

## FINANCE AND MONEY TURNOVER

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### FRENCH EXPERIENCE IN FINANCING SMALL AND MEDIUM-SIZED AGRICULTURAL ENTERPRISES

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Studying the experience of European countries in terms of financing small and medium-sized agricultural enterprises is of great importance due to the significant impact of Ukraine's agro-industrial complex on the development of the state's economy, given the fact that even despite the losses during the military invasion, the agro-industrial complex remains a key industry in which 17% of Ukrainians are involved and 19% of GDP is formed. It is the agro-industrial complex that provides the country with over 70% of foreign exchange earnings. Studying the experience becomes particularly relevant in the context of the challenges faced by small and medium-sized agro-industrial enterprises, in particular, the loss of production assets, equipment, occupation of land, loss of logistical connections, instability of markets – all this has led to a decrease in the profitability of Ukrainian agricultural producers, and financing will be needed for reconstruction in order to prevent technological lag and be able to compete adequately with agricultural products on the world market. The article examines the issue of financing small and medium-sized agricultural enterprises in France, which also play a key role in their country, providing a significant share of national production and contributing to the economic sustainability of the agricultural sector. The article examines the main sources of financing for agricultural enterprises in France, including bank loans, state subsidies, financing through cooperatives, microfinancing and private investments. Therefore, it is very important to study and implement the experience of European countries in financing small and medium-sized agricultural enterprises, in order to be able to preserve them during the war and during post-war reconstruction, so as not to lose the state's position in the world agricultural market.

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### ДОСВІД ФРАНЦІЇ В ФІНАНСУВАННІ МАЛИХ ТА СЕРЕДНІХ СІЛЬСЬКОГОСПОДАРСЬКИХ ПІДПРИЄМСТВ

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#### **Ключові слова:**

малі та середні підприємства, сільське господарство, фінансування, технологічні інновації, субсидії, кооперативи, продуктивність, екологічна стійкість.

Вивчення досвіду європейських країн в частині фінансування малих та середніх підприємств сільськогосподарської галузі, має дуже важливе значення через вагомий вплив агропромислового комплексу України на розвиток економіки держави, зважаючи на той факт, що навіть попри втрати під час військового вторгнення АПК залишається ключовою галуззю в якій задіяно 17% українців та формується 19% ВВП. Саме АПК забезпечує країні понад 70% валютного виторгу. Особливої актуальності вивчення досвіду набуває у контексті викликів, з якими стикаються малі та середні агропромислові підприємства, зокрема втрата виробничих фондів, техніки, окупація земельного фонду, втрата логістичних зв'язків, нестабільність ринків – все це призвело до зниження рентабельності українських сільгоспвиробників, а на відбудову знадобиться фінансування, щоб не допустити технологічне відставання та мати змогу гідно конкурувати сільгосппродукцією на світовому ринку.

У статті досліджено основні джерела фінансування сільськогосподарських підприємств Франції серед яких банківські кредити, державні субсидії, фінансування через кооперативи, мікрофінансування та приватні інвестиції. Отже, зраз дуже важливо вивчати та впроваджувати досвід європейських країн у фінансуванні малих та середніх сільгоспідприємств, для можливості їх збереження під час війни та під час повоєнної відбудови, щоб не втратити позиції держави на світовому ринку сільгоспродуктів.

### Statement of the problem

Small and medium-sized enterprises (SMEs) in Ukraine, not only during the war, but also in the pre-war period, had certain problems with access to financing, including access to bank lending, especially long-term. Given the losses suffered by agro-industrial enterprises during the war, the topic of financing is a painful one for enterprises of the entire industry, especially for small and medium-sized businesses. Given that post-war Ukraine intends to join the European community, it is already necessary to study the experience of financing small and medium-sized agricultural enterprises in countries such as France, where small and medium-sized enterprises play an important role in agriculture. It is important to study the experience of European countries in overcoming the problems of limited access to financing for small and medium-sized businesses in the agricultural sector, which will later make it possible to use it to rebuild Ukrainian small and medium-sized agricultural production and strengthen the competitiveness of the agro-industrial complex.

France has extensive experience in attracting bank lending, state subsidies and other innovative sources of financing for agricultural enterprises. France has experience in attracting investments from private investors, such as Demeter Partners and Partech Partners, which significantly improves access to financial resources for small farms, and the country also gives a large role to agricultural cooperatives, which also improves opportunities for obtaining financing. The experience of financing through the European Agricultural Fund for Rural Development (EAFRD), which provides support for the development of environmentally sustainable projects, is also an important aspect to be used in the creation of new organic farms in Ukraine.

### Analysis of recent research and publications

The problems of financial provision of small and medium-sized agricultural enterprises in France have become the subject of research by many scholars. It is worth noting the works of J.-M. Bourgeon, M.- C. Villeval and P. Deschamps [1-3]. In his work, J.-M. Bourgeon analyzes the financial challenges for SMEs in the agricultural sector in France, in particular the difficulties of accessing bank credit [1]. M.-C. Villeval considers sustainable financing for small agricultural enterprises and focuses on the implementation of innovative financial models [2]. P. Deschamps examines the role of agricultural cooperatives in financing SMEs and provides an empirical analysis of their effectiveness [3].

### Statement of objectives

The aim of the article is to study the French experience in financing small and medium-sized agricultural

enterprises (SMEs) and to analyze the main sources of financing that contribute to the development of this sector, as well as to assess the impact of investments in technological innovations on the productivity of these enterprises; to study the current state of financial support for SMEs, including traditional sources such as bank loans and state subsidies, as well as innovative mechanisms such as microfinance and venture capital investments.

To propose the implementation of the learned experience for Ukrainian small and medium-sized agricultural enterprises, which will contribute to strengthening their competitiveness and sustainable development of the agricultural sector.

### Summary of the main research material

Small and medium-sized enterprises (SMEs) play a key role in French agriculture, providing a significant share of national production and creating the basis for the sustainable development of the agricultural sector. In 2023, about 93% of all agricultural enterprises in France were SMEs [1].

SMEs in French agriculture provide about 70% of all agricultural sector output. According to the French Ministry of Agriculture, in 2023, the total volume of agricultural output in France was about 85 billion euros, of which 59 billion euros fell to SMEs [4]. The main areas of activity of SMEs remain livestock farming, in particular dairy farming, as well as the production of vegetables and fruits, which are in high demand both in domestic and foreign markets.

As of the end of 2023, there were over 405,000 agricultural enterprises in France, of which about 375,000 (approximately 93%) were small and medium-sized enterprises (SMEs) [5]. According to the national statistics service INSEE, the share of agricultural SMEs in France's GDP in 2023 was 1.7%, which is a significant indicator for the agricultural sector in a developed economy [5]. In addition, the share of agricultural products of SMEs in total French exports remains at around 15% [4]. The main export destinations remain the countries of the European Union, in particular Germany, Italy and Belgium, as well as China and the United States. Wine, dairy products, meat and cereals are the most exported.

Despite their significant contribution to the country's economy, agricultural SMEs in France face a number of challenges that limit their further development, among these problems is the need for financing. Insufficient access to long-term financing is one of the main obstacles to the development of SMEs. Many enterprises cannot invest in the modernization of production due to high interest rates on loans and difficult conditions for obtaining bank loans [6].

Financing of small and medium-sized agricultural enterprises (SMEs) in France is provided through several

main sources, including bank loans, government subsidies and grants, and cooperative financing. Bank loans remain one of the key financing instruments for SMEs in France. The main banks that actively provide loans to agricultural enterprises are Crédit Agricole, Banque Populaire and Caisse d'Épargne [7]. Lending conditions depend on the size of the enterprise, its creditworthiness and the purpose of the loan. The average interest rate for the agricultural sector in 2023 was between 1.5% and 3.5%, depending on the type of loan and its maturity [8]. Standard loan terms vary from 5 to 15 years, with long-term loans mainly issued for investment projects such as the purchase of equipment or the modernization of production facilities. Collateral requirements include collateral in the form of land or equipment, as well as guarantees from specialized institutions, such as SIAGI (Guarantee Company for Small Enterprises) [8].

Financing of small and medium-sized agricultural enterprises in France in 2023 is also based on several main sources. Bank loans remain the main source of financing, accounting for approximately 48% of the total financing structure. State subsidies provide around 32% of financing, indicating an increase in support from the state. Agricultural cooperatives continue to play an important role, accounting for around 14% of the total. Microfinance, although less widespread, provides 6% of financial support for SMEs, reflecting some growth in this source of financing [2].



Fig. 1 – Structure of sources of financing for SMEs in agriculture in France

State subsidies and grants are another important source of funding. France actively supports farmers and SMEs under both national and regional programmes. The largest support programme is the Rural Development Programme, which is co-financed with the European Union through the European Agricultural Fund for Rural Development (EAFRD) [6]. In 2023, the total budget of this programme was around €9 billion, a significant part of which was allocated to support small farms [5]. The main areas of subsidy provision are the development of organic farming, support for young farmers and projects related to environmental sustainability [9]. Priority sectors include livestock farming, winemaking, and the development of new technologies to reduce greenhouse gas emissions in agriculture. To receive subsidies, enterprises must meet certain criteria, including having an annual turnover not exceeding €50 million and employing up to 250 people [10]. One of the main limitations is the need for co-financing, which means that businesses must cover part of the costs themselves.

Cooperatives play an important role in financing agricultural SMEs in France. Agricultural cooperatives such as Terrena and Agrial provide not only technical support and supply services, but also financial resources [11]. Cooperatives often act as guarantors for their members before banks, which simplifies access to credit and reduces risks for borrowers. A successful model is the Crédit Agricole cooperative system, which offers specialized financial products for the agricultural sector, including loans for the purchase of machinery, modernization of production processes and the development of environmental projects [12]. In 2023, more than 45% of all agricultural enterprises in France participated in cooperative structures, which significantly increases their chances of obtaining financing [11].

Over the past few years, France has seen a change in the structure of financing for small and medium-sized agricultural enterprises. While in 2018 traditional sources of financing, such as bank loans and government subsidies, accounted for 70% of the total financing, by 2023 their share had decreased to 60%. At the same time, the use of innovative sources of financing, such as microfinance, cooperatives and other alternative methods, increased from 30% to 40%. These changes in dynamics are presented in Fig. 2, which shows how traditional and innovative sources of financing changed from 2018 to 2023.

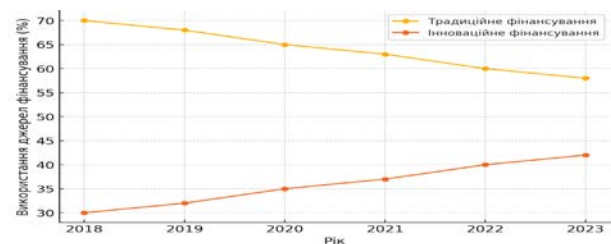


Fig. 2 – Comparative analysis of traditional and innovative sources of financing (2018-2023)

Investment in innovative technologies for small and medium-sized agricultural enterprises (SMEs) remains a key factor for increasing production efficiency, reducing costs and ensuring the sustainable development of the French agricultural sector. However, in 2023, state support for technological start-ups and innovative projects in agriculture remains insufficient. The amount of funding and tax incentives for innovative companies is limited, which makes it difficult for SMEs to access the necessary resources to implement new technologies. The Rural Innovation Development Program, which is partly financed by the state and the European Union through the European Agricultural Fund for Rural Development (EAFRD), provides some support, but its scale still does not meet the growing needs of the agricultural sector. In 2023, France allocated about 1.3 billion euros for innovative projects in agriculture, but this is not enough to support all enterprises that need to invest in environmental and technological innovations [6].

Examples of successful projects that have received public funding include the development of precision farming technologies, in particular the Farmbot system, which

allows for the automation of sowing processes using robotics. The project was funded under the France AgriTech program and received an investment of 10 million euros. Another example is the implementation of innovative water management systems, which were financed by the state and the European Investment Bank [13]. In 2021, 120 million euros were allocated for the development of irrigation technologies that reduce water consumption by 30%.

Private investors are also actively involved in financing innovation in French agriculture. Venture funds and private equity are focusing on financing startups operating in the agri-tech sector. In 2023, the total volume of private equity investments in agricultural SMEs reached €600 million. One of the largest venture funds investing in agricultural startups is Demeter Partners, which specializes in environmentally sustainable technologies [7]. For example, the startup Ynsect, which is developing technologies for growing insects for use as protein supplements for agriculture, received an investment of €125 million from Demeter Partners [7]. This is one of the largest projects in the field of biotechnology, which has the potential to revolutionize the animal feed system.

Private investors are also supporting the development of agricultural SMEs through joint programs with public funds. One example is the collaboration between the French government and the Partech fund, which in 2021 allocated 200 million euros to develop startups in the field of digital technologies for agriculture [8]. In particular, these investments were aimed at developing platforms for farm management that provide productivity monitoring and allow for the optimization of resource use.

Investment in innovative technologies is a key factor in increasing the productivity of small and medium-sized agricultural enterprises. For example, the introduction of automated systems, such as “Farmbot”, has allowed to increase the productivity of enterprises by 30%. Water management systems have reduced water consumption and increased efficiency by 25%. The installation of biogas plants has allowed to reduce greenhouse gas emissions and at the same time increase productivity by 20%. Precision agriculture, which involves the use of modern technologies

for monitoring and managing agricultural processes, has increased productivity by 35%. These data are reflected in Fig. 3, which illustrates the impact of investments in various technological projects on the productivity of agricultural SMEs.

Investments in innovative technologies for small and medium-sized agricultural enterprises (SMEs) play a key role in increasing production efficiency, reducing costs and ensuring sustainable development of the French agricultural sector. The state actively supports technological startups and innovative projects in agriculture by providing financial assistance and creating favorable conditions for investors. One of the main sources of financing for such projects is the Rural Innovation Program, which is co-financed by the state and the European Union through the European Agricultural Fund for Rural Development (EAFRD) [6]. In 2023, France allocated more than 1.2 billion euros to support innovative projects in agriculture, including areas such as process automation, the development of biotechnology and the application of precision agriculture. State support for startups also includes tax breaks for innovative companies and grants for the implementation of new technologies [6].

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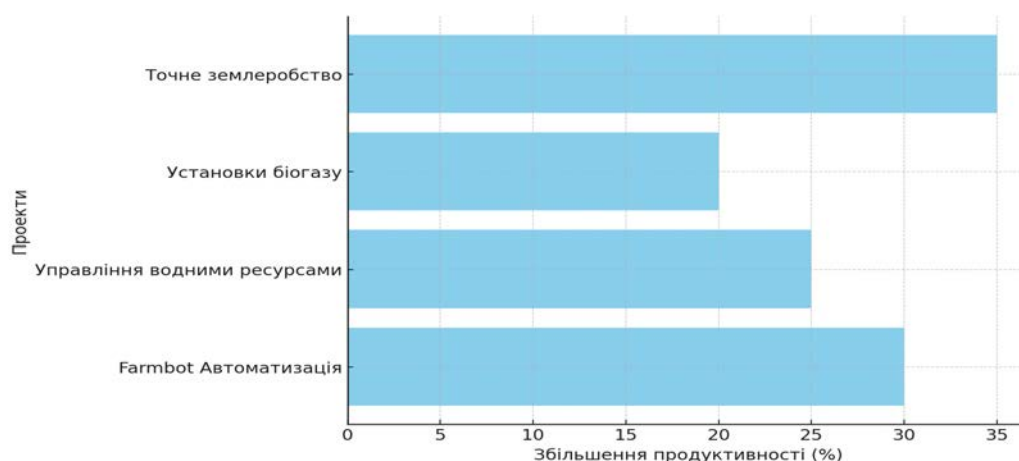


Fig. 3 – The impact of investments in technological innovation on SME productivity



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Financing sustainable and ecological agriculture is one of the key areas of French public policy aimed at supporting environmental initiatives and reducing the negative impact of agriculture on the environment. Within the framework of national and European programs, France allocates significant funds to projects that promote the transition to sustainable agriculture [14]. One of the main instruments is the European Agricultural Fund for Rural Development (EAFRD), through which in 2023 more than 5 billion euros were allocated to finance green initiatives, such as the creation of ecological farms, the reduction of greenhouse gas emissions and the introduction of renewable energy sources in agriculture [9].

The conditions for granting subsidies and loans for environmental projects provide for priority funding for projects aimed at reducing the environmental impact of agriculture. The main criteria for obtaining funding include the project's compliance with EU environmental standards, such as reducing the use of chemical fertilizers, switching to organic production and reducing water consumption [9]. Subsidies can cover up to 50% of the costs of implementing environmental projects, and for young farmers and small businesses this share can reach 70%. State programs also provide preferential loans with low interest rates, financed through the Banque Publique d'Investissement (BPI France) [15]. In 2021, BPI France allocated more than 800 million euros in loans for projects related to the environmental modernization of the agricultural sector [15].

The green economy, which favors environmentally sustainable projects, has a significant impact on access to finance for agricultural enterprises. The use of environmental standards is becoming an important factor in obtaining preferential lending conditions and government subsidies. In 2023, more than 60% of new agricultural projects that received financing met EU environmental standards, which include reducing greenhouse gas emissions, switching to organic farming and using renewable energy sources [9]. This provides farmers and SMEs with advantages in accessing financial resources, as projects that meet sustainability requirements have a higher chance of receiving subsidies and loans on preferential terms. For example, in 2021, a project to install biogas plants on dairy farms, aimed at reducing methane emissions, received a grant of €12 million from the French Ministry for the Ecological Transition [15].

The main challenges faced by small and medium-sized agricultural enterprises (SMEs) in France in obtaining

financing are bureaucratic obstacles and insufficient access to credit. One of the key problems is the complex procedure for obtaining state aid, which involves a large amount of documentation and long application processing times. According to the French Ministry of Agriculture, in 2023, about 40% of small farms faced delays in the payment of subsidies due to problems with paperwork [4].

A second significant obstacle is the limited access to bank credit for small farms. While large enterprises can attract credit resources due to stable financial performance, small farmers often do not meet the requirements of banks for obtaining loans. The lack of collateral, uneven income due to the seasonality of agriculture and high interest rates make credit inaccessible to a significant part of SMEs. According to statistics from the Banque de France, in 2023, only 55% of small farms were able to obtain bank credit, while medium-sized enterprises had access to credit resources in 75% of cases [14].

To overcome these problems, reforms aimed at simplifying access to financial resources are needed. One solution is to simplify the procedures for applying for state aid, in particular the introduction of digital platforms for faster processing of documents. The French government has already started implementing similar initiatives, and in 2023 it was announced the launch of a national digital platform for applying for subsidies, which should reduce the processing time by 30% [15].

In addition, an important step is to improve financial models taking into account the needs of small farms. In particular, the development of microfinance programs and credit unions, which will allow small businesses to receive small loans on more favorable terms. According to the National Credit Union of France, in 2023, micro-credit for farmers increased by 15%, which indicates the effectiveness of this mechanism [11]. It is also necessary to strengthen the role of state guarantees, which could reduce risks for banks and expand access to loans for small businesses. The government plans to increase the volume of guarantees by 500 million euros by 2025, which will allow attracting additional financial resources for SMEs [10].

## Conclusions

Summarizing the experience of France in financing small and medium-sized agricultural enterprises (SMEs), we can conclude that the country is successfully implementing a comprehensive model of support for this sector, which combines traditional financial instruments, such as bank loans and state subsidies, with innovative financing methods, including microfinance and venture capital. Bank loans remain the main source of financing for most SMEs, but cooperatives and state programs play a significant role in promoting the sustainability of enterprises even in conditions of economic instability. It is also important to note the growing role of environmental programs and technological innovations that ensure increased productivity and compliance with modern standards of sustainable development. A key lesson for Ukraine is the need for a comprehensive approach to financing SMEs, which includes state support, access to traditional banking products, as well as stimulating innovative sources of financing. The integration of various

forms of financial assistance, in particular support for cooperatives and microfinance, allows expanding access to financial resources even for the smallest enterprises, which is an important factor in their development. In addition, it is important to provide specialized support for the implementation of environmental and technological innovations that increase the competitiveness of SMEs in global markets.

To further improve the financing system for agricultural SMEs in France, it is advisable to continue the development of innovative financing mechanisms, such as venture capital and microfinance, expanding their accessibility to small businesses. In addition, it is important to simplify the procedures for obtaining bank loans and government subsidies, especially for new businesses and start-ups.

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