

## FINANCIAL CONDITION OF SMALL ENTERPRISES IN UKRAINE: PROBLEMS, TENDENCIES, PROSPECTS

©2022 YASINOVSKA I. F., LOIEK YA. D.

UDC 658.14  
JEL: G32; L26; L53

### Yasinovska I. F., Loiek Ya. D. Financial Condition of Small Enterprises in Ukraine: Problems, Tendencies, Prospects

*The purpose of the article is to generalize the essential content of the concept of "financial condition of enterprise" in terms of its constituent components; analyze the main indicators of the financial condition of small enterprises of Ukraine, determine the major tendencies during 2017–2020; substantiate the importance of analyzing their financial condition; draw attention to the relevant problems of small business in modern conditions. The article analyzes the current financial condition of small enterprises of Ukraine for the period 2017–2020. Analyzing, systematizing and summarizing the scientific works of scholars, the approaches to defining the concept of "financial condition" of the enterprise were considered. As a result of the research, the financial condition of small enterprises of Ukraine was analyzed and assessed; the main problems of their activity are highlighted. It is substantiated that the validity of managerial decisions directly depends on the objectivity and timeliness of information about the financial condition of the enterprise. The effective operation of enterprises requires constant control over the receipt and use of financial resources, strict adherence to the discipline of financial settlements, formation of the optimal ratio between own and borrowed funds, ensuring financial sustainability and solvency. A thorough and timely carried out analysis of the financial condition of the enterprise allows to see the objective state of its activities, identify problematic aspects, respond to challenges in a timely manner, anticipate and minimize business risks and make the right managerial decisions.*

**Keywords:** financial condition, small enterprise, enterprise property, sources of property formation, solvency, financial sustainability.

**Fig.:** 4. **Tabl.:** 2. **Bibl.:** 8.

**Yasinovska Iryna F.** – PhD (Economics), Associate Professor, Associate Professor of the Department of Financial Management, Ivan Franko National University of Lviv (1 Universytetska Str., Lviv, 79001, Ukraine)

**E-mail:** [i-yasenovska@ukr.net](mailto:i-yasenovska@ukr.net)

**ORCID:** <https://orcid.org/0000-0002-2766-8700>

**Loiek Yaryna D.** – Graduate Student, Faculty of Finance Management and Business, Ivan Franko National University of Lviv (1 Universytetska Str., Lviv, 79001, Ukraine)

**E-mail:** [yarynaloyek@gmail.com](mailto:yarynaloyek@gmail.com)

УДК 658.14  
JEL: G32; L26; L53

### Ясіновська І. Ф., Лоек Я. Д. Фінансовий стан малих підприємств в Україні: проблеми, тенденції, перспективи

*Метою статті є узагальнення сутнісного наповнення поняття «фінансовий стан підприємства» в розрізі складових, що його формують; проведення аналізу основних показників фінансового стану малих підприємств України; визначення основних тенденцій упродовж 2017–2020 рр.; обґрунтування важливості аналізу їх фінансового стану; привертання уваги до актуальних проблем малого бізнесу в сучасних умовах. У статті проаналізовано сучасний фінансовий стан малих підприємств України за період 2017–2020 рр. При аналізі, систематизації й узагальненні наукових праць учених було розглянуто підходи до визначення поняття «фінансовий стан» підприємства. У результаті досліджень проаналізовано та надано оцінку фінансового стану малих підприємств України; виділено основні проблеми їх діяльності. Обґрунтовано, що від об'єктивності та своєчасності інформації про фінансовий стан підприємства безпосередньо залежить обґрунтованість управлінських рішень. Ефективна діяльність підприємств потребує постійного контролю надходження та використання фінансових ресурсів, чіткого дотримання розрахункової дисципліни, формування оптимального співвідношення між власними та позиковими коштами, забезпечення фінансової стійкості та платоспроможності. Ґрунтовний і вчасно здійснений аналіз фінансового стану підприємства дає можливість бачити об'єктивний стан його діяльності, виявляти проблемні аспекти, вчасно реагувати на виклики, передбачати та мінімізувати підприємницькі ризики та приймати правильні управлінські рішення.*

**Ключові слова:** фінансовий стан, мале підприємство, майно підприємства, джерела формування майна, платоспроможність, фінансова стійкість.

**Рис.:** 4. **Табл.:** 2. **Бібл.:** 8.

**Ясіновська Ірина Фантинівна** – кандидат економічних наук, доцент, доцент кафедри фінансового менеджменту, Львівський національний університет імені Івана Франка (вул. Університетська, 1, Львів, 79001, Україна)

**E-mail:** [i-yasenovska@ukr.net](mailto:i-yasenovska@ukr.net)

**ORCID:** <https://orcid.org/0000-0002-2766-8700>

**Лоек Ярина Дмитрівна** – магістрантка, факультет управління фінансами та бізнесу, Львівський національний університет імені Івана Франка (вул. Університетська, 1, Львів, 79001, Україна)

**E-mail:** [yarynaloyek@gmail.com](mailto:yarynaloyek@gmail.com)

Financial position is a key feature of entrepreneurial activity, and its timely and correct assessment is the key to success in business. The financial condition of an enterprise depends on the results of its production and commercial, financial, and economic activities.

It should be noted that timely and accurate information about the financial position of companies is the key to making effective financial decisions aimed at reducing the cost of financial resources and increasing profits and market value of the enterprise. Business owners, investors,

banking institutions, business partners, professional players of the securities market, tax officials, insurance companies, and other business participants are the main users of information about the company's financial position.

The article is *aimed* at generalize the essential content of the "financial position of an enterprise" concept in terms of its constituent components; analyzing the main indicators of the financial position of small enterprises in Ukraine, determining the main trends during 2017–2020; substantiating the importance of analyzing their financial position, drawing attention to current problems of small business in modern conditions.

**M**odern research papers in Economics show no consensus on interpreting the "financial position of an enterprise" concept, its characteristics, elements and types. Many scientists tend to distinguish between the "economic position of an enterprise", "financial position of an enterprise", and "financial and economic position".

Financial reference dictionary, edited by M. Ya. Demyanenko, contains the following definition of the "financial condition" term: "it is a complex concept that reflects the quality of its production and financial activities and is the result of implementing all the elements of the external and internal financial relations of an enterprise. It is characterized by a system of indicators reflecting the state of capital in the process of its circulation, the company's capacity to pay off its obligations and ensure effective financing of its production activities at a certain point in time" [1].

The "Finance of Enterprises" textbook edited by A. M. Poddierogin states the following: "financial position of an enterprise is a complex concept that is the result of interaction among all elements of the financial relations at an enterprise, determined by a set of production and economic factors and characterized by a system of models, methods and indicators that reflect the availability, allocation and use of financial resources" [5, p. 310].

N. I. Prykhodko gives the following definition: "financial position of an enterprise is an economic category that determines the real (at a fixed time) and potential financial capacity of an enterprise to provide a certain level of funding for current activities, self-development and repayment of liabilities to other enterprises and the state" [3, p. 190].

It should be noted that the financial position of an enterprise is characterized by the size, composition and structure of its assets and liabilities, the appropriate ratios of which determine its financial stability, liquidity, and solvency.

Many Ukrainian scientists, such as M. D. Bilyk, L. D. Buryak, M. Ya. Demyanenko, N. Yu. Zakharova, A. M. Poddierogin, N. I. Prykhodko, O. F. Tomchuk, S. V. Sharova, O. O. Yatsukh, and others have devoted their research to the importance of analyzing the financial position of enterprises.

S. V. Sharova and O. S. Cherkasova note that "economic instability, crisis, political uncertainty, and instability of the legal framework determine the need for each business entity to develop the most effective solutions to improve its efficiency" [6, p. 146].

I. F. Yasinovska substantiates that "the validity of management decisions directly affects the objectivity and timeliness of information about the financial position of an enterprise" [7, p. 188]. It is important for a company to form an optimal structure of assets and capital, which will ensure the appropriate level of its financial stability, solvency, and compliance with calculation accuracy.

Property status is among the most important characteristics of the main activity of an enterprise. This aspect of economic activity is influenced by many factors, one of which is determined by the ratio between non-current and current assets of the enterprise. There is no unambiguous definition in the economic literature of what this coefficient should be, as it significantly depends on the type of economic activity of the enterprise, the state of the market in the country as a whole and the market of specific products, and some other factors.

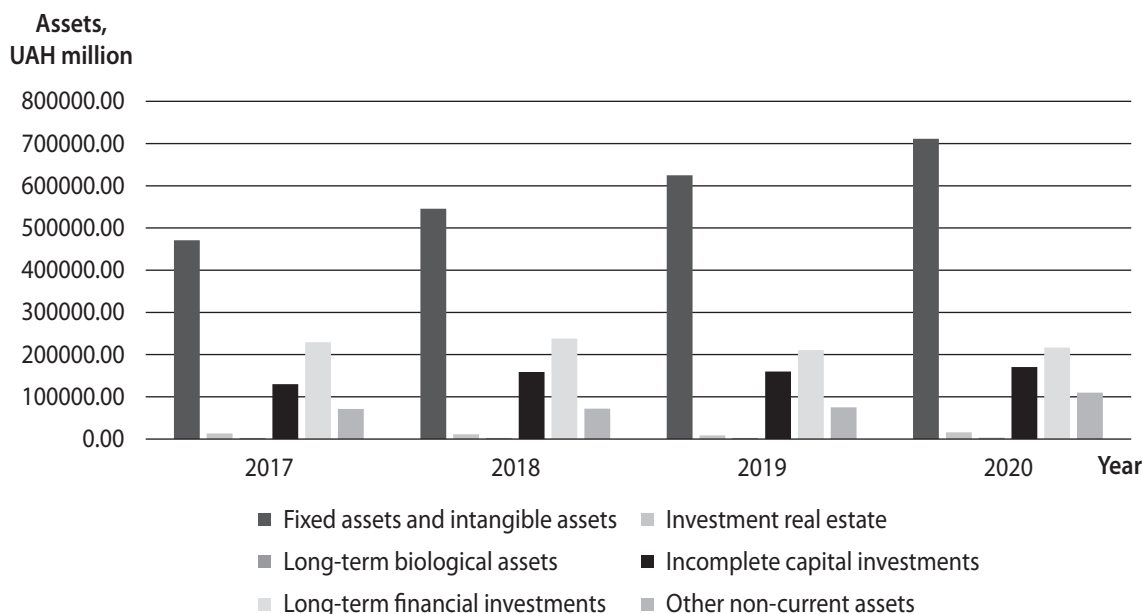
**W**hen studying the composition of property, it is necessary to analyze the composition of balance sheet items. If the share of non-current assets in their total structure exceeds 50%, the company has a heavy asset structure, if it is less than 50%, then the asset structure is light (or mobile). The increase in the share of long-term financial investments in the structure of non-current assets indicates the immobilization of funds received from operational activity. The growing share of intangible assets in the structure of non-current assets indicates the innovative activity of the enterprise, as funds are invested in patents, licenses, and intellectual property.

Financial statements makes up the basis of information support provided to analyze the financial position of an enterprise. For this purpose, a condensed comparative analytical balance sheet is often used, which is formed by aggregating some homogeneous elements of balance sheet items. The compacted balance can be supplemented by structure indicators. We agree with the opinion of O. F. Tomchuk that "analytical capabilities of the balance sheet make it possible to analyze the composition and structure of the assets, liabilities, and liquidity of an enterprise, its solvency and financial stability" [4, p. 159].

The comparative analytical balance sheet collects and classifies calculations performed by an analyst when studying the balance sheet. Indicators characterizing the statics and dynamics of the financial position are covered by the comparative analytical balance scheme.

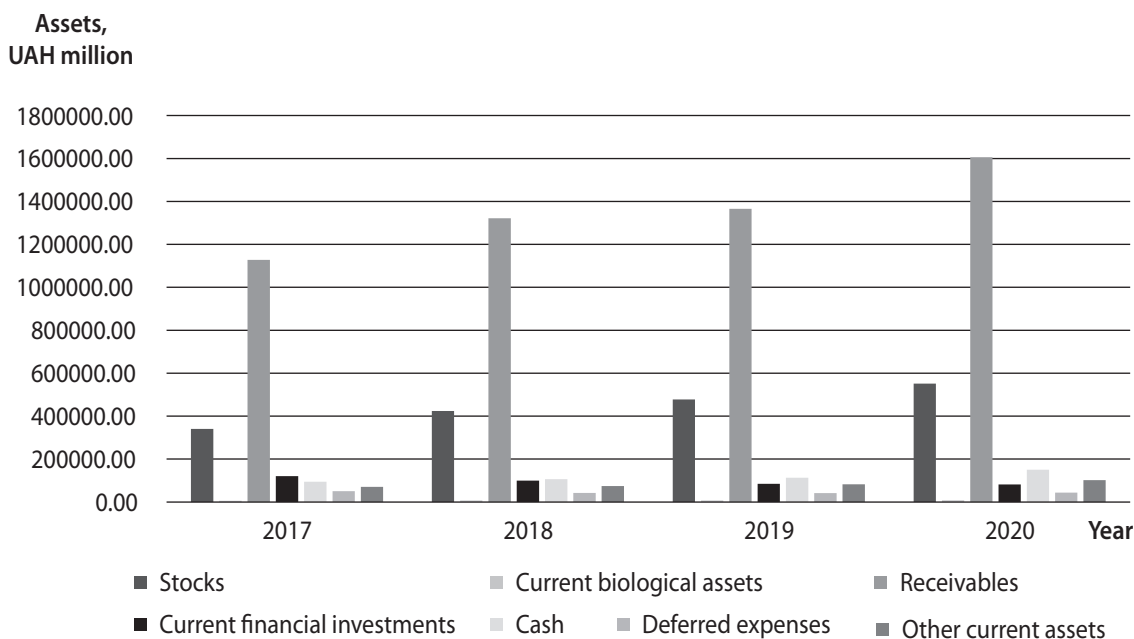
The dynamics of the value of non-current and current assets of small enterprises in Ukraine during 2017–2020 is shown in *Fig. 1* and *Fig. 2*.

The total assets of small enterprises consist of non-current and current assets, and the share of non-current assets remained at 33.2% – 33.6% during 2017–2019, and in 2020 it decreased to 32.5%.



**Fig. 1. Non-current assets of small enterprises in Ukraine, UAH million**

Source: compiled by the authors according to [2].



**Fig. 2. Current assets of small enterprises in Ukraine, UAH million**

Source: compiled by the authors according to [2].

During the analyzed period, fixed assets and intangible assets occupy the largest share among non-current assets, while a significant share among current assets belongs to receivables.

The share of current assets in the total assets of small enterprises during 2017–2019 stayed at the level of 66.4–66.8% and increased slightly in 2020 (to 67.5%). The largest share in the total value of property is accounted for by receivables, making up 41.3–42.6%.

To analyze the sources of property formation, first of all, it is necessary to analyze changes in their composition and structure in the dynamics (*Tbl. 1*).

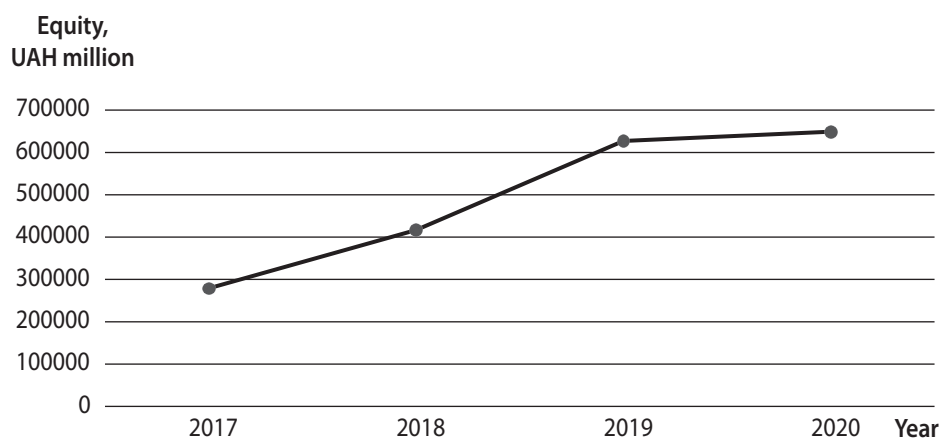
The equity of enterprises tends to grow. Thus, in 2020, compared to 2017, it grew more than twice. In 2020, compared to 2017, long-term liabilities of small enterprises decreased by UAH 52,314.2 million, or 9%. This indicates the fact that enterprises became less likely to attract long-term bank loans or investment resources to increase their assets to expand their core business. Current liabilities of enterprises increased significantly, namely by UAH 726,199.2 million, which is alarming and indicates an increase in the level of their financial dependence.

The dynamics of changes in equity of domestic small enterprises is visualized in *Fig. 3*.

**Analysis of the composition and structure of the property formation sources for small enterprises in Ukraine for 2017–2020**

Sources of property	Absolute values, UAH million				Structure, %			
	2017	2018	2019	2020	2017	2018	2019	2020
1. Equity	278877.3	416472.3	627085.5	649171.5	10.2	13.4	19.3	17.2
2. Long-term liabilities	557152.4	602851.8	457617.8	504838.2	20.4	19.4	14.0	13.4
3. Current liabilities	1892107.3	2084 277.3	2169355.4	2618306.5	69.3	67.1	66.6	69.3
4. Liabilities related to non-current assets	2575.3	3057.8	3406.3	3229.5	0.1	0.1	0.1	0.1
<b>Balance</b>	<b>2730712.3</b>	<b>3106659.1</b>	<b>3257465.0</b>	<b>3775545.7</b>				

Source: compiled by the authors according to [2].



**Fig. 3. Equity of small enterprises in Ukraine in 2017–2020, UAH million**

Source: compiled by the authors according to [2].

An entity is considered profitable if the cost of production is covered by sales revenue that provides sufficient income for its normal operation.

The main tasks of profitability analysis are: to assess the effectiveness of the enterprise at a fixed moment; to detect the changes in profitability for a certain analyzed period; to determine profitability growth reserves. The main sources of information to analyze profitability are the Balance Sheet (f. No. 1) and the Report on financial results (f. No. 2).

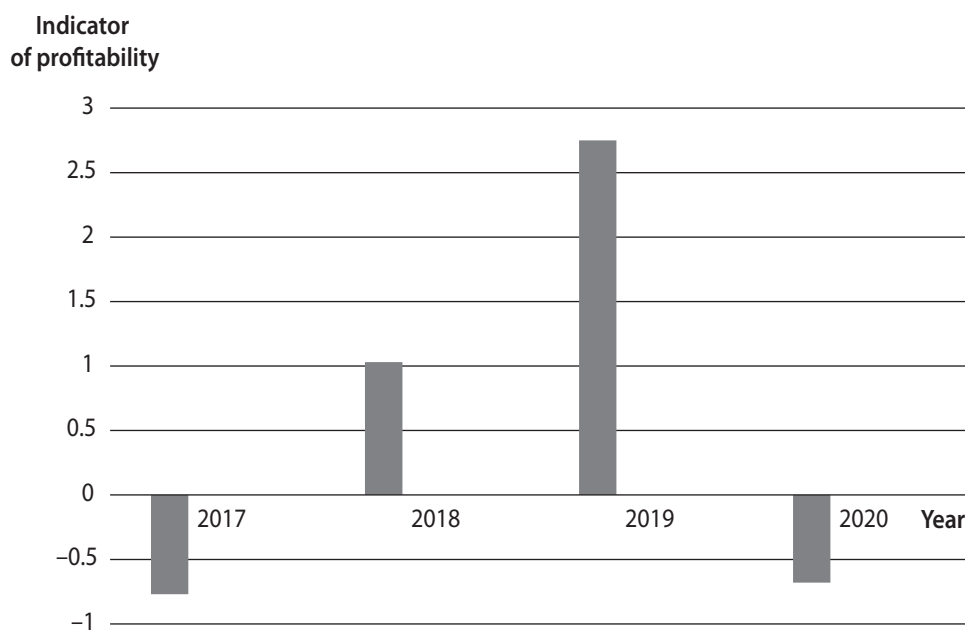
Profitability of assets (property) indicates the amount of profit that the company receives from each hryvnia invested in its assets. This indicator is calculated as the ratio of net income to the average annual value of assets. The return on assets of small enterprises is shown in Fig. 4.

Profitability of the assets of small enterprises in Ukraine during 2017–2020 is given in Tbl. 2.

The level of profitability provided by the operational activity of small enterprises in Ukraine increased during 2017–2020, but in 2020 it decreased to 3.9%. The level of profitability provided by all activities was the highest in 2019, amounting to 7%. In 2020, small businesses were generally unprofitable.

In a market economy, independent producers of goods and services cannot operate successfully in the market without ensuring the economic stability of their business. The modern market is constantly changing. The speed of change is so significant that its use becomes a significant advantage of competing firms. Under these conditions, companies seeking to strengthen their competitive position should focus on new approaches, principles and methods of organizing and conducting business processes based on improving the internal management system of sustainable operation of a business entity. An urgent problem in the development of most Ukrainian enterprises at the present stage is the necessity to look for alternative ways to improve their financial position.

After all, the financial position of an enterprise is the basis of its solvency and creditworthiness. The financial position of a business entity is characterized by a set of indicators that reflect its property status, financial resources, liquidity, solvency, financial stability, business activity, and profitability. The most common methods used in financial analysis include: horizontal and vertical analysis, coefficient analysis, comparison methods, factor method, statistical methods, and balance method. It should be noted that the financial position should be



**Fig. 4. Profitability of the assets of small enterprises in Ukraine in 2017–2020**

Source: compiled by the authors according to [2].

**Table 2**

**Profitability of the assets of small enterprises in Ukraine in 2017–2020, %**

Indicator	Year			
	2017	2018	2019	2020
The level of profitability (loss) provided by the operational activities of enterprises	6.5	8.3	10.7	3.9
The level of profitability (loss) provided by all the activities of enterprises	-2.0	2.7	7.0	-1.8

Source: compiled by the authors according to [2].

analyzed from time to time to monitor its change in dynamics.

The availability, use and improvement of the economic potential of an enterprise influences significantly the efficiency of resource use and increases the level of economic stability of an enterprise in modern economic conditions. Among the characteristics of unstable functioning experienced by modern enterprises are quantitative, qualitative, and structural imperfections of the economic potential of business entities caused by a significant loss of resources while carrying out the reforms and a difficult financial situation of enterprises..

An important way to improve the financial position of domestic small businesses is to optimize the ratio of equity and debt capital, which will reduce financial risk and ensure maximum return on equity.

An entity may reduce its financial liabilities by:

- ✦ reducing the amount of fixed costs (including the cost of maintaining management staff);
- ✦ decreasing the level of conditionally variable costs;

- ✦ expanding accounts payable for transactions with goods;
- ✦ deferring dividends and interest.

The amount of cash assets can be increased by:

- ✦ refinancing receivables;
- ✦ accelerating the turnover of receivables;
- ✦ optimizing inventories (by setting inventory standards through technical and economic calculations);
- ✦ reducing insurance, guarantee, and seasonal stocks for the period of the company's financial crisis.

In modern conditions, not all small businesses conduct a thorough analysis of their financial position on a regular basis. Sometimes management decisions on the further development of an enterprise are made without taking into account the results of such analysis or relevant conclusions, without a clear understanding of the impact such decisions will have on the financial performance of the enterprise. According to O. O. Yatsukh and N. Yu. Zakharova, "... under the current economic

conditions, the vast majority of small businesses do not assess their financial position due to the absence of qualified staff who have experience in financial and analytical work and can reasonably conduct the choice of tools and approaches to its implementation” [8, p. 179].

### CONCLUSIONS

While examining the essence of the “financial position of the enterprise” concept and analyzing various approaches to its definition, it should be noted that there is no single definition, but all the definitions are similar in nature and reflect the company’s financial resources, efficiency, optimal ratio of equity and debt, level liquidity, solvency and profitability, which fact ultimately determines the company’s capacity to finance its future activities, ensuring the appropriate level of competitiveness. It is the financial position of a company that determines the company’s position in the economic environment, the extent to which its business relationships with commercial banks, suppliers, and potential investors can be effective and risk-free.

Summing up the results of the analysis of the property belonging to small enterprises in Ukraine and the sources of its formation during 2017–2020, it should be noted that the value of their property increased during the given period; the share of current assets in the total assets of enterprises in 2017–2019 was almost twice as big as the share of non-current assets; receivables made up the largest part of assets; the equity capital of enterprises tended to increase, while long-term liabilities decreased. The share of equity capital in the structure of liabilities amounted to 17.2% in 2020, which fact indicates that domestic small enterprises are only 17.2% funded from their own funds and, respectively, 82.8% are funded from loan capital. Accordingly, the coefficient of autonomy in 2020 was 0.172, which is much lower than the optimal value. The gradual change in these indicators shows that during the period in question ensuring the appropriate level of financial stability was quite problematic for small enterprises in Ukraine.

Active development of entrepreneurship and creation of new enterprises, whose activities are aimed at achieving certain results are the trends accompanying the formation of market relations in Ukraine. However, low economic stability was, and still is, typical for them. This is especially noticeable during the economic crisis. Therefore, it is extremely important to study economic processes at the enterprise level as the main driving force of national economy. It is at this managerial level that necessity arises to profoundly analyze all the opportunities to achieve and maintain sustainable and effective economic development that are available to every entrepreneur. First of all, economic stability at all other levels of production management depends on the solution of these problems by enterprises. At the same time, a thorough and timely analysis of the financial position of a business entity can show the objective state of its activi-

ties, identify problematic aspects, respond to challenges in a timely manner, anticipate and minimize business risks and make the right management decisions. ■

### BIBLIOGRAPHY

1. Дем’яненко М. Я., Лузан Ю. Я., Саблук П. Т. Фінансовий словник-довідник. Київ, 2003. 507 с.
2. Державна служба статистики України. URL: <http://www.ukrstat.gov.ua/>
3. Приходько Н. І. Поняття фінансового стану підприємства: деякі аспекти його визначення. *Фізическая инженерия поверхности*. 2010. Т. 8. № 2. С. 188–190. URL: <http://dspace.nbu.gov.ua/bitstream/handle/123456789/98878/13-Prikhodko.pdf?sequence=1>
4. Томчук О. Ф. Аналітичні можливості балансу (звіту про фінансовий стан) підприємства. *Причорноморська економічні студії*. 2018. Вип. 28. Ч. 2. С. 152–159. URL: [http://bses.in.ua/journals/2018/28\\_2\\_2018/33.pdf](http://bses.in.ua/journals/2018/28_2_2018/33.pdf)
5. Фінанси підприємств : підручник / [А. М. Поддєрьогін, М. Д. Білик, Л. Д. Буряк та ін.]. 8-ме вид., перероб. і доп. Київ, 2013. 519 с.
6. Шарова С. В., Черкасова О. С. Фінансовий стан підприємства та шляхи його вдосконалення. *Економічний вісник Запорізької державної інженерної академії*. 2018. Вип. 5. С. 145–148. URL: <http://e-visnyk.dniprondise.in.ua/journals/5-17-2018/31.pdf>
7. Ясіновська І. Ф. Оцінка фінансового стану підприємств регіону. *Регіональна економіка*. 2016. № 1. С. 188–195. URL: <https://financial.lnu.edu.ua/wp-content/uploads/2015/10/18.pdf>
8. Яцук О. О., Захарова Н. Ю. Фінансовий стан підприємства та методика його оцінки. *Вчені записки Таврійського національного університету імені В. І. Вернадського. Серія «Економіка і управління»*. 2018. Т. 29. № 3. С. 173–180. URL: [http://econ.vernadskyjournals.in.ua/journals/2018/29\\_68\\_3/35.pdf](http://econ.vernadskyjournals.in.ua/journals/2018/29_68_3/35.pdf)

### REFERENCES

- Demianenko, M. Ya., Luzan, Yu. Ya., and Sabluk, P. T. *Finansovyi slovnyk-dovidnyk* [Financial Dictionary-reference]. Kyiv, 2003.
- Derzhavna sluzhba statystyky Ukrainy. <http://www.ukrstat.gov.ua/>
- Poddieryohin, A. M. et al. *Finansy pidpriemstv* [Enterprise Finance]. Kyiv, 2013.
- Prykhodko, N. I. “Poniattia finansovoho stanu pidpriemstva: deiaki aspekty yoho vyznachennia” [The Concept of the Financial State of the Enterprise: Some Aspects of Its Definition]. *Fizicheskaya inzheneriya poverkhnosti*, vol. 8, no. 2 (2010): 188-190. <http://dspace.nbu.gov.ua/bitstream/handle/123456789/98878/13-Prikhodko.pdf?sequence=1>
- Sharova, S. V., and Cherkasova, O. S. “Finansovyi stan pidpriemstva ta shliakhy yoho vdoskonalennia” [Financial Condition of the Enterprise and Ways of Its Improvement]. *Ekonomichnyi visnyk Zaporizkoi derzhavnoi inzhenernoi akademii*, iss. 5 (2018): 145-148. <http://e-visnyk.dniprondise.in.ua/journals/5-17-2018/31.pdf>

Tomchuk, O. F. "Analytichni mozhlyvosti balansu (zvituv pro finansovyi stan) pidpriemstva" [Analytical Capabilities of the Enterprise Balance Sheet (Statement of Financial Position)]. *Prychornomorski ekonomichni studii*, iss. 28, part 2 (2018): 152-159. [http://bses.in.ua/journals/2018/28\\_2\\_2018/33.pdf](http://bses.in.ua/journals/2018/28_2_2018/33.pdf)

Yasinovska, I. F. "Otsinka finansovoho stanu pidpriemstv rehionu" [The Assessment of Financial Condition of Region's Enterprises]. *Rehionalna ekonomika*, no. 1

(2016): 188-195. <https://financial.lnu.edu.ua/wp-content/uploads/2015/10/18.pdf>

Yatsukh, O. O., and Zakharova, N. Yu. "Finansovyi stan pidpriemstva ta metodyka yoho otsinky" [Financial State of the Enterprise and Method of Its Evaluation]. *Vcheni zapysky Tavriiskoho natsionalnoho universytetu imeni V. I. Vernadskoho. Seriya «Ekonomika i upravlinnia»*, vol. 29, no. 3 (2018): 173-180. [http://econ.vernadsky-journals.in.ua/journals/2018/29\\_68\\_3/35.pdf](http://econ.vernadsky-journals.in.ua/journals/2018/29_68_3/35.pdf)