INFLUENCE OF CAPITAL STRUCTURE ON FINANCIAL STABILITY OF ENTERPRISE

Patuta O.S., Pryshko K.Y.
Students
Institute of Economics and Management
Lesya Ukrainka Eastern European National University

The article examines the essence of enterprise financial stability, external and internal factors of formation of financial stability and the factors that affect it. The authors evaluated the dependence of the financial stability of an enterprise on its capital structure.

The uncertainty of external and internal environment factors has a negative impact on enterprises activity, which reduces the level of their financial stability ensuring. Positive values of financial stability are the basis for the normal functioning of enterprises and gradually increase of their economic potential.

Financial stability is a dynamic, comprehensive, complex and multifaceted concept that requires a balanced approach to determination of directions of its support. It lies in its ability to withstand and adapt to the action of endogenous and exogenous factors. Many scientists agree that financial stability is a company property that reflects the interaction of external and internal attainment factors of financial balance and its ability to evolve.

One of the important components of financial stability is the availability of the necessary amount of financial resources that can be formed only on the condition of efficient operation of businesses and income acquisition. Company uses the income to meet its obligations to the banks and other financial and credit institutions, as well as obligations to shareholders and investors.

Capital structure is mentioned as correlation between equity and loan capital. Equity and loan capital have some differences arising from different rates of return and the capital owners' risk level. Equity capital is own sources of enterprise that entered or left by the founders at the enterprise from taxable income without defining the term of return.

To raise funds the enterprise often use loan capital, since under current conditions it allows accumulating significant amounts of financial resources to implement investment projects. Today there are two main options of ratio of equity and debt capital. According to local scientists, optimal ratio is 50% : 50%, at which the smallest average cost of capital or its lowest marginal cost in the case of additional funding is achieved. Foreign scientists consider optimal ratio of 60% : 40%, that means 60% of equity and 40% of loan capital which ensured a high level of financial stability and profitability of capital.

To increase the efficiency of enterprises it is necessary to analyze thoroughly the impact of various factors on the financial stability over a specific period for the justification of various management strategies, forecasting and plans performance.