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FINANCIAL PLANNING AS A TOOL FOR ECONOMIC DEVELOPMENT OF DOMESTIC ENTERPRISES

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One of the most effective ways to support small and medium-sized businesses to update the production capacity and solving their problems is leasing. The access of the large companies to a wide range of tools to attract funding - from loans and bonds to the IPO - raises a number of leasing as one of the many tools available to large companies, while for the small and medium business financing options are very limited.

The simplest solution to the problem of financing small and medium-sized businesses, at first glance, is to attract a bank loan, but, at present, the borrowing of funds from banks in small companies is limited for a number of reasons: distrust of banks to small businesses due to their lack of transparency, the instability of the resulting revenue, lack of collateral security, thus leading to higher interest rates. In this position, the use of leasing acquires additional benefits:

– the possibility of accelerated depreciation;

– lack of debt in liabilities balance, which leads to an improvement of its structure and related financial indicators;

– the inclusion of lease payments in the cost and, accordingly, reduction of the tax base for income tax;

– leasing helps to avoid a one-time withdrawal from the Working Capital to purchase equipment;

– leased asset acts as collateral and other guarantees, as a rule, is not required;

– by leasing you can solve the fixed assets shortage problem of high-tech small enterprises without resorting to bank loans.

The trend of the recent years is that every year the share of small and medium-sized enterprises in the portfolio of leasing companies' increases. This is due to the growing competition between the leasing companies, decreased interest in leases for large companies, desire to diversify its leasing portfolio and participation in government programs to support small and medium-sized businesses. Working with small and medium business imposes its own characteristics. For example, the assessment of risks related to the creditworthiness of potential leases produced using scoring systems, increasing the speed of the decision-making process and the organization of leasing transactions. However, the main condition for the beginning of the lease financing is still its effectiveness for the leasing company.

The possibility and expediency of a given amount of funding in leasing are determined, first of all, with the parameters of the leasing transaction and the ability to assume a certain level of lessor risk. Selection of parameters in the leasing transaction participants depends on the economic interests of each part. To have a deal, the interests of both the lessor and the lessee must be taken into account and harmonized.

Analyzing the available domestic and foreign literature methodology for assessing the effectiveness of leasing projects, it may be noted that there is no clearly applicable methodology for assessing their effectiveness. In particular, at the moment there is no efficiency analysis techniques focused on keeping the impact of leasing projects in the company's value. Using a value-based approach to management decision on the effectiveness of the transaction to the leasing company will take into account a basic methodological principles:

– the principle of controlling – is based on the need to maintain a balance between profitability, development and growth;

– the quality management principles, including the interaction with consumers.

Using the traditional calculation of financial indicators based on accounting data for past periods are not currently consistent with the trends of business development, and calls for predicting the conditions of its maintenance and increases the flexibility of doing business by the timely adjustment of strategy and tactics, taking into account changes in customer preferences. The leasing business is no exception and it is forced to adapt to new business trends, for which financial engineering leasing transactions on the basis of value-based management can be used. First of all, this approach allows us to answer the question, where a compromise is reached with the lessee: brings each additional spent monetary unit the long-term added value of the company or not.

When working with small and medium-sized businesses, as already noted, decisions must be made quickly. For example, risk management solution to the problem of rapid decision-making has been the creation of scoring systems. At the same time from a financial point of view, with the orientation of the company to maximize the value, there is a gap in this regard. Therefore, an urgent task is to develop a model of a financial leasing transaction design options for small and medium-sized businesses with a focus on maximizing the value of the company.

John Finnerty in his article «An Overview of Corporate Securities Innovation» described the ten elements that encourage the development of financial engineering, presented in Figure 1.

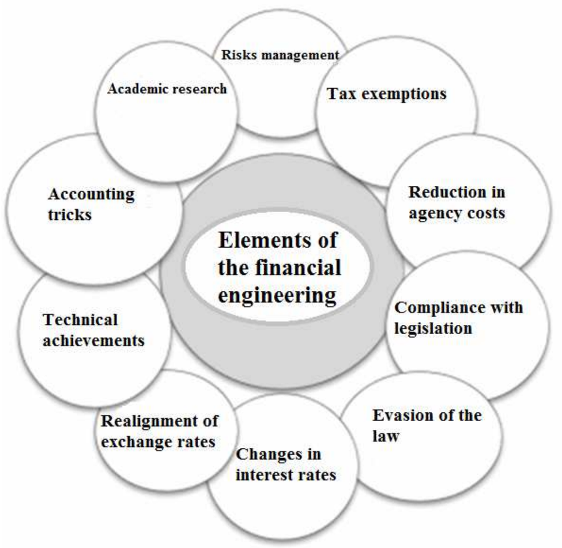

Fig. 1. Elements of the financial engineering

Source: based on the data [1].

Financial design concept performs a part of financial management that allows you to select the most appropriate way to achieve the goals. Using the tools and techniques of all areas of financial management in the framework of financial engineering, the company can implement and optimize the purpose to raise capital, the capital structure to design, organize, control, manage risk, to carry out operations on refinancing of debt, etc.

Dr. Manael Thabet also notes that the financial engineering – a method that is used to improve the financial performance of the company by getting a higher return on assets and a lower cost of capital, together all this affects the value of the company, and hence the welfare of shareholders [2, p.10]. Financial engineering in the first place brings innovation in the financial area in various industries. The development of new tools, processes and technologies contributes to the functioning of the main goals of the company – maximize the welfare of its owners. Making a profit – this is the main characteristic of support and business development. Consequently, companies are constantly creating new and improving existing products, services, processes and organizational structures that will further reduce the company's costs, improve customer satisfaction, and as a consequence, increase profitability.

REFERENCES

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