

STUDY THE PROBLEMS OF OPTIMIZING THE CAPITAL STRUCTURE OF THE COMPANY

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Abstract. *The aim of this work is to study the problem of optimizing the capital structure of the company. Optimization of capital structure is a necessary condition of adaptation the enterprises regardless of the branch of economy to which a company belongs, to changes in the economy in its development. Methods and criteria of optimisation of the capital structure of the enterprise. The method of determining the optimal capital structure of the enterprise according to the criteria of maximizing financial profitability. Technique.* The study is based on the theoretical analysis of scientific works and practical activity of enterprises. *Results.* It is proved that in the process of optimizing the capital structure necessary to take into account the predictable result of economic activity of the enterprise, that is, financial result from usual activity before taxation. The study of problems of optimization of capital structure aimed at opening opportunities for the effective organization of business enterprises, providing conditions for disclosure for businesses achieving the goals of any order, and the creation of opportunities for enterprise maximum level of profit. The principle of optimization is to select the solution that best would take into account internal possibilities and external terms of activity of the enterprise. Optimization is the choice of a certain economic indicator that would allow to compare the effectiveness of any solutions. Also it is advisable to pay attention to the use of different types of loan capital to business enterprises, to know that helps to speed up circulation of funds and increase returns on invested capital, increase the efficiency of financial activities of a business entity. *Value.* Today, the economic activities of enterprises has a significant impact on the development of trade and economy. The achievement of dynamic growth of the basic indicators of work of enterprises of any sector of the economy, is the basic condition for the solution of domestic enterprises tasks for the organization of effective economic activity, meet the needs of national economy and population, reaching the European standards of service. The conditions that confront the enterprises in modern conditions of development of economy is impossible without attraction of means, and therefore without management of the capital structure.

Key words: enterprise, optimization, structure, capital, equity, loan capital.

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1. Introduction

The need for a comprehensive system of enterprise property management and sustainable positive results in terms of periodic occurrence of the economic crisis requires a deep study of causation and mechanism of formation of performance indicators of the entity, the improvement of existing and development of new approaches to the problem of adequacy financial and property functioning undertakings and balanced definition, the optimal structure of a property company, and sources of funding.

Addressing efficiency management decisions on structuring capital needs rethinking the theoretical

concept of "capital structure of the company," the analysis factors in the formation of a capital structure and practical development of an optimal capital structure to certain criteria of optimality.

Achieving optimal capital structure realized by means of an adequate management system management company. Each company advisable to design policies based capital formation strategy. However, the maximum management efficiency of its capital structure can be achieved provided that a systematic approach, rational combination of strategic and tactical measures.

In this connection, synthesis of theoretical foundations and justification of specific practical recommendations

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on improvement of methodological approaches to solving this problem in the present conditions of economic development is an important task of research. The effectiveness of the enterprise depends on proper capital management strategy, an important component of which is to optimize the capital structure. Therefore, the task of leadership formation should be the most appropriate capital structure of the company to ensure the efficiency of economic activity.

2. Analysis of recent research and publications

Theoretical and methodological aspects of optimizing the capital structure of enterprises are reflected in the works of foreign and domestic scientists. Among local scientists and economists question of optimizing capital structure dedicated to the works of scientists: I.A. Blanca, V. Glushchenko, A.B. Goncharov, V.A. Podolski, S.V. Sago, A.V. Yarisha and others.

However, despite the presence of a significant number of scientific developments, problems optimizing the capital structure of companies in the current conditions of national economy are not sufficiently investigated.

The article is to determine the role of optimizing the capital structure in the management of capital, the formation of the main tasks and stages of optimization of capital structure, improving the method of optimizing the capital structure of the company.

3. Capital value

In the process of economic development in Ukraine need in the capital of each company is growing. Study the economic substance and its capital structure, capital characteristics, its necessity and practical significance proved that capital is the basis for the development of enterprises in Ukraine. The value of capital lies in the fact that when you use favorable trend for the economy of the state, more efficiently carried out financial and economic activity of enterprises.

At the present stage of development of the economy, the liquidity crisis stability and economic growth enterprises depend on its financial capacity, which also ensure competitiveness and its capacity for renewal of fixed assets.

In the process of economic development in the enterprise there is a need in the growth of capital formation funds provided by both own and borrowed funds.

In our view, the need for borrowed funds also occurs when expanding share of the enterprise market, acquiring another company (another type of business), modernization of production, development of new products and more.

That is, in the company of its maturing financial obligations there is a need to raise funds. For the implementation of the target company requires a minimum of permanent funding. DC minimum funds

may be borrowed capital. Often in practice, short-term loan capital, which is a temporary source of current assets, a large proportion of the source of constant minimum current assets, especially in businesses that do not have sufficient equity and are unable to obtain long-term loans. This minimum current assets the company may need for various temporary or accidental circumstances. The financial position of the company is satisfactory if it has a sufficient amount of most mobile assets, ie assets that have very high turnover at the expense of bring significant revenue.

Forming the minimum required funds using borrowed capital plays a crucial role in maintaining high profitability and liquidity of the company. Lack of capital leads to the inability to support an appropriate level of ongoing business enterprise, lack of available funds restricts business transactions, inward investment and so on.

For companies not immediate possession of a certain amount of funds necessary available funding sources for future action, the use of which, if necessary, will help the company to sustain itself and to prevent the negative consequences of recession because it is the insecurity of funding sources, according to RI Kennedy, the main cause of failure in economic activity (Fedonina, 2006).

Using different kinds of debt in business enterprises helps accelerate the process of turnover funds, increase return on invested capital, improve the efficiency of the financial entity.

Traditional sources of debt in the developed system of commodity-money relations associated with the peculiarities of circulation of capital in the reproduction process: some units of the economy released temporarily free money capital, which is the source of debt, and the rest – there is a need for borrowing.

Today the economic activities of enterprises has a significant impact on trade and the economy. Achieving dynamic growth of key indicators of enterprises of any sector of the economy is essential for solving problems concerning domestic enterprises of efficient economic activities, the needs of the economy and population and achieving European standards of service. Fulfillment of the conditions faced by enterprises is impossible without raising funds, and hence no control capital structure.

4. Optimization of capital structure

Analysis of the capital structure is one of the most important and complex problems to be solved in the financial management of the enterprise (Glushchenko, 2012).

Therefore there is a need to understand the concept of "optimizing capital structure." According to the definition given in the explanatory dictionary of economic terms, optimization – a search for the most appropriate solution is a compromise on many different

optimality criteria fixed. Found the solution is most suitable from many points of view (criteria) at the same time, though likely not the best for each of optimality criteria alone (Konoplytsky, 2000).

The essence of the principle of optimization consists of a selection of such a decision that the best way to take into account internal capabilities and external conditions of the enterprise. Optimization is a selection of some economic indicator that lets you compare the effectiveness of any decisions.

For example, according to I. A. Blanca (Blank, 2002), the optimal capital structure is to use a ratio of equity and debt, subject which ensured effective proportionality between financial profitability ratio (ratio of equity) ratio and viability, that maximized its market value.

It seems the definition of capital structure optimization enable T. V. Golovko and S. V. Sago (Golovko, 2002). V. A. Podolsky and O. Yarish (Podolska, 2007) believe: "Optimizing capital structure is a ... a ratio between equity and debt, which is provided by the most effective proportionality between profitability and financial stability of the enterprise."

At present the most widely developed Western theorists financiers are two main theories that compete among themselves – static and hierarchical theory of capital structure. The static theory of capital structure associated with the establishment of a target ratio of debt to assets, and the company is gradually moving in this direction.

The hierarchical theory of capital structure is presented in the form of financial hierarchy, where enterprises prefer internal financing of external and debt – equity. In this theory has no clear structure target ratio of debt to assets value (Tereshchenko, 2004).

The analysis of existing theories to substantiate that none of the theories does not meet the actual financial practice, the choice of capital structure. In practice, managers prefer not to use the theories and models, and simple heuristic approaches by which to understand the algorithms for solving the problem that has no rigorous studies, but provides an acceptable solution in most practically important cases.

The optimal capital structure is the use of a ratio of equity and debt, which ensured effective proportionality factor between financial profitability ratio and the financial sustainability of the enterprise, that maximized its market value (Glushchenko, 2012). In forming the optimal capital structure the company should consider the impact of a number of subjective and objective factors. The combination of these factors ranked us at the place of origin (factors external and internal environment) and the nature of the impact (institutional, legal, financial, economic, social and governance).

It is also advisable to note that environmental factors are not affected by the company and should be perceived as a given. Factors internal environment amenable to

adjustment by the adoption and implementation of various management decisions.

Thus, the optimization of the capital structure is an important step in the strategic planning of capital structure, which is to determine the value of the ratio between equity and enterprise value of funds raised from returning in the future at which maximizes the efficiency of the company.

The objective of capital structure is the process of minimizing the cost of attracting long-term funding sources and thus ensure maximum equity holders of market assessments invested their funds.

Based on the fact that the main purpose of optimizing the capital structure is to search for an optimal balance between equity and debt, can form the basic problem of optimizing the capital structure:

- Formation of the necessary capital structure that would ensure sustainability of the company;
- Providing conditions under which the company will receive a maximum amount of profit (Bryhhem, 2009).

The main methods of managing capital structure of enterprise should include the following:

- 1) optimization of capital structure by the criterion of maximizing the level of return on equity, which includes various calculations using the financial leverage.
- 2) optimization of the capital structure, minimizing cost of capital, based on a preliminary assessment of the cost of equity and borrowed capital in different conditions of its engagement and the implementation of the various calculations of the weighted average cost of capital.
- 3) optimization of the capital structure, minimizing financial risk associated with the process of differential choice of sources of financing of various components of assets, depending on the relationship between business owners or managers to financial risks.

The process of optimizing the capital structure of the enterprise carried out by stages, which graphically shown in Fig. 1.

It is advisable to note that the process of selecting the capital structure at the present stage of economic development in predicting the performance of enterprises used a model that does not allow to correctly predict the dynamics of financial leverage, fixed assets are worn out and require large investments to replace existing methods of investment and financial decisions are not full account of the interests of the state, business owners and related parties; much of the shareholders do not feel fully owned (Shumylo, 2010).

In our opinion, the only effective capital structure can not be determined. However, you can determine the most efficient ratio of capital calculated on the basis of impacts, risks, and practical experience. This will bring the maximum target capital structure to its optimum value.

Methods for adjusting the capital structure of the enterprise, depending on the approach to optimization

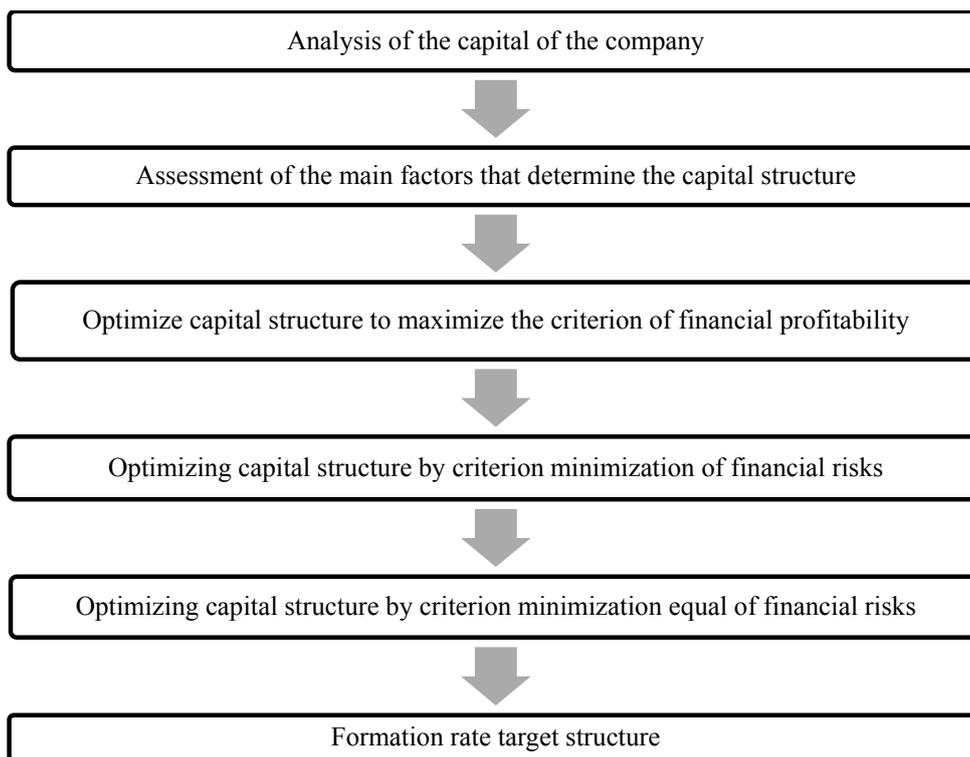


Fig. 1. The main stages of optimizing the capital structure of the enterprise

can be classified in the following groups: normative coefficient, one criterion, lot criterion (Goncharov, 2007).

By normative methods of coefficient adjusting the capital structure include methods based on the use of financial ratios. Often in the economic literature and financial practice of capital structure optimization problem is solved on the basis of the search value of equity and debt the company, in which achieved regulations or reference value of financial ratios. Reference is calculated proportions are usually based on long statistical surveys as a proportion of the capital and other basic financial performance. With the formation of capital is most often used by financial indicators: coefficient of financial independence, industry average

ratio of debt and equity ratio debt burden, interest coverage ratio (Table 1).

In each case, you can use a particular criterion optimization of capital structure. Among scientists there are different views on this problem. Some of them feel the need to maximize the level of financial profitability, along with the level of financial stability, but this provision is difficult to achieve in practice (Blank, 2002).

There is a contrary view of economists. They offer a consistent use of all three methods and capital structure formation rate in view of their limit values, which is also a time consuming process and does not give a clear answer (Tereshchenko, 2003). There are also opinions about these methods add indicators of creditworthiness and solvency, leverage in the capital structure the property, etc. (Vykydanets, 2009). Thus, in the economic literature there are different views on methods of optimizing capital structure, but to address this issue, in our view, requires an integrated approach.

Therefore there is a need for the optimization of capital structure research agenda setting target capital structure of the company, taking into account the economic environment, the scope and field of activity. Through the process of optimizing capital structure, we should consider the impact of many of both internal and external factors.

The internal factors include:

1. The level and dynamics of profitability. A high and stable level of profitability allows you to use more of their

Table 1
Legal and performance coefficient adjustment of capital structure

Characteristics	Restrictions
Debt ratio	The ratio of debt to equity
Coefficient financial Independence	The ratio of equity to total capital
Sector average ratio of debt and equity	The ratio of debt to equity
NetSeniorDebt / EBITDA	Target the debt and profit before depreciation, interest and tax
Coefficient coating percent	The ratio of earnings before deducting interest on loans and interest payments to tax

own domestic financial resources, on the one hand, and on the other – makes it possible to find interested investors;

2. The scale and pace of sales growth. The increase in sales stimulates the process of attracting both own internal sources of capital and external;

3. Major industrial and economic activities. Industry and production activity in the agricultural sector focused on the prevalence of equity and in the retail sector, construction business – it is advisable to attract external funding;

4. The structure of assets. The availability of highly liquid assets enables enterprises to attract external funding sources.

5. The need to significantly expand the size of the business or the implementation of large-scale investment project. For this purpose, attracting financial resources that can not be obtained from its own sources.

The external factors affecting the optimization of the capital structure, include:

1. Tax policy in the country. This policy affects the use of both own and borrowed sources of capital;

2. State of the stock market. With the sophistication of the stock market, the availability of financial resources available to it, the enterprises there are more possibilities of forming an optimal capital structure;

3. The threat of bankruptcy. With the threat of bankruptcy company must give priority to their own domestic capital sources.

Formation of the optimal structure of financial capital required to carry out separately for enterprises of different ownership, different legal status of the light industry sector, size and production structure.

It should be noted that the method of optimizing capital structure inherent disadvantage that prevents explicitly consider the impact of external (market) conditions and related uncertainties, reflecting the possibility of the enterprise as favorable market

conditions and unfavorable. Therefore we can say that the formation of an optimal capital structure should be subject of uncertainty.

5. Conclusions

In summary it can be argued. optimization of capital structure is an important step in the strategic analysis of capital that is determining this ratio between the value embodied in the means of businesses that he owned and make a profit, and value invested in the funds, attracted on the basis of their return, which maximizes the efficiency of the company. In the process of optimizing the capital structure it is necessary to consider the end result of enterprise activity, i.e. the financial result from usual activity before taxation.

Today the economic activities of enterprises has a significant impact on the development of trade and economy. The achievement of dynamic growth of the basic indicators of work of enterprises of any sector of the economy is the main condition for the solution of domestic enterprises tasks for the organization of effective economic activity, meet the needs of national economy and population and to achieve the European standards of service. The conditions faced by the enterprises is impossible without attraction of means, and therefore without management of the capital structure.

Scientific generalization and justification in the role of managing capital structure of enterprise in the system to ensure its effective functioning, have proved the necessity and importance of optimizing the capital structure of enterprises of all sectors of the economy.

The problem of optimization of capital structure requires further research possibilities of the enterprises at the expense of optimal capital structure to achieve the purpose of any order, including to ensure the maximization of profit.

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ИССЛЕДОВАНИЕ ПРОБЛЕМЫ ОПТИМИЗАЦИИ СТРУКТУРЫ КАПИТАЛА ПРЕДПРИЯТИЯ

Аннотация. *Целью работы* является исследование проблемы оптимизации структуры капитала предприятия. Оптимизация структуры капитала является необходимым условием адаптации предприятия, не зависимо от отрасли экономики, к которой принадлежит предприятие, к изменениям в экономике при ее развитии. Исследованы методы и критерии оптимизации структуры капитала предприятия. Рассмотрена методика определения оптимальной структуры капитала предприятия по критериям максимизации финансовой рентабельности. *Методика.* Исследование основано на анализе теоретических научных работ, а также практической деятельности предприятий. *Результаты.* Доказано, что в процессе оптимизации структуры капитала необходимо учитывать прогнозируемый результат хозяйственной деятельности предприятия, то есть финансовый результат от обычной деятельности до налогообложения. Изучение проблемы оптимизации структуры капитала направлено на раскрытие возможностей для эффективной организации хозяйственной деятельности предприятия, с обеспечением условия раскрытия возможностей для предприятия достижения целей любого порядка, а также создание возможности получения предприятием максимального уровня прибыли. Принцип оптимизации заключается в выборе такого решения, которое наилучшим образом учитывало бы внутренние возможности и внешние условия деятельности предприятия. Оптимизация представляет собой выбор некоего экономического показателя, который бы позволил сравнивать эффективность любых решений. Также целесообразно было, обратить внимание на использование различных видов заемного капитала в хозяйственной деятельности предприятий, узнать, что способствует ускорению оборота финансовых средств, увеличению отдачи на вложенный капитал, повышению эффективности финансовой деятельности субъекта хозяйствования. *Значение.* На сегодняшний день, хозяйственная деятельность предприятий оказывает значительное влияние на развитие торговли и экономики. Достижение динамичного роста основных показателей работы предприятий любой отрасли экономики, является основным условием для решения отечественными предприятиями задач по организации эффективной хозяйственной деятельности, удовлетворения потребностей народного хозяйства и населения, достижения европейских стандартов обслуживания. Выполнение условий, которые ставятся перед предприятиями в современных условиях развития экономики, невозможно без привлечения средств, а соответственно и без управления структурой капитала.