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**ANALYSIS OF DYNAMICS AND EFFICIENCY OF USING OWN
CAPITAL**

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Abstract: *Crisis phenomena in the economy have an impact on the formation of own capital. Analysis of the dynamics of changes in the value of equity capital, its share in the structure of sources of financing of economic entities becomes particularly relevant. The conducted research for the last few years has shown that there are changes in the cost and structure of own capital of Ukrainian enterprises. Industrial and agricultural spheres, where the level of independence and maneuverability of equity capital has significantly increased are of a particular interest. The growth of the profitability of equity capital of large and medium-sized agricultural enterprises can not be recognized as positive, due to its low share in the total capital. We can make a conclusion that analysis of equity allows early detection of signals of the negative impact of its structure on the results of the operation of the enterprise and develop priority ways for further development in the direction of increasing its effectiveness.*

Keywords: *equity, raised funds, autonomy, profitability*

INTRODUCTION

In modern economic conditions, the importance of studying equity is due to such factors as significant changes in the approaches to its accounting and the strengthening of the role of this indicator in the analysis of financial and economic activities of organizations.

Own capital characterizes the total value of the funds owned by the enterprise by the right of ownership and used by it for the formation of a certain part of the assets. This part of the asset, formed due to the equity invested in them, represents the net assets of the enterprise. Own capital allows forming assets free from the claims of persons who are not the owners of the organization, and in this connection is the basis of financial stability and stable successful operation of any commercial enterprise. The necessity to manage own capital is dictated not only by internal prerequisites (the desire to improve the financial performance of the company in order to increase the welfare of its owners), but also the dependence of the firm on the external economic environment, assessing its activities from the outside and forming a system of economic relations with it.

MATERIALS AND METHODS

In the conditions of a market economy in Ukraine, the processes associated with improving the system of managing own capital are of particular importance, since their proper outlining and effective implementation are the main ways to increase the efficiency of any enterprise.

Capital management is the management of the structure and value of sources of financing (liabilities) in order to improve the profitability of equity and the ability of the enterprise to pay income to the creditors and co-owners of the enterprise. The goal of managing own capital is to ensure a sustainable and efficient business development. The management of own capital is connected not only with ensuring the effective use of its already accumulated part, but also with the formation of its own financial resources that ensure the future development of the enterprise. To take effective and balanced management decisions enterprises, in the process of capital management, should have information about the capital they have, in what areas of activity it is invested, what its structure is.

RESULTS

In recent years, the capital structure of Ukrainian enterprises is dominated by borrowed capital. So, for 10 years the equity capital of Ukrainian enterprises has decreased from 47% to 25%. The borrowed capital rose during the period under review from 53% to 75%. Thus, the majority of Ukrainian enterprises are dependent on borrowed capital. Low share of own capital leads to loss of financial capacity of enterprises, growth of financial risk, loss of independence from the attracted capital, reduced degree of maneuverability and stability [1].

Considering the dynamics of changes in the value of the equity capital of Ukrainian enterprises for the period 2012-2016 in *Table 1*, we see that the decline in its value in 2013, compared to 2012, by almost 25% was overcome at the end of 2014. Thus, the increase in equity for the period 2015-2016 was 20.2% and 25.4 % respectively of the 2012 losses. The size of the equity capital of Ukrainian enterprises varied in different ways from such basic branches as agriculture and industry.

Table 1

Dynamics of change in the value of equity capital of Ukrainian enterprises for 2012 - 2016 / in mln UAH /

Indexes	years				
	2012	2013	2014	2015	2016
Equity capital	1950374,9	1480658	1810179,6	2345323,3	2445803,7
in % to 2012	100	75,9	92,8	120,2	125,4
In agriculture	156820,0	163931,7	156700,4	275226,7	369370,9
In % to 2012	100	104,5	99,9	175,5	235,5
Share in the total amount of equity, in%	8,0	11,1	8,7	11,7	15,1
In industry	721155,3	579218,9	581721,4	522353,3	526911,9
In % to 2012	100	80,3	80,7	72,4	73,1
Share in the total amount of equity, in%	36,97	39,1	32,1	22,3	21,5

Source: created by author on the basis of data provided by the State Statistics Service of Ukraine

If the share of the agricultural enterprises own capital in its total value across all sectors has increased during the analyzed period from 8% to 15.1%, and its growth in 2015-2016 was 75.5 and 135.5 %, respectively, enterprises, on the contrary, has a tendency to reduce capital, both in value and in structure. Thus, the value of the industry sown capital has decreased by almost 27% in 2016 compared to 2012, and its share in the total cost of capital of Ukraine has decreased from 36.97% in 2012 to 21.5% in 2016.

Despite the positive trend in the growth of own capital by enterprises of Ukraine, especially the agricultural sector, the degree of their financial stability and autonomy is decreasing, which in turn raises financial risks.

Table 2 calculates the degree of independence of large and medium-sized enterprises in the agricultural sector from the borrowed capital.

Table 2

Dynamics of indicators of autonomy of large and medium-sized agricultural enterprises in Ukraine for 2012-2016

Year	Equity capital, mln UAH	Balance currency, mln UAH	Autonomy indicator
2012	148147,8	276651,8	0,54
2013	156820	313096,8	0,50
2014	163931,7	390607	0,42
2015	275303,8	685844,9	0,40
2016	369370,0	1537319,1	0,24

Source: created by author on the basis of data provided by the State Statistics Service of Ukraine

For the period of 2012-2016, despite the increase in the value of own capital, the degree of autonomy of large and medium-sized enterprises in the agricultural sector has declined. If in the period 2012-2013 the enterprises were independent of the borrowed capital, then from 2014 the degree of their autonomy reduced, and reached a critical value of 24% in 2016.

Analysis shows that in 2016 the main source of formation of the liabilities of agricultural enterprises was borrowed funds. The low levels of funds provided by own sources indicate the unstable financial structure of

capital, low creditworthiness and dependence on external resources. There are problems with the formation of reserves due to own working capital, which in turn leads to the emergence of crisis situations in financial sustainability.

Despite the decrease in the amount of equity in the amount of sources of financing for large and medium-sized enterprises in the agricultural sector of Ukraine, the level of efficiency of its use is quite high. In *Table 3*, the profitability ratios of equity capital of large and medium-sized enterprises of agricultural companies for 2012-2016 are calculated.

Table 3

Dynamics of return on equity of large and medium-sized enterprises of agriculture in Ukraine for 2012-2016

Year	Net profit mln/UAH	Equity capital mln UAH	Profitability ratios of own capital ,%
2012	35067,3	148147,8	23,7
2013	14984,5	156820	9,6
2014	21481,3	163931,7	13,1
2015	102849,1	275303,8	37,3
2106	90613,2	369370,0	24,5

Source: created by author on the basis of data provided by the State Statistics Service of Ukraine

The profitability of equity capital of large and medium-sized agricultural enterprises decreased during the period of 2013-2014, but already in 2015 it significantly increased. The decrease in the level of return on equity by 12.8 percentage points in 2016 compared to 2015 was due to the growth of the value of equity and a decrease in net profit. However, the levels of efficiency of the use of own capital by enterprises remain high. Such situation could be recognized as positive, however, effective use of own capital by large and medium-sized agricultural enterprises was largely determined by its low cost.

Evaluation of the efficiency of the capital structure and the determination of the optimal balance between own and borrowed capital make it possible to

assess the financial risk, to create then necessary level of financial security in the future.

Multiple studies and analysis of enterprises show that with the increase in the share of attracted resources in the total amount of long-term sources of financial resources, the price of own resources increases at an increasing grate, and the price of those attracted at first remains practically unchanged, then it also starts to increase. Since the price of attracted financial resources is on average lower than the price of their own financial resources, there arises a need for their optimal structure.

CONCLUSION

The process of functioning of any enterprise depends on the effective management of own capital and its structure. At the moment, enterprises effectively use their own capital in large part due to the fact that the cost of it in the amount of sources of funds is reduced. From an analytical point of view, the high level of profitability of equity capital of large and medium-sized agricultural enterprises in Ukraine with a very low coefficient of autonomy indicates significant financial risks and the need to review the structure of capital formation. Timely analysis of equity allows early detection of signals of the negative impact of its structure on the results of the operation of the enterprise and develops priority ways for further development in the direction of improving profitability.

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