

## Management specifics of enterprises' current assets in international financial activities

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The formation of competitive advantages of exporters of Ukraine is the key to success in the future development of the country. The comparative analysis of the possibilities for financing and crediting working capital of domestic exporters and TNCs makes it possible to identify, substantiate and propose a system of measures to create competitive advantages for domestic exporters.

**Keywords:** export, state export support, global economy, competitive advantages, types of financing and lending, exporters, TNCs, formation of a competitive advantages system, international activity.

Резнікова Т.О., Мельник А.О. ОСОБЛИВОСТІ УПРАВЛІННЯ ОБОРОТНИМИ АКТИВАМИ ПІДПРИЄМСТВ В МІЖНАРОДНІЙ ФІНАНСОВІЙ ДІЯЛЬНОСТІ

Формування конкурентних переваг експортерів України є запорукою успіху в майбутньому розвитку країни. Проведений порівняльний аналіз можливостей по фінансуванню і кредитуванню оборотних активів вітчизняних експортерів і ТНК дозволяє виявити, обґрунтувати та запропонувати систему заходів щодо формування конкурентних переваг вітчизняних експортерів.

**Ключові слова:** експорт, державна підтримка експорту, глобальна економіка, конкурентні переваги, види фінансування і кредитування, експортери, ТНК, формування системи конкурентних переваг, міжнародна діяльність.

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Формирование конкурентных преимуществ экспортеров Украины является залогом успеха в будущем развитии страны. Проведенный сравнительный анализ возможностей по финансированию и кредитованию оборотных активов отечественных экспортеров и ТНК позволяет выявить, обосновать и предложить систему мероприятий по формированию конкурентных преимуществ отечественных экспортеров.

**Ключевые слова:** экспорт, государственная поддержка экспорта, глобальная экономика, конкурентные преимущества, виды финансирования и кредитования, экспортеры, ТНК, формирование системы конкурентных преимуществ, международная деятельность.

The current stage of development of the global economy is characterized by increased competition in world markets. Domestic exporters face different expressions of competition. One of the most important areas is the exporters' capabilities is a short-term financing of working capital. The increase in the export sales in world markets is built primarily on sales on credit terms. This requires additional working capital from Ukrainian enterprises. The current state of the Ukrainian economy with a high level of inflation significantly reduces the potential of domestic exporters to lend and finance their working capital during international operations, which proves the relevance of this study for the Ukrainian enterprises in current conditions.

The problems of short-term financing and crediting in international operations have been given considerable attention both by foreign scientists and practitioners: Bealey R., Brigham F., Van Horn J., Krasavina L.N., Kruglov V.V., Myers S. and domestic authors: Gavrish A.N., Zakharchenko P.V., Kozak Yu.G., Mozgovoy O.M., Rogach O.I., Ushatsky S.A. and others. However, many issues are insufficiently studied in the current globalization of the world economy, accompanied by a rapid competition growth. First of all, these issues are connected with the formation of systematic competitive advantages of Ukrainian exporters within short-term crediting and financing of their current assets in the international financial activities.

The purpose of this study is to develop and substantiate a set of proposals for the system formation of national exporters' competitive advantages in lending and financing their working capital when entering foreign markets in comparison with foreign enterprises and transnational companies (TNCs).

Exploring existing approaches to financing and crediting of the current assets of domestic exporters in comparison with foreign enterprises and TNCs allowed presenting the results of the comparative analysis in Table 1.

As shown in Table 1, the world toolkit for financing and crediting the current assets of enterprises is quite extensive. However, many of tools are either inaccessible to domestic exporters or used by them in small amounts, thereby losing to foreign competitors.

In order to stimulate exports and ensure high competitiveness of exporters, first of all, they need support from state institutions by using direct financial support methods (duties, taxes, quotas, subsidies, insurance and lending stimulation) and indirect (information assistance, guarantees, organization of exhibition activities etc.) Financial institutions that provide export credit and insurance services have effectively replaced credit subsidies of exporters, which were circulated a few decades ago, but now are considered inadmissible within the WTO.

Export support organizations are widely represented mainly in European countries and the

United States, as well as in Canada, Australia, Japan, Brazil and other countries. The amount of coverage provided by such organizations in 2016 amounted to \$ 1.9 trillion of exports, which is equivalent to 11% of global cross-border trade in goods and services [1]. The top three world leaders, accounting for about 82 % of the export credits coverage, include the German Euler Hermes, the French COFACE and the Dutch Atradius, which indicates a high degree of concentration of the global export credit and insurance market. Their portfolios are characterized by a high degree of diversification by countries, industries, loan terms and activities, in addition, they have state budget support, which allows them providing low interest rates policies (from 0.1%) combined with high credit limits per client.

The results of a comparative analysis of organizations stimulating exporters and the features of their activities in different countries are presented in Table 2.

They show us the absence of a single approach to the formation of the institutional structure of stimulating exporters in the world practice, since the degree of state participation in supporting exporters varies by country. Thus, it is possible to single out state-owned institutions (USA, Japan, China, Italy), private ownership, supporting exporters under state control (France, Germany, the Netherlands) and mixed ownership (Brazil, Spain, Sweden, etc.). In general, export support systems in developed coun-

Table 1

### Types of financing and lending used by enterprises in international business

Types of financing and lending of current assets	Current condition of financing and lending of current assets	
	National exporters	Foreign enterprises, TNCs
Banking methods of working capital lending		
Lending by special state institutions	Credit support is extremely weak	Most countries support national exports
Banking short-term crediting	Access is limited due to the high cost of loans and other conditions	Widespread, low interest rates
Factoring	Slight volumes	Export, import and two-factor types are common
Forfeiting	Used occasionally	Widespread
Intra-company methods of working capital lending		
Direct loans	Not used because of the absence of an extensive foreign corporate structure	Volumes are decreasing
Fronting loans		Widespread
Parallel loans		Common, are being replaced by currency swaps within TNCs
Intra-company methods of working capital financing		
Profit, amortization	Main source	Widespread
Non-banking methods of working capital lending		
Commercial papers	Not available	Widely used, attracting large funds

Table 2

**Exporters stimulating in various countries**

Country	Organization that supports exporters	Property type	Results of exporters support
USA	Export-Import Bank of the United States	State	Export stimulation of more than \$ 600 billion for over 80 years
Germany	Bank Kreditanstalt für Wiederaufbau (KfW)	State	Export crediting for the amount of 13.4 billion euros for 2012
	Euler Hermes Kreditversicherungs-AG	Private	Insurance of export credits for 883 billion euros for 2016 with the annual turnover of 2.6 billion euros
Czech Republic	Export Guarantee and Insurance Corporation EGAP	State	Export insurance for CZK 719 billion for the years 1993-2014.
	Czech Export Bank ČEB	State	Export crediting for 4.3 billion (169 mln. euros) in 2017, of which CZK 3 billion – for the transport industry
France	Compagnie française d'assurance pour le commerce extérieur COFACE	Private	Export insurance in 200 countries for 512.6 billion euros in 2017.
	Public Investment Bank Bpifrance	State	Export crediting for 48.8 billion euros in 2016.
Holland	Atradius Credit Insurance N.V. (SAU)	Private	Export insurance for 1.63 billion euros in 2014.
Japan	Japan Bank for International Cooperation (JBIC)	State	Export insurance and credit for JPY 1.9 billion Japanese yen in 2016
	Nippon Export and Investment Insurance NEXI	State	Export insurance for JPY 7 billion in 2016
Brazil	Insurance bureau of export credits SBCE	Mixed	Export insurance for \$ 1.918 billion for 2000-2003.
	National development bank BNDES	State	Export credit for \$ 18 billion in 2010.
China	Export insurance agency Sinosure	State	Export insurance for \$ 177 billion in 2010, 85% of which were short-term insurance.
	Eximbank of China	State	Export credit for the amount of \$ 30 billion dollars for 2008-2012.
	China Development Bank	State	Export credit for CNY 10.32 billion in 2016.
Sweden	Export Credit Corporation SEK	Mixed	Export credit for SKK 208.7 billion in 2016.
	Export Credit Insurance Administration Exportkreditnämnden EKN	State	The level of export insurance coverage was SKK 259.3 billion in 2016.
Ukraine	Export credit agency (ECA)	State	Is planning
	Ukreximbank	Mixed	Export support worth \$ 150 million in 2017, together with the World Bank.

tries are based on the establishment of several institutions: public and private export-import banks, insurance agencies, expert counseling support centers.

In Ukraine, however, an effective incentive system for exporters has not been implemented yet. As a result, Ukraine's export position continues to decline in comparison with the support on which foreign competitors rely. As the regulatory analysis has shown, from the moment of gaining

independence state export stimulation has been represented by the following steps:

- adoption of the Law of Ukraine “On Foreign Economic Activities” (1991);
- creation of the state Ukreximbank (1992), which functions as an ordinary bank, and not as a bank for lending and supporting national exporters and importers;
- creation of an informational web portal in 2009 (<http://ukrexpert.gov.ua>), as well as an

electronic database of importers/ exporters (<http://www.eximbase.com>);

– adoption of the Concept for the creation of a system of the Ukrainian state export support (2013);

– adoption of the Law of Ukraine “On Ensuring a Large-Scale Export Expansion of Ukrainian Manufacturers through Insurance, Guaranteeing and Reducing Export Credits” (2016);

– establishing the Export Credit Agency (ECA) in 2018.

However, although they mark certain steps in the formation of the supporting exporters system, all of them either do not meet modern requirements, international practice, EU legislation, or are at the initial stage of formation, or remain declarative.

Thus, ECA whose tasks are insurance, reinsurance and guarantees provision under contracts does not function fully. It is aimed at supporting exporters of certain industries in the processing industry, while in more than 70 countries around the world these agencies equally support all sectors, taking into account changing world market conditions.

Consequently, the Ukrainian practice is dominated not by a systemic but by fragmented state support of exporters. If the trade and information export support as well as the development of its infrastructure are stimulated by the state, then the financial aspects (tax incentives, financing, crediting and insurance) do not really work in modern Ukraine.

As a result, national exporters seek to escape from high taxes by creating entangled business

structures from private entrepreneurs, offshore companies, limited liability companies, whereas proven trade finance instruments (from simple letters of credit and bank guarantees to chains built from relatively cheap ECA resources or export-import banks, or structured finance) do not work [2].

TNCs use rather diverse forms of short-term bank lending: overdraft; revolver credit (or revolving line) on a renewable basis; self-liquidating credit etc. And loan costs are low, even unused part of the credit costs to TNCs a low commission (0.5-2.0%). Sources of TNCs borrowing include various international markets.

Bank crediting of enterprises' export activities in Ukraine is problematic. And its effectiveness directly depends on several factors, among which the most significant are the inflation rate of the country and the interest rates of its central banks.

The level of inflation in many countries, especially in developed countries, is very low and even in some unsuccessful years does not exceed 3%, while in Ukraine it varies from 45% to 12-13% (Table 3).

This leads to “washing out” of national exporters' current assets, and they need credit resources for stable functioning, primarily in foreign markets. The competitive position of national exporters is further worsening because of high and instable refinancing rates in Ukraine, expressed by a multiple change in values throughout years, which results in high loan rates. Put it all together, it increases the cost of exporting products in foreign markets.

Table 3

### Dynamics of changes in the inflation level and interest rates by countries

Years	Inflation level by countries, %							
	USA	EU	Switzerland	China	UK	Canada	Japan	Ukraine
2015	0,73	0,17	0,1	1,4	0,2	1,61	0,18	45
2016	2,07	1,16	0,1	1,8	1,6	1,5	0,30	12,36
2017	2,11	1,65	0,2	2,1	2,96	1,87	1,5	13,67
2018, 01	0,54	-0,67	0,6	1,5	-0,48	0,17	0,10	14,1
	Discount rate (or refinancing rate) by countries, %							
2015	0,25	0,05	- 0,75	5,35 – 5,1 – 4,85 – 4,6 – 4,35	0,5	0,75 – 0,5	0	14 – 19,5 – 30 – 27 – 22
2016	0,5	0	- 0,75	4,35	0,5	0,5	-0,1	22 – 19 – 15,5 -15 – 14
2017	0,75 – 1 – 1,25	0	- 0,75	4,35	0,5	0,5 – 0,75 – 1	-0,1	14 – 12,5 – 13,5 – 14,5
2018	1,5 – 1,75	0	- 0,75	4,35	0,5	1,25	-0,1	16 – 17

Source: composed by the authors on the basis of [3; 4]

Among the institutions crediting Ukrainian exports the active position is held by banks: Ukrsibbank, Credit Agricole Bank, Ukreximbank, Oschadbank, Raiffeisenbank Aval, OTP, Deutsche Bank (about 15 Ukrainian banks). The most interesting financing conditions offer banks with a 100% foreign capital, whose letters of credit and guarantees are more readily and cheaply confirmed by foreign banks and accepted by foreign partners.

The development of the lending market is also being intensified by the international financial organizations: EBRD, IFC, European Investment Bank, German banking association KfW, German-Ukrainian Fund and others, offering significant amounts of loans at relatively low interest rates.

With an extensive global structure TNCs solve the problems of working capital crediting also by using intra-company loans: fronting, direct, trade and parallel. The use of three loans is possible within a single TNC, and the fourth involves a contractual relationship with another TNC partner. Fronting loans are the most popular among intra-company loans due to the low risk level. National exporters, unfortunately, cannot use such types of loans because of the absence of an extensive foreign corporate structure of TNCs in Ukraine.

Among other instruments on the Ukrainian money market, as an alternative to bank and intra-company lending, are issues of European commercial papers (EUP) and euronotes. However, this tool is available only for large companies with a high credit rating assigned to Moody's Investor Service, S&P and other international credit rating agencies. As a result, the EUP issue is a less expensive and more liquid instrument for attracting the debt capital of an enterprise with a high rating.

Crediting through EUP and euronotes is not used by Ukrainian enterprises for the same reasons that the stock market in the country stays at

the stagnation stage, stuck at a low level of development and being unattractive for external investors. For example, in terms of capitalization of the stock market Ukraine cannot attain the same level as its closest neighbor, Poland, staying at the level of some Asian countries (Table 4).

It should be noted that a significant share of stock markets in developed countries obtains the issue of commercial papers by foreign enterprises and TNCs, while in Ukraine government bonds dominate. Even if there is an updated legal framework for the issue of commercial papers by Ukrainian exporters, difficulties will arise with their issuance: by the reason of economic difficulties – in the domestic market, because of the absence of a recognized international rating – abroad.

In contrast to national exporters TNCs use the broad opportunities of the world financial markets to finance and lend their working capital, forming a powerful system of competitive advantages (Table 5).

Analyzing the factors presented in Table 5, it should be noted that in Ukraine it is necessary to strive for the formation of similar competitive advantages. The full implementation of the first block is problematic for Ukrainian exporters over their inability to achieve TNCs' profitability in order to take advantages of the mechanisms of intracorporate transfers. The fourth block is also still unattainable because here specific mechanisms for domestic lending are based on a large-scale branched intra-corporate network of TNCs abroad, which is not available for Ukrainian exporters.

Intensification of export stimulation should be aimed at creating the second and third blocks of competitive advantages in the coming years. To achieve this goal, the efforts of the Government of Ukraine, the National Bank of Ukraine should be aimed at forming a system of competitive advantages for national exporters. The absence

Table 4

**Capitalization of world stock markets by countries, 2016 r.**

Country	Capitalization of the stock market, \$ billion	% from GDP
USA	27352,2	146,86
China	7320,7	65,37
Japan	4955,3	100,31
Hong Kong	3193,2	995,06
France	2156,8	87,48
Canada	1993,52	130,32
UK	1871	71,4
Poland	138,69	29,42
Ukraine	0,7	9,5

Source: composed by the authors on the basis of [5; 6]

Table 5

**Competitive advantages in current assets financing used by foreign companies and TNCs**

<b>Forms of crediting and financing</b>	<b>Competitive advantages of TNCs in current assets crediting</b>
1. Financing from own funds	High profit margins and opportunities for their transfers to various TNCs branches abroad through transfer pricing, tariffs, commissions, royalties and other mechanisms of intracorporate transfers
2. Crediting by government institutions that support exporters, commercial banks	Low cost of lending
	Large volumes of lending
	Low level of risks, including currency risks
	Variety of lending forms
	Using different markets for lending in different currencies
3. Non-bank lending methods (commercial papers)	Possibility of obtaining unsecured loans
	No need to register in the securities commission (terms from 14 to 270 days)
	The possibility of raising funds in large amounts
	Rapid issue of high nominal value securities
	The possibility of issuing commercial papers on a renewable basis
4. Intra-corporate loans	Funds attraction at a lower interest rate than bank lending
	Low cost of lending of some units by other within TNC
	Low risks in lending, especially in front and parallel lending
	Ability to bypass currency restrictions of home countries
	Funds concentration in significant amounts from many units of TNC
	Ability to change the loans terms

of such a system leads to a significant decrease in export earnings, losses of growth prospects, country's competitive position on the world market and, as a result, the budget losses.

Conducted research proposes a set of measures to neutralize the competitive advantages of foreign companies over domestic exporters (especially small and medium businesses) in the sphere of working capital financing (Table 6).

In our opinion, financial support for exporters is the most significant and effective measure to encourage exporters at the national level. Given the experience of developed countries [7; 8; 9] and the current contradictory conditions under which private investors and creditors are not ready to invest in Ukraine, the following steps are proposed to develop state support for exporters in the sphere of financing their working capital and reducing risks:

- partial coverage of investment, production and marketing expenses of exporters;
- co-financing of scientific research works of exporters;
- granting export credits (priority to small and medium business) on a preferential basis, grants, investments for development;
- guarantees of obligations fulfillment by exporters for participation in international tenders;
- guarantees for creditors on export credits granted;

– state insurance of certain types of risks, private export credits, long-term leasing, etc.

Such measures that the established ECA can conduct, will allow to raise the exporters' level of trust to the state, step out of the shadow and increase their business transparency, export volumes and attractiveness of the Ukrainian export products in world markets in the near future.

The possibility of issuing commercial papers is also a promising direction of intensifying efforts to create a system of competitive advantages for domestic exporters in working capital financing. The absence of an effective long-term strategy for the development of the country's stock market is the primary reason for the lack of this opportunity. Among the common problems inherent in the securities market of Ukraine, we can distinguish the following: lack of regulatory and legislative support that meets international or European standards, the current needs of Ukrainian business; low level of coordination and cooperation between financial regulators of the country (lack of databases integration of financial institutions, etc.); lack of interest and confidence in the market by internal investors: citizens and business, which is the result of low real incomes of the population, inefficiently working pension reform, violations of minority shareholders' rights, etc.; low level of attracting foreign investments in the country; low level of diversi-

**System of forming competitive advantages  
of the Ukrainian exporters in current assets financing**

<b>Financing types</b>	<b>Measures to increase the level of competitive advantages of Ukrainian exporters in international markets</b>
State export crediting	Formation of the state program to support the national exporter
	Revitalization of the Ukrainian ECA, primarily for working capital lending
Forfeiting	Establishment of a state guarantees system in coordination with foreign banks as avalists (guarantors) and forfeiters
Factoring	State stimulation (taxation, etc.) of the establishment and operation of factoring companies
Commercial papers	Legislation base establishment on the issue of commercial papers, for a period of less than 270 days without registration in the Securities Commission.
	Legislation base establishment on the rating agencies organization on the basis of universally recognized world ratings
Short-term bank crediting	Reduction of interest rates due to lowering refinancing rate and the level of commercial margin

fication of securities market instruments (mainly government bonds), etc.

Some problems are gradually solved. Thus, laws have been adopted to simplify the issuance and circulation of securities in Ukraine (the Law of Ukraine « On amending certain legislative acts of Ukraine on business simplification and attracting investments by securities issuers», dated 16.11.2017), the draft Law on rating aiming to meet regulation rules of rating agencies in Ukraine to global standards is under consideration, etc. But in general, these changes are of general nature and therefore do not have a direct effect on the issuance by exporting companies and circulation of commercial papers and notes.

Thus, to increase the efficiency of national exporters in international markets, it is necessary to form a system that creates, if not competitive advantages, at least equal competitive opportunities for lending and financing of current assets owned by foreign TNCs. For this purpose, the analysis of factors influencing the formation of competitive advantages in crediting the current assets of foreign companies and TNCs was made, the most important ones were identified and priority measures aimed at supporting national exporters were proposed for implementation.

Further research in this area requires exploring the possibilities of using leasing and franchising as tools for financial support of Ukrainian exporters in modern conditions.

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