ПЛАТФОРМА V. Системні диспропорції розвитку корпоративних фінансів в Україні

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Capital Structure Decisions of Growth-Stage and Maturity-Stage Enterprises

In the context of intensive competition and unfavorable macroeconomic conditions Ukrainian enterprises face an urgent need to activate its’ business activities and establish durable competitive advantages, including its’ access to financing sources represented through capital structure decisions. Favorable capital structure as a competitive advantage is growing in its importance as a significant number of Ukrainian real sector enterprises have already entered a state of Maturity (in terms of Corporate Life Cycle theory) resulting in a limited ability to compete, low market growth prospects, weakening ability to create stakeholder value through common market-actions means.

There is an extensive research supporting an idea of relationship between an enterprise’s life cycle stage and capital structure decisions. Namely A. Damodaran views capital structure decisions as ones influenced by an enterprise’s current life cycle stage due to its evolving financing needs and market circumstances [1]. E. Fama and K. French [2] determine that profitability and growth characteristics are key to an enterprises’ financing decisions, i.e. capital structure peculiarities.

Growth-stage and Maturity-stage enterprises possess different capital structure characteristics driven not only by business-level determinants (e.g., its’ market position and financing needs), but also due to differences in information asymmetry level, credit ratings, investors’ trust level, etc. which represent institution-level determinants. Growth-stage enterprises usually have a significant need for intensive investment programs targeted at competing for a market position which is translated
into negative net cash flow and low profits [3, 4]. For this reason, Growth-stage enterprises are prone to financing its’ business activities through equity capital source as debt financing remains scarce for them [5]. Maturity-stage enterprises on the contrary tend to have a higher exposure to debt financing due to its higher creditworthiness level, specific operational and strategic goals [6].

Considerable attention of researchers is given to another aspect influencing capital structure decisions, i.e. information asymmetry problem in the context of an enterprise’s evolution upon life cycle curve. Authors [7, 8] conclude that information asymmetry’s influence varies depending on the corporate life cycle stages: as an enterprise gains reputation, establishes its credit history and multiplies assets, its access to funding sources facilitates [7, 8]. While at Growth-stage, information asymmetry’s effect severely limits access to financial capital sources [9], while Maturity-stage enterprises have a higher transparency level and lower agency costs resulting in easier access to credit financing sources.

Thus, favorable capital structure and ability to raise credit financing are viewed as a significant competitive advantage for Maturity-stage enterprises. These group has low market growth rate, limited ability to successfully innovate, weak prospects of expanding its target audience, yet an efficient competitive position among its pears might be attained through an enhanced access to large-volume and low-cost credit financing sources. As a result, its ability to create stakeholder value unlocks making this enterprise more attractive to financial capital suppliers.

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«Держава-корпоративний сектор»: можливості формування ефективної моделі взаємовідносин у фінансовому просторі України

Сучасний етап розвитку світової економіки характеризується надзвичайно високою роллю корпорацій. Беззаперечно можна говорити про той факт, що