

AGRO LOANS AND FINANCING OF AGRICULTURE IN SERBIA

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ABSTRACT

The subject of our work is the financing of agriculture and agro loans. The set goals are in line with the current economic and political circumstances in the world. In this paper, we use comparative and quantitative analysis to point out the main goal, further directions of agricultural and food production development in Serbia, including its financial support.

Countries around the world, like all EU countries, consider great importance to agriculture and food production. Serbia has great potential for food production, but level of its development and competitiveness one can consider as non-sufficient. The analysis of the topic considered obtains additional importance during the global economic crisis caused by Covid-19 and during the war in Ukraine (the share of Ukraine and Russia, only in world wheat exports was 25.5 percent in period before the "outbreak" of a pandemic and conflict). The share of agriculture in Serbian GDP in was about 6 percent in, while exports are dominated by cereals with a share in 2019/2020. In order to support food production, it is necessary to provide a higher volume of financial sources and more favorable conditions of financing. In this regard, there is a dilemma whether a capital shortage to compensate through banks' and other financial institutions sources, by attracting foreign investments and/or by state intervention.

Our opinion is that agro-loans, dinar short-term and long-term with an interest rate of 1 percent to 3 percent with the subsidy of the Ministry of Agriculture, Forestry and Water Management are the optimal solution when it comes to eco-

nomic policy in agriculture and food production. In Serbia, the law stipulates that a minimum of 5 percent of the total budget should be allocated in agriculture, which is by our opinion non-sufficient. The support for the sustainable development of agriculture in Serbia should be realized through credit support, favorable dinar loans, with state subsidies and other incentives. The state has set aside 62 billion dinars for agriculture subsidizing in 2022, which is an increase of 17.5 percent compared to the previous year, with indications of an increase in the following period. We envisage that altogether financial investments by the state, subsidized bank loans, and new investments, are still not sufficiently for sustainable development of food production.

Agriculture and food production have been facing a number of challenges for a long time. So, different supporting measures are needed from at all levels of the state, providing different sources of funding and additional supports. An important limit for sustainable development of food production is an under developed financial market, so the improvements in this regard would positively influence development and stability of the food market. In the preservation of natural resources and wealth, great importance should be given to access to greater sources of financing at affordable conditions, in accordance with the needs of agricultural production. Public assistance, as well as loans and other incentives, can also play an important role. That's why is important to ensure greater volume of funding sources under favorable conditions. It is also necessary to continue with market reforms, neutralizing market barriers and improving market institutions and market rules of game. Using market mechanisms, it is possible to mobilize additional sources of financing that will meet the needs for growth and development and enable improving productivity and higher level of competitiveness on the global market.

Keywords: *Agro loans, Bank, Agriculture, Financing*