

# **CHAPTER 3. FINANCIAL MECHANISMS FOR ENSURING INNOVATIVE DEVELOPMENT OF BUSINESS ENTITIES**

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## **INVESTMENT ACTIVITY OF ENTERPRISE AT THE FINANCIAL MARKET AS FACTOR OF ITS INNOVATIVE DEVELOPMENT**

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The integral element of the national economy modernization is innovation and investment development of enterprises of all activity types, which must have legislative support and be stimulated by the state.

It is impossible to introduce modern innovative technologies at enterprises, increase their competitiveness and financial and economic activity efficiency without investment activity development in the areas of real and financial investment, accelerated attraction of domestic and foreign investments. Peculiarities of wholesale and retail trade enterprises functioning in Ukraine and strategic directions of their innovative development require systematic and complex management of investment activity, efficient use of own funds and attracted resources at the financial market. It requires improving the legislative [1; 2], social and economic, scientific and technical, financial and investment and organizational and managerial mechanisms that will increase the level of their investment attractiveness and stimulate innovative development.

Intensification of innovation and investment processes in Ukraine's economy depends on effective European integration, acceleration of scientific and technological progress, growth of capitalization and investment attractiveness of enterprises, increasing the level of social and economic development of the country as a whole and many other factors. It is impossible to introduce modern innovative technologies at enterprises, increase the competitiveness of products at the market and increase the efficiency of financial and economic activity without development of investment activity in the spheres of real and financial investment, accelerated attraction of domestic and foreign investments.

Foreign researchers have made significant contribution to the development of enterprise investment management theory: G. J. Alexander, R. Allen, J. W. Bailey, E. Berg, J. Brigham, C. Brue, L. J. Hitman, P. Drucker, M. Erhardt, J. M. Keynes, R. Coase, K. McConnell, M. Miller, F. Modigliani, J. Stiglitz, and others.

Scientific and methodological approaches to the management of investment activity of enterprises are covered in the scientific works of domestic economists, including I.A. Blank, L.M. Borshch, V.M. Hrynova, I.Yu. Yepifanov, L.D. Zabrodska, A.H. Zahorodnii, T.D. Kosova, N.S. Krasnokutska, T.V. Maiorova, I.P. Moiseienko, S.V. Mochernyi, L.O. Omelianovych, P.H. Pererva, A.A. Peresada, O.M. Pietukhova, V.H. Fedorenko, O.V. Feier, N.A. Khrushch, A.V. Cherep, M.V. Chorna and others.

Under high assessment of the scientific research results, it should be noted that in the scientific literature the mechanism of credit and investment activity of trade enterprises at the financial market is insufficiently covered. Issues, related to finding reserves of efficiency increasing of real and financial investments in trade, substantiation of methodological approaches to optimizing the structure of lending and investing in fixed and working capital of trade enterprises in Ukraine as financial sources for ensuring their innovative development, determining and implementation of legal, economic and organizational principles of state regulation of investment and innovation activity of enterprises, require further development.

The purpose of the research paper is substantiating the mechanism of credit and investment activity of trade enterprises at the financial market in the system of ensuring and stimulating their innovative development.

Creating conditions for the national economy growth in Ukraine and providing its attainment of new competitive level is impossible without expanding the financial opportunities of economic entities.

Trade enterprises activity under the market economy is associated with the use of various forms of financing for forming the necessary amount of financial resources – both own and borrowed. One of the most important problems which are faced by domestic trade enterprises is the lack of efficiency in the formation and use of financial resources under resource and consumer markets changing environment.

Solving the problem of trade enterprises resource potential increasing is impossible without the functioning of such separate area of the financial system as the financial market, including the credit sector and the securities market. Effective operation of a trade enterprise is possible under free access to financial capital markets. Trade enterprises need a large amount of short-, medium- and long-term credit and investment resources within the specifics of their activity.

In the economic space, trade entities are becoming more independent in choosing options for providing financial resources for their trade and economic activity. The financial market is becoming promising and favorable source and supplier of additional capital for the development of trade enterprises. Trade enterprise with working at the consumer goods market, is also a participant at the financial market.

The economy has appropriate financial system where important place is occupied by the financial market, at which the movement of temporarily free funds of various market participants occurs, as well as their distribution, redistribution and use in the form of loan and investment capital.

The financial market is an integral part of the financial system of the state. It can function successfully only under the market economy, when most of the financial resources are accumulated by business entities. With the help of the financial market,

as a rule, temporarily free financial resources in the form of savings and accumulations, which then are transformed into loan and investment capital are mobilized and used.

Thus, the financial market under market conditions becomes promising and important source of attracting credit and investment resources for the stable operation and intensification of trade enterprises innovative development.

There is no consensus in the economic literature about the financial market nature and its key functions. So, I.A. Blank characterizes the financial market as a money market in which purchase and sale objects are various financial instruments and services [4].

According to V.M. Sheludko point of view, it is at the financial market funds' moving occurs, during which they move from those who have surplus to those who need investments. At the same time, as a rule, funds are directed from those who cannot use them effectively to those who use them productively. It provides not only increasing productivity and efficiency of the economy as a whole, but also improving the economic well-being of each member of society [5].

V.P. Khodakivska believes that the financial market is the whole system of economic relations that arise between its direct participants in the formation of supply and demand for specific financial services related to the process of buying and selling, distribution and redistribution of financial assets which are owned by entities of the national, regional and world economy [6].

The financial market structurally includes the credit market (loan capital) and the securities market (stock market). All its constituent segments are interconnected and have their own internal structure. The purpose of the financial market for trade enterprises is providing them with appropriate conditions for the effective attraction of additional funds and the sale of temporarily free resources, where enterprises' accumulation is converted into investment resources for the national economy development.

Let's consider the mechanism and main activities of trade enterprise at the financial market, determine its place in the overall system of formation, distribution and use of credit and investment resources (fig. 1).

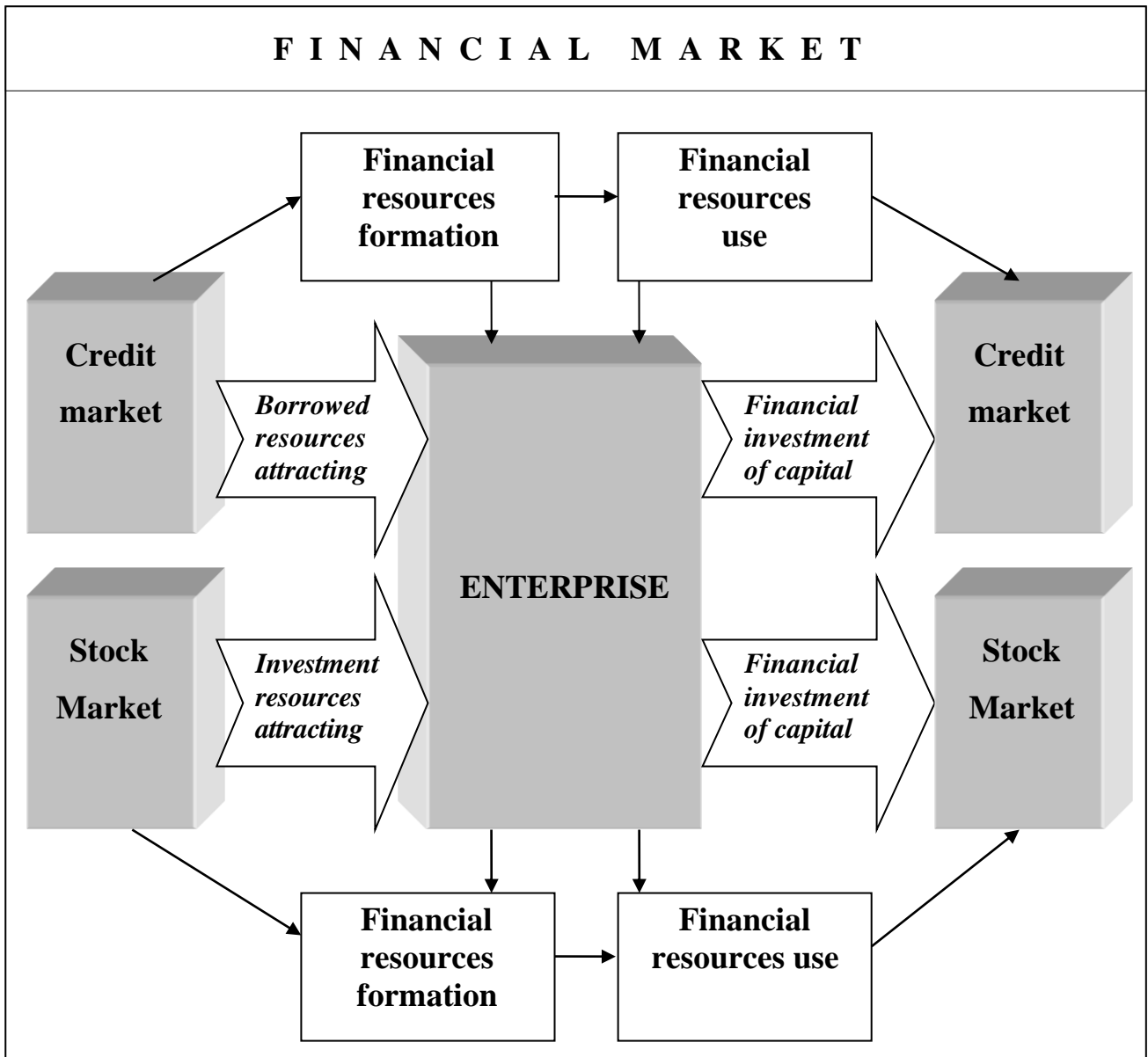
Significant role in the financial and credit support of trade enterprises is played by the market of loan capital or credit. The credit market, both historically and in its importance, is a major component of the financial market. It provides the fastest access to financial resources. It is the credit market that allows accumulation, distribution, redistribution and redirection of loan capital to a trade enterprise. The loan can be obtained in a very short time – within a few days. This advantage is very important in terms of rapid financial support of trade enterprises financial and economic needs [7].

The opportunities of the securities (stock) market are of great importance for the formation of trade enterprises financial and investment resources. The process of attracting additional capital to finance assets takes place in the primary and secondary markets through the mechanism of issue and sale of securities, which can be systematized as follows: operations on the issue of equity (founding) securities (shares); debt issuance operations (promissory notes, bonds, deposit certificates).

Trade enterprise stability providing, its competitiveness increasing, strengthening its position at the market are largely determined by the efficiency of its investments. The problem of the securities market efficiency improving as a mechanism for attracting investment in the real sector of the economy is one of the key tasks in recent times.

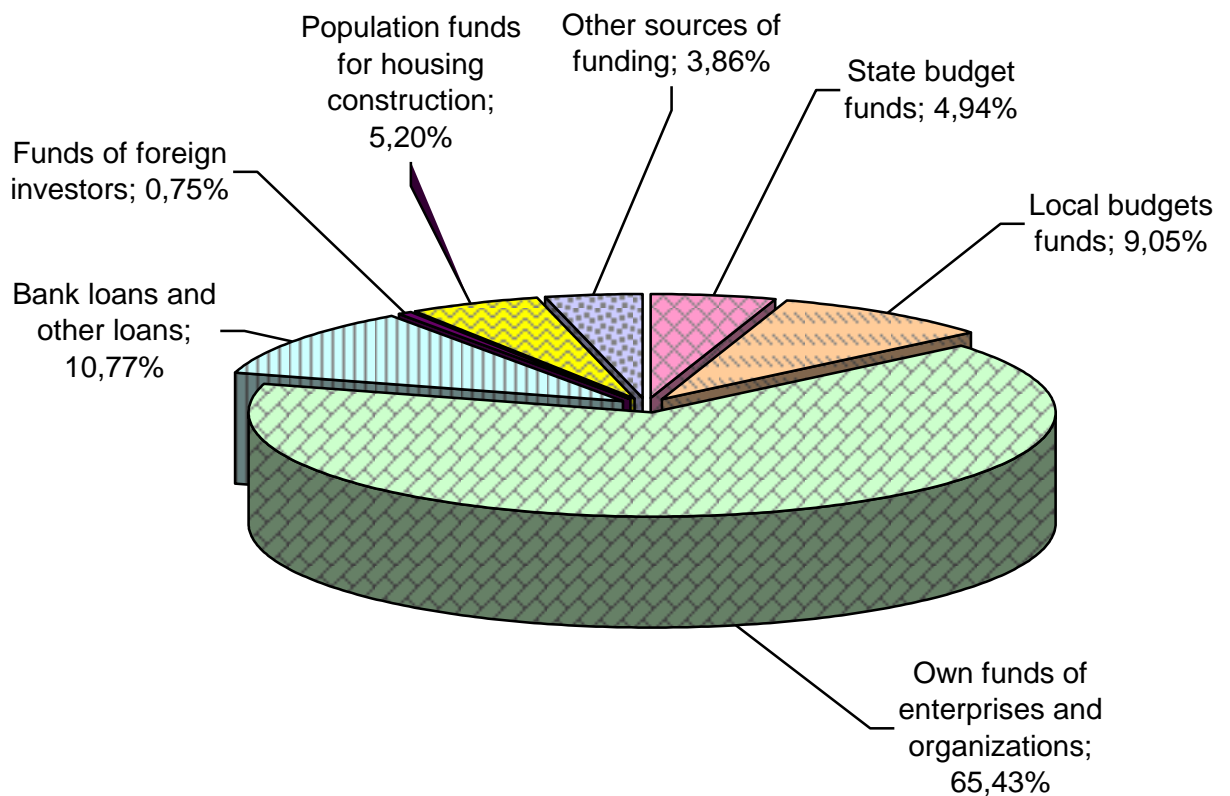
Trade enterprise in the role of issuer by issuing and selling its own equity and debt securities may attract foreign investors to the stock market for forming or replenishing equity and debt capital. As an investor, a trade enterprise can independently invest temporarily free money in various types of securities, which can bring its fairly high and stable income in the form of dividends, interests, exchange rate differences.

Analysis of official information of the State Statistics Service of Ukraine about investments by enterprises of Ukraine by main types of economic activity and in particular, by activity type – wholesale and retail trade; repair of motor vehicles and motorcycles, allows identifying key trends in the structure of financing investments sources in the economy of Ukraine [3].



**Fig. 1. Credit and investment activity of enterprises at the financial market (developed by the author)**

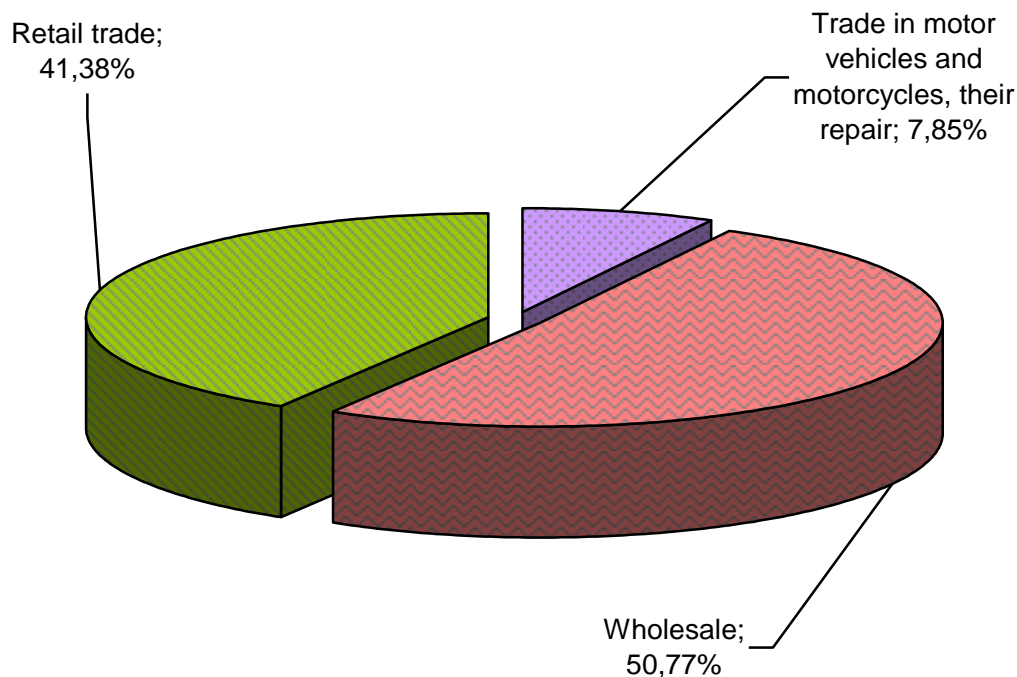
The capital investments structure in 2021 shows that the main source of financial and investment resources for economic entities is still the own funds of enterprises and organizations, which share is 60 – 70% of total investments. The state and local budgets share is 5 – 10%, the bank loans and other borrowed investment resources share is about 10%, the foreign investment share is extremely low and is 1 – 3% (fig. 2).



**Fig. 2. Structure of capital investments financing sources in Ukraine in 2021, % (developed by the author according to [3])**

The internal structure of capital investments of Ukrainian trade enterprises shows a high share of financial resources which are invested in wholesale trade – 50,8% of the total amount of investments in the trade sector in 2021. The share of real investment in retail trade is 41,4%. Capital investments in trade of motor vehicles and motorcycles and their repair is 7,9% in their overall structure [3], (fig. 3).

It should be noted that the instability of the political situation in Ukraine, chronic crises in the development of the national economy at the macro and micro levels, high prices of credit resources at financial markets, threatening inflationary risks do not allow enterprises and organizations expanding investment and resources base at the expense of financial institutions and do not provide more active domestic and foreign investments attracting.



**Fig. 3. Internal structure of capital investments in trade enterprises in Ukraine in 2021, % (developed by the author according to [3])**

Under conditions of a market economy the success of enterprises depends primarily on the development and implementation of an efficient corporate strategy and its components. Instability of economic conditions, significant impact of external factors in terms of inflation, increasing financial risks, intensifying competition in the resource and consumer markets require the development of anti-crisis strategy that will provide reaching a new level of development by economic entities and allow finding alternatives to overcome the crisis.

The necessity for stable functioning and development of national trade enterprises in the long-term period objectively requires developing an efficient anti-crisis financial strategy that should solve the problems of optimizing the structure of the sources of capital financing and develop measures as to increasing the efficiency of its use and recovery as it is a financial basis for further economic development of trade enterprises.



Modern severe business environment in Ukraine encourages theoreticians and practitioners to search and implement new, more effective ways of overcoming the crisis, caused by both external and internal factors.

A significant contribution to the theory of forming corporate strategy, strategic management and development of the financial strategy of an enterprise was made by well-known foreign and national scientists-economists, namely: I. Ansoff, K. Andrews, H. Mintzberg, A. Chandler, A.J. Strickland, A. Thompson, J. C. Van Horn, I.O. Blank, A.P. Mishchenko, Z.Ye. Shershneva, VA Grosul, A.P. Nalyvayko V.S. Ponomarenko, R.A. Fathutdynov and others.

Taking into consideration the high proportion of the borrowed capital in the structure of the sources of financial resources of Ukrainian trade enterprises and taking into account the significant impact of the borrowed resources on the financial results and financial security of trade enterprises, development of the efficient policy of managing financial resources, particularly the borrowed capital, as a key element of the financial strategy of trade enterprises becomes an urgent task.

In order to operate efficiently it is necessary for any enterprise to develop a substantiated strategy of long-term and sustainable development that is focused on continuous growth and maintaining market positions with providing a decent standard of competitiveness.

To ensure the effective functioning of enterprises a necessity for scientific substantiation of their development strategies arises.

The strategy of an enterprise is a systematic plan for its potential behavior in terms of incomplete information about the future development of the environment and business, including the formation of the mission, long-term objectives as well as the ways and rules of decision-making for the most efficient use of strategic resources, strengths and opportunities, elimination of weaknesses and protection from threats of the external environment for future profitability [8].

In our opinion, the most important strategic decision of a trade enterprise is the choice of its financial strategy, substantiation and adoption of which allows focusing

on key areas of financial activity and forms a basis for making further strategic financial decisions.

Financial strategy and policy of managing borrowed capital occupies a key place among supporting strategies developed for a specified period of time taking into consideration the specificity of functioning and development in order to achieve long-term objectives of a trade enterprise.

Financial strategy as one of the basic functional strategies of an enterprise accounts for the forecast of financial indices, evaluation of investment projects, allocation and control of financial resources. Development of substantiated financial strategy is the basis to ensure activity and efficient performance of a trade enterprise in the long run. Its most important component is making a decision on the capital structure that is optimal for an enterprise. An important component of the anti-crisis financial strategy is the development of the policy of managing borrowed capital.

The calculations made on the basis of the official information of the State Statistics Service of Ukraine prove the significant impact of the policy of managing borrowed capital in the process of forming anti-crisis financial strategy of trade enterprises [9].

Analysis of the main indices of the dynamics and structure of the capital of Ukrainian enterprises, the main type of the economic activity of which is the wholesale and retail trade for the period of 31.12.2015–12.31.2021, demonstrated such prevailing tendencies: the presence of extremely low share of the equity capital in the total sources of forming capital of trade enterprises in 2015-2021 and its complete absence in 2020–2021; high proportion of the borrowed capital in the general structure of the source of financial resources of wholesale and retail trade enterprises of Ukraine (table. 1, fig. 4).

These key tendencies in the forming the financial structure of the capital of Ukrainian trade enterprises for the period under investigation (2015-2021) led to the fact that since the borrowed capital almost “replaced” equity capital of trade enterprises and high cost of credit resources in the financial market significantly influenced the decrease in profitability of using capital and current assets, mainly financed due to the

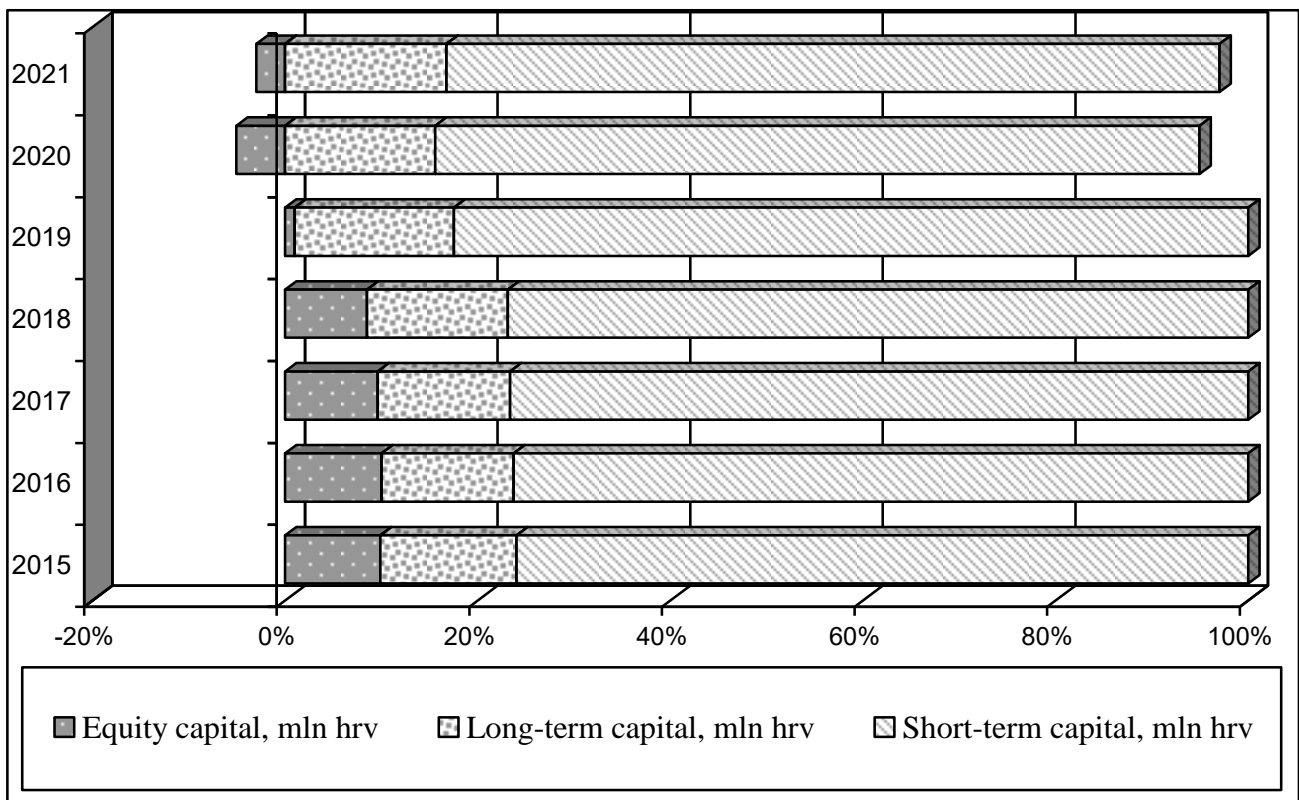
outside borrowed funds that resulted in the increase in financial risk and weighted average cost of capital, and eventually influenced the sharp decrease in the level of financial security of Ukrainian trade enterprises.

**Table 1 – Dynamics of the capital structure of Ukrainian trade enterprises for the period of 2015-2021**

<b>Indices</b>	<b>Years</b>							
	<b>31.12. 2015</b>	<b>31.12. 2016</b>	<b>31.12. 2017</b>	<b>31.12. 2018</b>	<b>31.12. 2019</b>	<b>31.12. 2020</b>	<b>31.12. 2021</b>	
Capital, %	100	100	100	100	100	100	100	
Proportion of the equity capital, %	9,8	10,0	9,6	8,5	1,0	-5,7	-3,2	
Proportion of the borrowed capital, %	90,2	90,0	90,4	91,5	99,0	105,7	103,2	
Including the share of the long-term capital, %	14,1	13,7	13,6	14,6	17,0	17,3	18,1	
Including the share of the short-term capital, %	75,6	75,8	76,2	76,9	85,0	88,3	86,7	

Source: Calculated by the author based on the data [9]

According to many economists [10-12], due to insufficiently high return on the used assets, economic entities that have larger share of the borrowed capital in the general structure lose their solvency faster because of the negative effect of financial leverage resulting from exceeding the level of the average interest rate on credit over the level of the economic return on assets that lead to the increased risk of nonpayment of interests and repayment of debts to creditors, “eating away” of the equity capital occurs, that can become the cause of an enterprise’s bankruptcy.



**Fig. 4. Capital structure of Ukrainian trade enterprises for the period of 2015-2021**

Source: formed by the author on the basis of the data [9, 21-22]

Taking into consideration the above mentioned we believe that the most important component in the system of forming the overall corporate strategy of trade enterprises is the development of the efficient policy of managing financial resources, particularly borrowed capital, as a key element in the formation and implementation of anti-crisis financial strategy of trade enterprises.

Review of the scientific sources allowed ascertaining the place and the role of the policy of managing borrowed capital in the system of strategic management of an enterprise where it is an integral part of the overall corporate, competitive and functional strategies, the component of forming anti-crisis financial strategy and an important area of implementing financial policy of a trade enterprise in the context of the most important aspects of financial activity at the particular stages of implementation.

The impact of key exogenous and endogenous factors on the formation of financial strategy and policy of managing borrowed capital of a trade enterprise should be taken into account and forecasted in the system of strategic management. Every trade enterprise should carefully analyze and evaluate the impact of the mentioned factors on the absolute and relative indices of financial and economic activity that indicate the efficiency of implementing tactical tasks and strategic plans of an enterprise's development during current and long-term periods, that, in turn, allows promptly revealing risks and threats of external and internal environments for financial security as a component of the general economic security of trade enterprises.

The borrowed resources are funds raised and used by an enterprise during the stipulated period stated in the contract with the creditor with obligatory following the principles of voluntariness, target pattern, urgency, recoverability, payability and security; they characterize the total amount of financial liabilities (debt) of an enterprise.

It should be taken into account that the overuse of borrowed funds generates the most threatening financial risks for an enterprise such as reducing the financial stability and possible loss of solvency that reduces the level of financial security. The disadvantage of borrowed capital is also high dependence of its value (cost) on the financial market condition, inflation rate, exchange rate fluctuations. Assets formed due to the borrowed funds, generate lower profit rate, owing to the necessity to pay credit interest in all its forms for the use of credit resources.

Thus, the key requirements in the process of the development and implementation of efficient policy of managing borrowed capital in the system of anti-crisis financial and overall strategy of national trade enterprises, in our opinion, should be:

- accelerating rate of growth of the share of equity capital in the structure of the sources of financing the total assets of trade enterprises due to recovering their own financial resources in the process of financial and economic activity on an extended basis;

- raising borrowing financial resources in the credit market taking into consideration the following key criteria: minimizing the cost of loan funds and financial risk level of each source; optimizing the timing and terms of repayment of long- and short-term borrowed financial resources; maximizing profitability of using raised funds in financial and trade activity;
- achieving proportionality, equilibrium and stability of the financial structure of the total capital, as well as capital and current assets of trade enterprises financed out of it;
- forecasting and forming strategy of stable development of trade enterprises taking into account possible changes in market conditions and the impact of factors of external and internal environments.

The system approach is becoming more and more popular today under adopting and substantiating of managerial decisions in various sectors of the economy. System methodology is the most streamlined and reliable base for managing of complex financial and economic activities; it allows determining and analyzing the components of the system and consistently combining them with each other.

The successful development and functioning of modern trade enterprise is determined by the effectiveness of the interaction of elements of the system of internal economic management, as well as the enterprise itself with the external environment. In our opinion, the important trend of the trade enterprise management system improving is construction of modern efficient management subsystem of its working capital and the organization of its management process with the unity and interconnection with other subsystems and elements which provide the stable functioning and dynamic development of trade enterprises in market conditions.

The current complicated conditions of entrepreneurship in Ukraine lead to the fact that the overwhelming majority of domestic trade enterprises suffer from sharp shortage of own funds for the working capital formation, which is the source of the financing of current assets constituent elements, and in its turn it significantly affects on the level of financial sustainability and efficiency of enterprises' financial and economic activity.

With taking into account the important role of working capital as mobile part of the financial resources which advance money to elements of trade enterprises working assets, the substantiation of methodical approaches to organization of the efficient system of working capital management, optimization of its sources structure and assets financing, assessment of the efficiency of working capital management at each stage of the financial and reproducing cycle require special attention, and, as a result, the indices of profitability, business activity, liquidity, financial sustainability and the stability of trade enterprises development depend on it.

Fundamental scientific works of foreign scientists: R. Akoff, Ch. Barnard, L. von Bertalanfi, St. Bir, D. Dikson, R. Dzhonson, V. Kinh, Dzh. Klir, E. Kunts, O. Lanhe, E. Laslo, U. Ros, R. Saimon, Dzh. Forrester, F. Emeri, S. Yanh and other made significant contribution to the development of the system approach as management methodology.

V.H. Afanasiev, A.I. Berh, I.V. Blauberh, O.O. Bohdanov, S.A. Valuiev, V.N. Volkova, S.P. Nykanorov, V.N. Sadovskyi, F.E. Temnykov, V.S. Tiukhtin, A.I. Uiemov, Yu.I. Cherniak, Yu.A. Urmantsev, E.H. Yudin and others should be noted among domestic scientists.

Despite the significant number of scientific works, the issues which are related to the definition of the essence, functions, principles, mechanisms, peculiarities and specifics of the system approach use to the trade enterprises working capital management at the successive stages of the reproducing process which occurs on the capitalized (expanded) base are still topical.

The development and implementation of the effective system of working capital management of trade enterprises is becoming more and more important at the present stage of the market transformation of the national economy; it should solve the problems of optimizing the structure of the sources of its formation and develop measures for improve the efficiency of its use and reproducing, since it is essential in the functioning and the further development of trade enterprises.

The set of elements which are interconnected and interdependent from each other and form a certain unity is considered the «system» in foreign and domestic

economic literature. So, according to R. Akoff, the system is any essence, which consists of interconnected parts [13]; L. von Bertalanfi considers the system as the complex of elements in interaction [14]; W. Hoslinh under the system understands the set of simple parts [15]; by A. Hall, the system is plurality of objects along with the relationship between objects and their attributes [16]; K. Watt believes that the system is an interactive information mechanism of the economic activity of the enterprise, which is characterized by many causal interactions [17]. O.V. Kustovska considers the system as a way of solving a certain problem, which is, as a set of all necessary knowledge, information, material means and methods of their use, organization of people's activities aimed at solving the problem [18]; R.A. Fathutdinov defines the system approach to management as an approach in which any system (object) is considered as a set of interconnected elements which have «input» (goal), «output», connection with the external environment, feedback and the «process» in the system [19].

The determinative principles of the system approach include: integrity, structural, proportional, interdependence of the system and the external environment, hierarchy, multiplicity of descriptions of each system, balance, continuity in management, ontogenesis, composition, integration, awareness, stability.

Enterprise as dynamic system is formed by the set of three elements: input, transformation, output. The internal component of the management system is the «process», which is treated by economists as series of direct interrelated actions. These actions, each of which is already itself process, largely determine the success of management activity. They were called «managerial functions», each of which is also process.

Trade enterprise can be considered as complex economic system which provides close connection between the spheres of production and consumption of goods through the implementation of its classical intermediary macro and microeconomic functions: value realization, changes of the value form (commodity for monetary) and ownership; distributive; integrating; assessed; organizing and regulating; transformation of the production assortment of goods into trade; transportation, formation and storage of



commodity stocks; completing and bringing the goods to the required quality; sorting, gathering, prepacking and packing; organization of after-sales service, etc.

Retail trade enterprises are closest to the end consumers of goods, therefore, new functions of retail trade are actively developing in the market conditions: the study of consumer demand and its effect on it; analysis of commodity and financial market conditions; lending to customers; providing of consulting services; marketing researches of the market and advertising, etc. The special feature of the market activity of retail trade enterprises is their dualism, because in contact with suppliers of products intermediaries act as representatives of demand, while offering goods to customers, they act on behalf of suppliers. The distinctive feature of the market activity of retail trade enterprises is the increased attention to the quality of service, for active effect on the formation of consumer demand.

It necessitates the effective management of the trade enterprise working capital; its sufficient volume is the base for the successful functioning and financial support of economic activity, the implementation of characteristic functions of retail trade and further economic growth.

Financing of the expanded reproducing process, fulfillment of financial obligations to the budget, banks, insurance and other organizations and social and economic development of the enterprise as a whole depends on the working capital volume.

Innovative development of domestic trade enterprises necessitates the comprehensive study of the processes of formation, investment and use of working capital for providing effective operation and achieving the dynamic balance with the external environment, finding ways of surviving of trade enterprises under competitive market development.

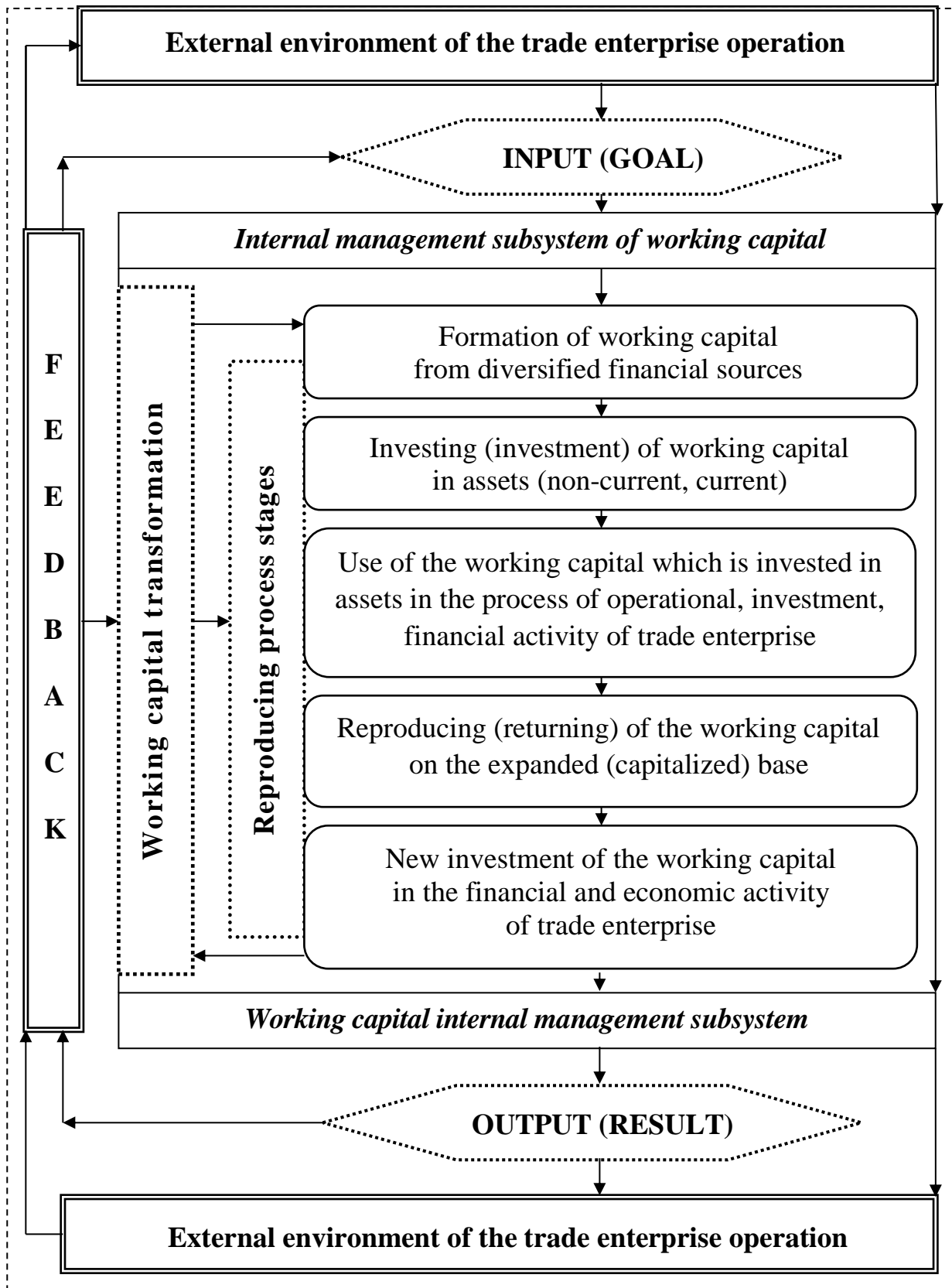
The system approach means logically grounded approach to the working capital management of an enterprise as complex system, which is formed from separate elements with numerous internal and external relations. The system principle involves the formation of mechanism for the working capital management as the specific dynamic system.

The essence of the system approach to the working capital management of trade enterprise is in the formulation of goals and determining of their hierarchy before the start of any management activity; obtaining maximum effect, that is, achievement of the goals with minimal expenses with the help of comparative analysis of alternative ways and methods of goals achievement and implementation of the appropriate choice; the quantitative assessment of the goals, methods and means of their achieving is based not on partial criteria but on broad and comprehensive assessment of all possible and planned operational results [20].

The working capital management system of trade enterprise involves the following components: external environment, which includes system's input and output, connection with the external environment and feedback; internal structure, as a set of interrelated elements, which provide the process of influence of the management subject on the object, processing of input to the output and system's goals achieving (fig. 5).

The working capital management system of trade enterprise must meet the basic requirements, namely: there must be cause-effect relationship between elements of the system; the system must be dynamic, that is, possess the ability to change its quantitative and qualitative status; the system must have the parameters influencing on which can change the course of the economic process.

System management objects include input, process, output, feedback, and restrictions. Input is the size and structure of the sources of working capital, which were formed for its use in the management process. Output is the result or the final status of the process. In our case, it is the residual value and the structure of working capital (current liabilities) and the assets of the enterprise at the end of the system cycle. The connection provides the coordination of the input and output of the process.



**Fig. 5. Trade enterprise working capital management on the base of the system and reproducing approaches (developed by the author)**

In our opinion, following basic interconnected processes which turn the input into the output and provide the transformation of working capital in the system can be marked out in the internal structure of the general management system of trade enterprise working capital (see fig. 5): 1) processes, which is connected with the formation and mobilization of working capital from various sources (own, borrowed, attracted); 2) processes which are related to the allocation of working capital in the assets of the enterprise (non-current, current); 3) processes related to the use of working capital invested in assets in the process of operating, investment, financial activities of trade enterprise; 4) processes related to the reproducing (returning) of working capital on the expanded base, which provide the capitalization of trade enterprise (increasing of its market value); 5) processes which involve new investments of working capital in the economic activity of trade enterprise.

The organization of working capital management system of trade enterprise should be based on the compliance with certain principles: taking into account development prospects and subordination to the general and financial strategy of the trade enterprise development; providing the optimality of the structure of financial sources of working capital (own and borrowed); providing expenses' minimization for the formation of working capital from different sources; providing the correspondence of the volume of attracted loan capital to the volume of current working assets; formation of the rational structure of assets and capital; minimization of financial risks in the process of formation and use of working capital; organization of timely monitoring, systematic control, analysis and assessment of the effectiveness of the policy of trade enterprise working capital management.

Feedback in the system compares the actual status of output with the output model and marks out differences (comparing the real volume and structure of assets and capital existing at the enterprise and similar indices, the achievement of which was planned), assesses the content of the differences, develops the managerial decision (factors are determined, which effect on the result, and also assessment of their effect on the final result), forms the process of implementation of these decisions, affects on

the main process of the working capital management system of the enterprise for harmonization of output and output model.

Calculated data which are obtained on the base of official information of the State Statistics Service of Ukraine [9, 21–22] show the significant effect of the subsystem of working capital management as an integral part of the management system of the trade enterprise.

The analysis of the main economic indices of financial and economic activity of enterprises of wholesale and retail trade of Ukraine for the period of 31.12.2015 – 31.12.2021 showed the following preferential tendencies:

- the presence of a very low share of own working capital in the general sources of capital formation of trade enterprises (9,8%; 1,0%) and its total absence (–5,7%; –3,2%; –0,2%);

- high proportion of borrowed capital in the overall structure of working capital sources of wholesale and retail trade enterprises of Ukraine (90,0–99,0%), (105,7%; 103,2; 100,2%);

- rapid increasing of the average interest rates for legal entities for long-term and short-term loans from banking institutions (15,5% – 24,4%; 19,2–16,4%), and it ultimately effected on the weighted average cost of borrowed and total capital of trade enterprises.

The identified key trends in the formation of the financial structure of the capital of Ukrainian trade enterprises for the study period (2015 – 2021) led to the fact that since loan capital almost displaced trade enterprises own funds and the high price of credit resources in the financial market significantly effected on the reducing of the profitability of working assets use, which were financed mainly through borrowed funds. It also caused the increasing of the weighted average cost of capital, the level of financial risk, affected on the sharp decreasing of financial security and the increased crises and threats probability to Ukrainian wholesale and retail trade enterprises.

Negative phenomena in the capital financial structure formation and the obtained financial results of trade enterprises can be explained by the significant effect of

external factors which are connected with the general crisis political and financial and economic situation which developed in Ukraine during the investigated period.

Thus, the analysis of the dynamics and structure of the main financial sources of capital formation of Ukrainian trade enterprises during shows that there is the disproportion in the ratio between own, long-term and short-term borrowings, which formed the fixed and working capital which was used by wholesale and retail trade enterprises for the financial and resource support of their economic activity.

The study allows making the conclusion that the use of system and reproducing approaches will equip the managers with the necessary tools for forming the efficient management system of trade enterprises working capital, which is adequate to modern requirements for economic entities management.

The working capital management system can be interpreted as set of forms, methods, techniques, operations and functions, through which implement the enterprise's working capital management; or as part of general enterprise's management system, which in turn consists of two subsystems: the management object and entity. The strategic task of developing an effective trade enterprise management system is managerial effect on the working capital at each stage of the reproducing process for increasing of its formation efficiency, asset investing, use and reproducing on the expanded base.

From the point of view of the system approach, the working capital management system of enterprises involves the determining of the working capital management structure, its communications and functionality. The structure of the subsystem of working capital management is the composition and functions of its main parts; communication is its information links; functionality is the mechanism of its activity.

Thus, improvement of the organization of working capital management of trade enterprises on the base of the use of methods and tools of system and reproducing approaches should be considered as one of the main factors in increasing the efficiency of their financial and economic activity. The improvement of the positions of trade enterprises in the competition, their stable functioning and dynamic development in the current market conditions in the long-term period depends on it.

Activization of development of is innovative-investment processes in economy of Ukraine depends from ii effective eurointegration, acceleration of scientific and technical progress, growth of capitalisation that of investment appeal of the enterprises, increase pівня social and economic development of the country in general that of many other things factors. Without development of investment activity in spheres of the real and financial investment, the accelerated attraction of domestic and foreign investments not possible introduction of modern innovative technologies at the enterprises, growth of competitiveness of production and increase of efficiency of financial and economic activity. Today level of scientific and technical equipment, updating depend on level of financially-investment maintenance and modernisations of the basic means of the domestic enterprises of different kinds of economic activities, possibility of structural reorganisation of national economy, the decision social, regional, demographic, environmental problems.

Is innovative-investment development of the enterprises of all kinds activity are the integral element of modernisation of national economy which should be stimulated legislative support that with the state. Features of functioning of the enterprises of wholesale and retail trade of Ukraine and strategic directions of their is innovative-investment development require improvement that of an effective utilisation legislative, economic, scientific and technical, financially-investment that organizational-administrative mechanisms which will promote growth level to their investment appeal that to stimulation of innovative development.

Integration of Ukraine in European and economic essentially raises attention of external and internal investors to formation by the state of an investment climate in the country and regions, an objective estimation of investment appeal and innovative potential of the enterprises of different kinds of economic activities which are key characteristics which promote intensity of attraction of external and internal investments.

In the modern economic literature some approaches to interpretation of investment appeal [23-26] were generated: as integrated characteristic of the separate enterprises, business-projects, real and financial objects of the future investment from

a position of prospects of their development, volume and possibilities of sale of production, efficiency of use of actives and their liquidity, a condition of solvency and financial firmness; as investment appeal of separate regions, areas of economy, real projects, financial (share) tools; as prospects of development and possibilities of attraction of investment resources which define level of satisfaction of financial, industrial, scientific and technical, ecological, organizational requirements and interests of investors concerning the concrete enterprise; as sets of economic-psychological characteristics of activity of the enterprise which satisfy requirements of the investor.

The estimation of investment appeal of trading enterprises as objects attraction of external and internal investments, the analysis of their ability to use and increase internal is innovative-investment potential are the important factors increase of efficiency of investment activity that of appeal of trade enterprises of Ukraine. Therefore a special urgency gets a scientific substantiation of teoretiko-methodical principles of management of investment activity that is a key condition of successful functioning and the development, the influential lever of growth level is innovative-investment appeal of trade enterprises.

In modern crisis conditions of economic activities of management of investitsionno-innovative development of trade enterprises directed on improvement of the intraeconomic financially-investment mechanism, methods, tools, procedures and technologies of investment, systems of formation and distribution of financial results, increase of financial firmness and solvency which is the important factors of an intensification investitsionno innovative development of trade enterprises. It, in turn, will promote increase of efficiency and competitiveness of trade enterprises in the market, to growth of economic indicators of operational and financially investment activity which will stimulate solvent demand and improvement of well being of the population.

In the course of scientific research of investment processes of great value the estimation of key tendencies which occur in dynamics and structure of sources of financing of capital investments of the enterprises for economic activities principal



views, gets revealing of features of realisation of real and financial investment at the enterprises of wholesale and retail trade of Ukraine for the long period.

Set of political, legal, economic, ecological, social and other factors influences innovative potential and investment appeal of separate subjects of business, regions and the country in general.

By us are defined key factors influences on level of investment appeal and potential of innovative development of a trading enterprise which are economic tools of formation and realisation його is innovative-investment strategy, levers reaction on Changes conjuncture of the financially-investment market which provide acceptance of the proved strategic and tactical administrative decisions during time a correcting of an investment trajectory of trade enterprise:

- profitability, a recoupment, stability ia risk of the enclosed investments - key financial indicators which allow to estimate objectively level of investment appeal of concrete trade enterprise regarding realisation of real (capital) or financial investments throughout the relevant period;

- stability of financial maintenance of sources of formation of the investment capital and potential stimulation investitsionno-innovative development, growth of capitalisation of a trading enterprise;

- level of investment activity and speed of a recoupment of the invested capital, the accelerated rates of its reproduction on the expanded basis;

- maintenance strategic forecast, stability and efficiency of investment activity of the enterprise, increase of level of investment return and appeal to internal and external investors;

- efficiency of an estimation and management of regular and not regular risks of real and financial investments;

- a management efficiency portfolios real and financial (share) investment-projects.

For investors who plan to make the administrative decision on investment of means in real (capital), financial, innovative, intellectual objects and projects (social, ecological, infrastructural, information, to marketing, important there are answers to

key questions on which the expediency depends, an optimality, stability, efficiency, that is appeal of the planned investments [20]:

1) the estimated level of investment return (the income, profit) and intensity of reproduction (recoupment) in time of the capital invested in business-projects;

2) financial structure and a market price of the invested capital, the forecast of internal norm of profitability investment project;

3) predicted terms of realisation investment-projects (taking into account preinvestment, investment, and operational phases) to achievement of a point of break-even project then investment project becomes profitable and attractive;

4) predicted duration (in years) functioning placed in operation investment project;

5) level of the received social and economic investment return on different stages trading enterprise life cycle;

6) probability and degree of influence of investment risks at development cycles, realisation and operation investment-projects.

It is necessary to develop convenient methodical toolkit which will help to estimate objectively current and strategic efficiency certain investment-projects and investment activity for the relevant period for the answer to the put questions, to predict investment potential of a trading enterprise behind the basic forms and kinds of investment which in general will affect level of its investment appeal and potential of innovative development in long-term prospect.

Let's consider base principles and methodical approaches to estimation expediency and level efficiency real and financial investment-projects:

– comparison of cost and terms of investment investments to volumes and terms of reproduction of the invested means;

– speed of a recoupment of the enclosed capital through monetary streams which generate them investments;

– an estimation of the turned invested capital on the basis of an indicator of a pure monetary stream (the sum of net profit and depreciation charges) during operation investment-projects;

- scoping of investment expenses which due to cover all set of resources which are used and connected with realisation investment-project;
- the sums of investment expenses and a pure monetary stream should be shown to pure present cost investment-project;
- during time estimation the shown cost of investments predicted indicators of profitability, times of recovery of outlay, level to risk, financial firmness, liquidity and other individual characteristics real and financial investment-projects should consider the size of a discount rate.

On the basis of named above key determinants of influence on level of investment appeal and potential of innovative development of trading enterprises, taking into account base indicators estimation to efficiency real and financial investment-projects, for the purpose of conducting the express train-otsenivanija of investment appeal of a concrete trading enterprise, we offer a matrix which is based on comparison and estimation deviations of actual values of indicators from optimum behind groups of target criteria: profitability, a recoupment, financial stability and risk of investments which allows the potential investor to estimate operatively level of investitsionno-innovative appeal of the concrete enterprise regarding the planned real or financial investments (tab. 2).

**Table 2 – Matrix of target criteria and indicators the express train-otsenivanija investment appeal of trade enterprises**

Level of investment appeal of trade enterprise	Target criteria and indicators the express train-otsenivanija investment appeal of a trading enterprise			
	Profitability level (IRR)	Recoupment time (RT)	Financial stability (FS)	Financial risk (FR)
I. High level	$IRR_i > WACC$	$T_i \leq T$	$K_{FSi} \geq K_{FS}$	$K_{FRi} \leq K_{FR}$
II. Average level	$IRR_i > WACC$	$T_i \leq T$	$K_{FSi} < K_{FS}$	$K_{FRi} > K_{FR}$
III. Low level	$IRR_i < WACC$	$T_i > T$	$K_{FSi} < K_{FS}$	$K_{FRi} > K_{FR}$

The resulted matrix does not cover all complex of indicators which are used during the fundamental analysis of investment appeal real and financial projects. To its problems the operative estimation of efficiency, expediency and an optimality of the investments planned by the investor in certain object or projects.

Owners, managers and external investors should apply the complex approach to *оцениванию* investment activity of trading enterprises which considers the branched out system of indicators of business plans investment projects on different stages their realisations: the forecast of the pure monetary stream shown to modern cost; the planned and actual indexes of profitableness and profitability; internal norm of profitability rather with the average price of the invested capital; the actual and optimum periods of a recoupment and operation investment projects; indicators estimation overall risk influences (regular and not regular) on realisation and operation investment projects, risk of financial structure of the invested capital which pay off with the help of statistical and expert methods.

On the basis of results the express train-*otsenivaniya* of efficiency of investment activity of trading enterprises of a sample in a cut of real (capital) and financial investments we give a complex estimation of investment appeal of each trading enterprise on set of key criteria: profitability, a recoupment, financial stability and risk of investments which allows the potential investor to define advantages (+) and lacks (-) the future investments and to estimate the general level of investment appeal and potential of innovative development of concrete trade enterprise (tab. 3).

Using tab. 3 indicators, each trade enterprise of a sample can see "bottlenecks" in realisation of investment activity in a cut of real and financial investment which influence decrease or growth of its efficiency and eventually define level of investment appeal, and also on this information basis to develop the proved tactical and strategic administrative decisions directed on maintenance of growth of investment potential in system of innovative development of trade enterprises.

**Table 3 – Estimation of level of investment appeal of trading enterprises of a sample**

№ enter- prises	Real (capital) investments				Financial investments				Estimation of level of investment appeal
	IRR	RT	FS	FR	IRR	RT	FS	FR	
<b>I. Trading enterprises goods of technical</b>									
1	–	–	+	+	–	–	+	+	Average
2	–	–	–	–	–	–	–	–	Low
3	+	–	+	+	+	+	+	+	High
4	–	+	–	–	+	+	–	–	Average
5	–	+	–	+	–	+	–	+	Average
6	+	+	+	+	+	+	+	+	High
7	+	–	+	+	+	–	+	+	High
8	–	+	+	+	–	+	+	+	High
9	+	+	+	+	–	+	+	+	High
10	–	+	–	–	–	+	–	–	Low
11	–	+	+	+	+	+	+	+	High
12	+	+	–	–	+	+	–	–	Average
<b>II. Trading enterprises goods of food</b>									
1	–	+	–	–	+	+	–	–	Average
2	–	–	+	+	–	+	+	+	Average
3	+	–	+	+	+	–	+	+	High
4	–	+	–	–	+	+	–	–	Average
5	–	–	+	+	–	–	+	+	Average
6	–	+	–	–	–	+	–	–	Low
7	–	+	+	+	–	+	+	+	High
8	+	+	–	–	–	–	–	–	Low
9	–	+	–	–	–	+	–	–	Low
10	–	–	–	–	–	–	–	–	Low
11	+	+	+	+	+	+	+	+	High
12	–	+	–	–	+	–	–	–	Low

Thus, in modern conditions of a high competition in the financially-investment market and a difficult social and economic situation in the country potential investors have a necessity operatively to estimate investment appeal of a certain trading

enterprise as potential object of the future capital or financial investments on the basis of the analysis of efficiency of realisation of investment activity for last period. The offered methodical toolkit will help to estimate current efficiency separate investment project and investment activity of a concrete trading enterprise for the relevant period, to predict its investment potential behind the basic forms and kinds of investment which in a complex influences level of its investment appeal.

By means of system of key indicators the express train-otsenivaniya of investment appeal of trading enterprises behind groups of target criteria (profitability, a recoupment, stability and risk of investments) is possibility range trading enterprises behind degree of their investment efficiency, reliability and appeal to internal and external investors. The given complex estimation of investitsionno-innovative appeal of trading enterprises of a sample of of Kharkov is the important source of the information for the further working out and acceptance of the proved administrative decisions directed on investitsionno-innovative development of the enterprises of trading area in region and the country.

There is an urgent need to create an effective system of trade enterprises management and, in particular, its important subsystem – the management of investment and innovation activity, where financing and efficient implementation of investments play crucial role.

On the analysis base, we formulate the key requirements which should be taken into account during the development and implementation of investment and innovation strategy of domestic trade enterprises:

- improvement of investment and other economic legislation and its adaptation to European standards;
- stimulation by the state of enterprises investment activity because of comprehensive provision and guarantee of favorable investment conditions;
- creation of new jobs by attracting internal and external investments in scientific and technical, innovative, social, environmental, infrastructural, information components of enterprises;

– formation of current and long-term policy of innovative development with taking into account the investment situation and the effect of social and economic factors of internal and external environments;

– search and attraction of borrowing and investment resources at the financial markets with taking into account their minimum value and low level of risk;

– achieving proportionality in the vertical and horizontal structure of assets and capital, own and borrowed sources of investment;

– accelerated growth of the own funds share in the structure of investment sources and investing efficiency increasing in real and financial investments;

– increasing the profitability of own and borrowed investment resources use in compliance with system-wide and specific principles and approaches to investment management;

– development of start-ups of investment projects for identifying business models that will allow quick entering the market and scaling newly created products or services.

Thus, in today's volatile market conditions, which are characterized by high competition at resource, financial and investment and consumer markets, as well as difficult social and economic situation in the country, potential investors need to reasonably assess the investment attractiveness of certain trade enterprises as potential objects of future capital or financial investments.

The problem of credit and stock markets efficiency improving as sources of attracting domestic investments in the economy, in particular, in trade, is one of the key issues today. The purpose of financial market institutions and its individual sectors (credit and stock markets) for trade enterprises is in providing appropriate conditions for the effective and rapid attraction of additional credit and investment resources if it is necessary, or the sale of temporarily free funds for generating additional income when own accumulations through financial intermediaries are transformed into real or financial investments for the national economy development.

Forms and methods of mobilization and use of resources at the financial market are very diverse, but its important task is full, timely and least costly meeting the

financial and economic needs of a trade enterprise, which can be effective lender and borrower, issuer and investor.

Providing the stability and further development of Ukrainian trade enterprises, increasing their competitiveness, strengthening their position at domestic and foreign consumer markets and capital markets are largely determined by the efficiency and effectiveness of investment activity that affects the level of investment attractiveness and strategic innovative development of trade enterprises.

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