subsidies, credits and tax privileges, while P. Lal *et al.* (2023) analysed global approaches to agricultural policy, sustainable development and environmental aspects. This paper addressed national challenges, while P. Lal *et al.* (2023) analysed agricultural policy in an international context. Both studies confirm the importance of supporting farmers, but the approaches differ depending on the specifics of the region and conditions. K. Mazur & L. Tetenyi (2022) and the current study both covered the impact of subsidies on agriculture. K. Mazur & L. Tetenyi (2022) analysed Sub-Saharan Africa, examining the impact on productivity and labour, while this study assessed the impact of subsidies and credit on the financial stability of agricultural enterprises in Ukraine. Both studies emphasised the importance of subsidies for development but differed in their approaches: one used equilibrium modelling, while the other used budgetary analysis and international comparisons.

J.A. Garner *et al.* (2023) addressed the macroeconomic effects of subsidies, analysing their impact on the economy, while this study covered the specific subsidy mechanisms in Ukraine, under full-scale invasion. Both papers emphasised the role of subsidies in reducing production costs and maintaining the financial stability of agricultural enterprises, but J.A. Garner *et al.* (2023) analysed global macroeconomic effects, while this study focused on specific support mechanisms for Ukrainian farmers. S. Zaharco & E. Petreanu (2023) covered subsidy management and efficiency audits in the agricultural sector, while this study focuses on agricultural financing and sustainable development mechanisms through subsidies. Both studies emphasise the importance of supporting the competitiveness of agricultural enterprises, but S. Zaharco & E. Petreanu (2023) addressed infrastructure development and support for small farmers, while this study analysed subsidy mechanisms in the context of full-scale invasion and their impact on the economic stability of the agricultural sector in Ukraine.

C. Akbay & A. Bilgiç (2023) analysed the impact of subsidies on the economic efficiency of dairy farms in Turkey, using econometric analysis to estimate the profitability and impact of financial support. Both studies covered the effectiveness of subsidies in the agricultural sector, but this study addressed wider range of financial mechanisms and compares them with international experience, while C. Akbay & A. Bilgiç (2023) analysed Turkey and the dairy sector. T. Bhandari (2023) studied the impact of the political ideology of People's Multi-party Democracy on agriculture in Nepal, covering technological development and economic stability through government subsidies. Both studies acknowledge the importance of state support for the stability of agricultural enterprises, but this paper analysed financial aspects, while T. Bhandari (2023) addressed political factors. S.F. Anzia *et al.* (2022) addressed the political aspects of subsidies in the United States, in particular, how receiving government assistance affects farmers' political beliefs. The authors studied how participation in subsidy programmes changes farmers' attitudes towards the government depending on their ideology. Both studies analysed the impact of state aid on agriculture, particularly through subsidies. They both recognised the importance of these programmes in supporting farmers. This paper analysed the economic effect of subsidies on farms, while S.F. Anzia *et al.* (2022) covered the political effect, particularly the impact on farmers' political views depending on their ideology.

The current study and I. Dinis (2024) both analysed the impact of state support on the agricultural sector but from different approaches. Both studies analysed

the impact of state subsidies on the agricultural sector, how these subsidies affected farmers. The authors highlighted the uneven distribution of support depending on various factors, such as farm size or type of agricultural product. This article focused on the economic impact of subsidies on enterprises in Ukraine, while I. Dinis (2024) focused on the distribution of direct subsidies between different farming systems in Portugal under the European support policy. This study highlights the importance of financial support for the stability of the agricultural sector, particularly in times of war. Comparison with other studies suggests that although subsidies play an important role in supporting farmers in different countries, there are specific aspects in each case, including the political situation, types of subsidies and economic conditions that affect the effectiveness of these programmes.

### CONCLUSIONS

A study of the effectiveness of state support for the Ukrainian agricultural sector shows that financial support through subsidies, loans and tax breaks is substantial for ensuring the development of agricultural enterprises and increasing their competitiveness. The draft budget for 2025 allocates a significant amount of money to support farmers, which will not only restore the agricultural sector but also stimulate its further development. The envisaged increase of 4 billion UAH in expenditures to support farmers compared to 2024 demonstrates the importance of agricultural policy for the Ukrainian government. Different types of financial support for agricultural enterprises significantly affect their financial stability. Subsidies reduce production costs by 10-15%, which supports the competitiveness of products. Concessional loans reduce the cost of capital investments by 20-25%, which facilitates rapid adaptation to market changes and increases efficiency. Tax privileges reduce the tax burden by 5-10%, increasing the profitability of enterprises and strengthening financial stability. All these mechanisms are interconnected and reinforce each other, allowing agricultural enterprises to adapt to market changes more effectively, reducing costs and increasing productivity.

One of the main forms of support is subsidies, which allow agricultural enterprises to reduce production costs, increasing their competitiveness in domestic and foreign markets. In 2025, UAH 4,726 million is planned to be allocated to support farmers and agricultural producers, which will help ensure the financial stability of enterprises, especially in regions where

active hostilities are not currently taking place. In addition, UAH 1,000 million was allocated for humanitarian land demining, which will help restore agricultural land and improve the environmental situation. Concessional loan programmes, such as "5-7-9%", provide farmers with access to finance for development and modernisation without high interest rates. With the help of concessional loans, agricultural enterprises can adapt more quickly to market changes and improve their production base. The development of reclamation systems, especially through compensation for rehabilitation and construction costs, is an important step towards ensuring financial stability. All these measures improve the conditions for agricultural production, especially in the face of environmental change, and ensure production growth and stable cash flow for enterprises.

The increase in funding for concessional loans and subsidies for farmers has significantly expanded access to finance. According to PrivatBank, more than 3,000 agricultural loans totalling UAH 10.6 billion were disbursed in 2024. This shows that the demand for loan programmes for agribusiness development is growing. Equally important is ensuring transparency in how public funds are allocated. Automated systems, such as the State Agrarian Register, should significantly improve the process of registering enterprises and allocate funding more efficiently. To increase the stability of the agricultural sector, the system of control over the use of public funds and the fight against misuse of resources should be improved. Although there is still considerable potential for developing state support for farmers in Ukraine, a comparison with Canada shows that Ukraine needs to learn from other countries that have more efficient methods of distributing financial assistance and innovative problem-solving. Canada is increasing loans to large enterprises and supporting farmers through grants, which provides greater financial stability in the agricultural sector. The efficiency of the agricultural sector in Ukraine can be significantly improved by increasing financial assistance to farmers, improving soft loans and subsidies, and introducing new types of assistance and technological innovations. To do this, it is necessary to control its expenditures and create optimal conditions for innovative rural projects.

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### CONFLICT OF INTEREST

None.

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## Оцінка ефективності державних підтримок та субсидій у забезпеченні фінансової безпеки аграрних підприємств України

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**Анотація.** Метою цього дослідження було оцінити вплив державних субсидій і кредитів на фінансову стабільність та конкурентоспроможність аграрних підприємств України в умовах економічних викликів. У ході дослідження використовували методи порівняльного аналізу, контент-аналіз звітів та даних про державну підтримку аграрного сектора на 2025 рік, а також методи теоретичного дослідження для виявлення можливих напрямків вдосконалення існуючих фінансових інструментів. Аналіз бюджетних коштів на державні субсидії показав, що у 2025 році на підтримку аграріїв передбачено 4,726 млрд грн, що сприятиме зниженню витрат на виробництво та підвищенню конкурентоспроможності агропідприємств. Оцінка податкових пільг, зокрема спеціального режиму оподаткування податком на додану вартість, виявила його важливість для зниження витрат і підтримки конкурентоспроможності аграріїв. Дослідження також включало аналіз пільгових кредитів, зокрема програми «Доступні кредити 5-7-9 %», що є важливим інструментом підтримки аграрних підприємств в Україні. У 2024 році, за даними ПриватБанку, аграрним підприємствам було надано понад 3 000 кредитів на суму 10,6 млрд грн. Особливу увагу було приділено порівнянню механізмів державної підтримки в Україні та Канаді. Канадський досвід демонструє можливості адаптації певних механізмів, таких як субсидії на техніку та підтримка малих фермерських господарств. Отримані результати показали, що державні субсидії, кредити та податкові пільги мають суттєвий позитивний вплив на фінансову стабільність аграрних підприємств в Україні, забезпечуючи доступ до фінансування, зниження витрат і підвищення конкурентоспроможності на ринку.

**Ключові слова:** сільське господарство; дефіцит інфраструктури; конкурентоспроможність; нестабільність; кредити