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## CADASTRE IN LAND MARKET STRUCTURE

**Purpose.** Periodic prolonging of the moratorium on sale of agricultural lands does not solve the basic problem of land reform – free circulation of land in order to improve welfare of the population, increasing of social and economic development of territories through the development of new economic, financial and credit inter-farm linkages and mechanisms. Certain prerequisites of land market functioning, defining its function before this should be formed on the legislative and regulatory framework. According to the above, the objective function is defined as a combination of economic, technical, administrative and other actions, events, decisions, etc. on efficient and rational use of agricultural lands in the context of maximizing the social and financial status of the population of the territory. **Methods.** The research based on the method of analytical analysis of financial and economic activity of agricultural enterprises in different periods; structures and forms of financial and credit system; principles of formation of agricultural enterprises. **Results.** As a result of conducted research It was highlighted the major shortcomings of introduction of circulation of agricultural lands, which constrain their market. In this regard, it was developed recommendations for creating of the effective functioning of land market. This includes: the development of a number of legislative and regulatory acts that would improve the system of collection cadastral and land planning documentation; develop effective mechanisms of agricultural crediting; form an effective advisory service of land and property relations. **Scientific novelty** consists in development of new approaches to creation of land market, based not on deriving the maximum profit but meet the needs of the population. **Practical significance.** Given in the article conclusions and recommendations can be used by the legislative and executive authorities in creating mechanisms for the effective functioning of real estate markets.

*Key words:* market of agricultural lands, market, credit.

## Introduction

In the economy of the state takes the prominent place agricultural land market, the development of which requires research and improvement of all structural elements which form it. Periodic prolonging of the moratorium on agricultural land market does not solve the problem of the formation of this important segment of the economy, but occasionally postpone it, which ultimately does not solve the problems of land reform. Improvement of market mechanisms, relationships of market subjects must be formed on the basis of problems “objective function.” Hence the need for formation of the content, objective and task of “objective function” is appeared.

Theoretical and methodological aspects of development of land relations were researched by P. T. Sabluk, S.M. Kvasha, V.Ya. Mesel-Veselyak, B. J. Paskhaver, M. M. Fedorov, V. Yurchishin and others. Each has its own vision of the development of the land. P.T. Sabluk considers land market as an

agreement of purchase and sale, lease and mortgage of land plots [B. M. Danylyshyn, S. I. Doroguntsov, V. S. Mishchenko etc. 1999]. M. M. Fedorov under the land market understands the process of determining its value and recognition of land as a capital [B. M. Danylyshyn, S. I. Doroguntsov, V. S. Mishchenko, 1999]. D. S. Dobriak under the land market understands commercial land transactions [B. M. Danylyshyn, S. I. Doroguntsov, V. S. Mishchenko, 1999] and L. Ya. Nowakowski in the concept of market puts economic relations that arise in the turnover of land [B. M. Danylyshyn, S. I. Doroguntsov, V. S. Mischenko, 1999]. The term “land market” by J. B. Paskhaver is a set of land relations, allowing to realize the status of the landowner for receiving the market benefits, such as agricultural lands can provide to their owner the market effect when used for commercial production, rental, sale or mortgage, proposes to consider three forms of land market [B. J. Paskhaver, 2009]. Deserves special mention the report of expert M. Kobets on the

formation of the agricultural land market in Ukraine, their changes, trends and international experience [M. Kobets, 2011]. On the problems that exist during the land reform in Ukraine and the agricultural sector indicates Verbunt Stefan [electronic resource]. – Access: <http://imfgr-?Up.com.ua>].

It should be noted that the land resources is the basis of our economy, which formed the market of residential, commercial, industrial and other property. In this case, land resources is one of the market elements of integral property complexes [Perovych L., 2002].

Ukraine – the only democratic country in the world where land owners are not able to fully dispose of their property. The standard of living in the Ukrainian village is at critically low level. Lifting the moratorium on sale of agricultural lands should be preceded by a series of legislative and regulatory acts. One of the most important prerequisites is the ability of farmers to receive bank loans on favorable conditions for them, including possibility of obtaining a bank financing on security of land for the development of their own business and attract investment. They also will be able to establish joint ventures for more efficient production [electronic resource. – Access: <http://www.pravda.com.ua/articles>].

For more effective studying and implementation of land market development in Ukraine to combine international experience of European countries with domestic practices and analyze activities of financial institutions that occurred in the years 1860-1917, since the current problems are similar, and determine their applicability to the present financial system [ Electronic resource. – Access: <http://imfgroup.com.ua>].

L. Perovych thoroughly researched the relationship of the banking system with a market economy of country in XIX – early XX centuries, and their support of agricultural producers, and the possibility of its functioning at this stage of economic development [Perovych L., 2005].

Kruchko S.I. has studied and analyzed the experience of foreign mortgage lending and possibilities of its use in Ukraine, taking into account national circumstances [Kruchok S. I., 2003].

However, the need to justification of the development strategy of the agricultural sector, the problem of reproduction village as a social level of state in the system of land market require further deepening of scientific research in this area.

## Purpose

Periodic prolonging the moratorium on sale of agricultural lands does not solve the basic problem of land reform – free circulation of land to improve welfare, increase social and economic development of territories through the development of new economic, financial and credit inter-farm linkages and mechanisms. On the legislative and regulatory framework, certain prerequisites of functioning of the land market should be formed, defining its function before it. According to the above, the objective function is defined as a combination of economic, technical, administrative and other actions, events, decisions, etc., for effective and rational use of agricultural lands in the context of maximizing the social and financial status of the population of the territory.

## Methodology

The basis of the research are the methods of analytical analysis of financial and economic activity of agricultural enterprises in different periods; structures and forms of organization of financial and credit system; principles of formation of agribusinesses.

## Results

Ukraine for many years is pursuing a policy of reforms in all spheres of its activity. The key to effective reform is a comprehensive approach, combining all spheres (social, economic, political).

Land reform in the system of agrarian reform is one of the components of economic reform in Ukraine, which started with the acquisition of state independence of Ukraine. Currently, land reform has received a number of unresolved problems which substantially influence on the state economy as a whole, namely: improper management, which creates a number of problems, including uncertainty in land ownership and related conflicts; high costs of transactions with land plots; increasing the number of shady land transactions; problems with the registration of land; reduce private sector investment; lack of legal conditions for the establishment of an effective land market.

Solving these problems will provide the “objective function.” In this case, under the “objective function” we mean a set of actions, measures, decisions, etc., based on the principles of the most ef-

fective and efficient use of land resources to maximize providing the welfare of the population, social and economic condition of the territories.

There are two approaches to achieving and realizing this task. The first approach is based on models of the formation of powerful agricultural holdings and agricultural enterprises and other – involvement in the process of social and industrial relations of wide circle of working population, by creating a number of cooperatives, small businesses, organizations, etc., involved in the manufacturing process of input-output model. To that analysis of these two approaches is devoted this publication.

Land market and our proposed “objective function” must interact with each other.

Let's present “objective function” as the maximum social and economic effect which can be achieved through the involvement or use in the process of development of agricultural land markets a range of pricing, natural, legal, demographic and other factors.

Let us write in general terms “objective function”:

$$F = (x_1, x_2, x_3, \dots, x_n) \rightarrow \max, \quad (1)$$

where:  $F$  – the maximum value of the objective function;  $x_1, x_2, x_3, \dots, x_n$  – value of factors which form the objective function.

The main factors of impact on the objective function, in our opinion, are: to establish evidence-based level the optimal by area of agricultural lands specialized manufacturing enterprises complexes associations etc.; development of investment and financial mechanisms to meet the needs of agricultural producers; possibilities for the establishment and functioning of specialized associations and cooperatives on the marketing of agricultural products, farm machinery repair, advisory services and so on.

The above “objective function” is not aimed at receiving the maximizing profits, but is aimed at a broad involvement in the production process of human resources of certain administrative and territorial units, which is essential to improve their welfare, support and development of the engineering infrastructure of settlements and so on.

For the realization of the land market it is necessary to provide:

*firstly*, good governance, which should be seen not only as decision-making processes and ways of their implementation, but also the responsibility of the government and authorities to resolve them. This process should be ensured not by separate groups of society, but with the involvement of the general public in the decision-making process in terms of the legislative acts, impartiality and objectivity;

*secondly*, the creation of clear cadastral system by providing accurate and open information about lands and property rights on them;

*thirdly*, consolidation of land plots that will improve their structure, composition of lands, configuration and ensure formation of an effective land use.

As for functioning of the system of effective governance is necessary to get rid of:

- Uncertainty in the possession (or land use);
- Reduce private sector investment;
- Unlawful seizure of lands and change of their intended use;
- Low level of incomes of local budgets and population;
- Social and political instability;
- Imperfection of organizational and legal standards for land use and protection.

For the implementation of the system of the land market, Ukraine should follow the so-called principle of “open market” that formed the EU, namely: the equal treatment of all participants in land legal relations, non-discrimination, proportionality, transparency, openness, ensuring of competition.

An effective system of the land market will function while creating of certain prerequisites, namely:

- Development and improvement of the legislative framework for land turnover, their consolidation or division;
- Creating not only the general plans of development of the settlements, but the land within the individual administrative and territorial units in general;
- Development of program of private partnerships, investment in confidence of agricultural producer;
- Improvement of the system of land and cadastre reporting.

Ukraine inherited the principle of “land sharing”, which led to a certain fragmentation of the land market. Ukrainian financial system, at present, doesn't know optimal sizes of enterprises, both private and based on a lease that would ensure profitability in existing conditions. Analyzing the past, we can give priority to the formation of large farms of 40–50 thousands hectares in those regions where it brings the maximum development of local territories.

Taking this into account, we cannot abandon the large holdings instead implement as transparent as possible account of their activities. At the same time, we should promote the development of small and medium enterprises, as opposed to stereotypes, not hurt by agricultural holdings and on the contrary, lead to the recovery of market and creating more favorable conditions for them.

In the transition to the market we should perform differentiation of agricultural lands by types of lands, natural and agricultural zoning, their location.

In the country farmings (5.10 ha.) became popular which cannot compete on the market of products, which is the main key to profitable business. The rise of social-economic development of territories, a comprehensive increase of welfare of the population are possible through the creation of agricultural cooperatives that deal not only with the cultivation of agricultural products, but also its processing and marketing [Perovych L.M. 2011].

For the development of the land market, as noted, actual remains the conducting of land consolidation, as if a significant part of the lands is on the private property rights. A striking examples are the Germany, France and the Netherlands, where the consolidation process is mandatory and appropriate decisions are made by the government and land owners receive some monetary compensation according to market prices at the moment of consolidation. Such mechanism operates in Germany and France, and certainly is not liked by landowners, but proves its effectiveness in the future. At the time, Poland has attempted to consolidate lands through a voluntary exchange of land plots, but this approach did not worked.

So, here certain norms, rules are required that are set at the level of institutions and strict control on the part of the state.

Another important issue of land market development remains the problem of pricing. In this respect, it would be useful to establish a differentiated price for land for small and medium businesses, on the one hand also for holdings – on the other, given the public interest. Price will form the owners (users) of land and size of farms, which is important in determining the major customers (farmers, agricultural holdings).

The state in its ownership has about 10 million hectares of land that make up the capital of the land on one side, and the land which will enter into the market on the part of owners of land units.

Agroholdings which have rented the units and adjacent land plots of state ownership poses a risk to the development of territories through uncontrol of circulation of land and cash flows, the formation of shadow owners. Therefore, it should be proposed the formation of such large enterprises as agricultural holdings, in the long term lease. Relevant in the development of the land market is the implementation by state taxes varieties. For example, the tax on the resale of land (to eliminate speculation) or tax on disuse of land for agricultural purposes.

The farms with the area of 10-100 hectares are considered for conducting profitable entities that will not be inherent in buying land and shadow their possible formation on the rights of ownership. However, a clear size limits of private land ownership during the formation of farms should be regulated by the law on turnover of lands.

The transition to a new economic system based on wage labor and commodity producer freedom, has caused the need for restructuring and adaptation to new conditions of financial and credit system.

The current problems of formation of land market and mortgage lending are coinciding with the problems that existed in 1860-1917.

The practice on providing the credit on bail in order to enhance agricultural activities already existed in the 80 years of the nineteenth century by Nobility ` Land and Peasants' Land Banks. At that time such bank transparency mechanisms of mortgage lending had existed. The specifics of these banks consisted in the detail and versatility of data assessing the creditworthiness of the borrower [N.M. Muzyka, 2010].

One of the features of Nobility Land Bank was the profitability of loan conditions to clients. In

1885, it was originally established two possible term of credit: 3.67 and 48.8 of the year, while the cost of credit does not exceed 60 % of the estate offered as a pledge and the client, depending on the term of credit was obliged to pay annual 5.75 or 6.25 %. In case of violation the terms of repayment for the first two months penalty of 0.5 % per month was charged, and in case of absence the required payments within six months the estate could be sold by public auction. However, most of big landowners were unable to effectively use the funds that forced the banks to adapt to the requirements of customers – distribution of credits by cash with an increase in lending the terms from 11 to 66.6 of the year. This long term credit was favorable, by interest rate, which was 4.5 %. These credit conditions were favorable for both the bank and the customers.

At that time, the bank reduced the tax rates provided favorable short-term and long term credits, deferrals, the ability to use the state system of credit, thereby creating an economic assistance to landowners on condition of the free market. However, despite the almost perfect economic conditions there was no interest of employees in highly productive labor. And this mistake is repeated at this stage of development of mortgage lending of modern economy of land use in Ukraine.

Peasants' Land Bank has eliminated these errors, making it easier for farmers to purchase of land by setting 8 percent annual rate in the crediting term from 24.5 or 34.5 years. Further interest rate could change: 13 years – 11.5 % per annum and 51.9 years – 6 % [Otchety Gosudarstvennogo Dvoryanskogo zemelnogo banka za 1886–1915gg. – Spb, – 1887 – 1916.]. According to interest rates the bank had the right to buy the landlords' estates for the purpose of resale to farmers. Relevant was that until full repayment of debt the borrower was banned by the bank to conclude a lease agreement.

Currently, important to improve the economic climate during the formation of a land market is returning to reasonable in the past arrangements for the transparency of the credit system, detail and versatility of data of assessing the creditworthiness of borrowers, the adaptation of banking conditions to the customer, giving the credit regardless of the housekeeping, maintenance of large and small landowners, giving the credit under reliable guarantees, very low interest rates and long term crediting.

### Scientific novelty and practical significance

consists in development of new approaches to formulation of land market, based not on deriving the maximum profit but meet the needs of the population. Given in Article conclusions and recommendations can be used by the legislative and executive authorities in creating mechanisms for the effective functioning of real estate markets.

### Conclusions

In order to create efficient agricultural land market, the effect of which would have been directed not to receive excessive profits and reducing soil fertility but is aimed at socio-economic development of certain areas and maximum satisfaction of the needs of people living on this territory, in our opinion, it is necessary to develop a range of legislative and regulatory acts. In particular:

- to establish science-based optimal value of areas of small and medium agricultural enterprises for agricultural production in different regions;
- to improve the system for collecting cadastral and land management documentation and a system of informing of stakeholders, the general public;
- to develop a mechanism for land consolidation (individual units);
- to create the specialized land financial institutions or to predict in existing the allocation of long and short fixed-term credit and financial lines for low target credit rates (4-5% per annum);
- to restore rural cooperatives according to the interests of workers on processing of agricultural products, their sales, repair and supply of agricultural machinery, elite seeds, etc;
- to create an effective state structure to provide advisory services in the field of land and property relations, control of fertility preservation and protection of land.

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#### КАДАСТР У СТРУКТУРІ РИНКУ ЗЕМЕЛЬ

**Мета.** Періодичне продовження мораторію на продаж земель сільськогосподарського призначення не вирішує основного завдання земельної реформи – вільний обіг земель з метою покращення добробуту населення, підвищення соціально-економічного розвитку територій на основі розробки нових економічних, фінансово-кредитних міжгосподарських взаємозв'язків та механізмів. При цьому повинні бути сформовані на законодавчому та нормативно-правовому рівні певні передумови функціонування ринку земель, визначивши перед цим його функцію. Відповідно до вищезазначеного, цільова функція визначається як сукупність економічних, технічних, управлінських та інших дій, заходів, рішень тощо щодо ефективного та раціонального використання земель сільськогосподарського призначення в контексті максимального підвищення соціально-матеріального стану населення території. **Методика.** В основу досліджень покладені методи аналітичного аналізу фінансово-господарської діяльності сільськогосподарських підприємств у різні періоди; структури та форми організації фінансово-кредитної системи; принципи формування агропідприємств. **Результати.** В результаті проведених досліджень висвітлені основні недоліки впровадження обігу земель сільськогосподарського призначення, які стримують їх ринок. У зв'язку з цим розроблені рекомендації щодо створення передумов ефективного функціонування ринку земель. Це зокрема: розробка багатьох законодавчих та нормативно-правових актів, які б дали змогу удосконалити систему збору кадастрової та землевпорядної документації; розробити ефективні механізми кредитування сільгоспвиробників; сформувати ефективну консультативну службу із земельно-майнових відносин. **Наукова новизна** полягає у розробці нових підходів до формування ринку землі, які базуються не на отриманні максимальних прибутків, а на задоволенні потреб населення.

**Практичне значення.** Наведені в статті висновки і рекомендації можуть бути використані органами законодавчої та виконавчої влади під час створення механізмів ефективного функціонування ринків нерухомості.

*Ключові слова:* ринок сільськогосподарського призначення; ринок; кредитування.

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### КАДАСТР В СТРУКТУРЕ РЫНКА ЗЕМЛИ

**Цель.** Периодическое продления моратория на продажу земель сельскохозяйственного назначения не решает основной задачи земельной реформы – свободное обращение земель с целью улучшения благосостояния населения, повышение социально-экономического развития территории на основе развития новых экономических, финансово-кредитных межхозяйственных взаимосвязей и механизмов. При этом должны быть сформированы на законодательном и нормативно-правовом уровне определенные предпосылки функционирования рынка земель, определив перед этим его функцию. Согласно вышесказанному, целевая функция определяется как совокупность экономических, технических, управленческих и иных действий, мероприятий, решений и т.п. по эффективному и рациональному использованию земель сельскохозяйственного назначения в контексте максимального повышения социально-материального положения населения территории. **Методика.** В основу положены методы аналитического анализа финансово-хозяйственной деятельности сельскохозяйственных предприятий в различные периоды; структуры и формы организации финансово-кредитной системы; принципы формирования агропредприятий. **Результаты.** В результате проведенных исследований освещены основные недостатки введения оборота земель сельскохозяйственного назначения, сдерживающих их рынок. В связи с этим разработаны рекомендации по созданию предпосылок эффективного функционирования рынка земель. Это в частности: разработка ряда законодательных и нормативно-правовых актов, которые бы разрешили усовершенствовать систему сбора кадастровой и землеустроительной документации; разработка эффективных механизмов кредитования сельхозпроизводителей; формирование эффективной консультативной службы с земельно-имущественных отношений. **Научная новизна** заключается в разработке новых подходов к формированию рынка земли, которые базируются не на получении максимальной прибыли, а на удовлетворении потребностей населения. **Практическое значение.** Приведены в статье выводы и рекомендации могут быть использованы органами законодательной и исполнительной власти при создании механизмов эффективного функционирования рынков недвижимости.

*Ключевые слова:* рынок сельскохозяйственного назначения, рынок, кредитование.

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