

Review Paper

# Peculiarities of Supporting Enterprises with the Help of Financial Instruments in the Conditions of Economic Changes in Ukraine

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## ABSTRACT

In the conditions of transformative transformations of the domestic macroeconomic environment, which is associated with the challenges of military aggression, the need for relocation and business recovery, a decrease in the standard of living, and high flows of population migration, it is expedient to determine financial mechanisms for ensuring effectiveness in conditions of economic instability. The formation of the European integration vector of the development of the economy of Ukraine determines a significant role in the implementation of European standards to ensure the competitiveness of the national producer in foreign markets. Solving the issues of post-war recovery and entering new E.U. markets is a top priority for Ukrainian businesses. Financial mechanisms determine the basis for the formation of investment attractiveness, entrepreneurial activity, and competitiveness. The article analyzes financial mechanisms at the level of the macro- and microeconomic environment. The analysis and grouping of financial support of business entity models made it possible to determine the direction of the research. Forecasts of the financial system development were developed based on the definition of realistic, pessimistic, and optimistic scenarios. The methods of implementation of financial mechanisms and their specifics are analyzed, and the resulting indicators are modeled as factors for evaluating the influence model. The analysis of the practical implementation of financial mechanisms and their effectiveness at the enterprise level made it possible to select the key parameters for ensuring the competitiveness and development of national enterprises in the conditions of challenges and transformations. As a result, the authors developed methodological principles for forming and implementing financial mechanisms that can ensure effectiveness and competitiveness at the level of business entities.

## HIGHLIGHTS

- The formation of the European integration vector of the development of the economy of Ukraine determines a significant role in the implementation of European standards to ensure the competitiveness of the national producer in foreign markets. Financial mechanisms determine the basis for the formation of investment attractiveness, entrepreneurial activity, and competitiveness. The article analyzes financial mechanisms at the level of the macro- and microeconomic environment.

**Keywords:** Financial system, enterprises, financial instruments, entrepreneurship, the national economy

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Before the beginning of the full-scale military invasion of the Russian Federation in Ukraine, the national financial markets were actively developing. It is worth citing the example of the largest business deal in the history of Ukraine, worth 400 million dollars. A large part of the finances was accumulated in the I.T. sector, which developed at a high pace I.T. companies in Ukraine had the highest capitalization indicators. However, full-scale military aggression shifted business emphasis from development to survival issues. With the beginning of the full-scale military aggression of the Russian Federation against Ukraine, factors of the external environment had a significant impact on the development of financial systems. In particular, Ukraine's emergency funding for the start of a full-scale military invasion amounted to \$1.4 billion from the International Monetary Fund, a Special Administrative Account for grants and loans from donors was created, and the United24 platform for donations and support for Ukraine was launched in Ukraine. The world found itself in great challenges: the crisis of the security system, which was formed after the Second World War, the food crisis, and the crisis of oil products and gas blackmail. These factors influenced the financial and economic processes in Ukraine and abroad. On July 4-5, 2022, an international conference was held in Switzerland, which was devoted to the issue of finding solutions for the restoration of Ukraine, including the financial system at both the national and international levels, by minimizing the risks of financial impact for most countries of the world. Considering the result of inflation reports in 2022, which predict an increase in inflation in 2022 and its reduction starting from 2023. The economy's recovery is predicted for the period from the beginning of 2024. It is appropriate to talk about the modeling of financial system development scenarios to find effective methods of implementing leading education and implementing financial mechanisms in order to overcome crisis phenomena and ensure the development of business entities.

When considering financial instruments, it is advisable to group them into blocks: assets, liabilities, equity, and derivative instruments. Each financial instrument has its specific impact on the financial system and the enterprise (its operational and strategic activities, ensuring

development, profitability, etc.). The analysis of financial instruments involves a complex multifactorial calculation of the potential effects of the transformation processes of groups of financial instruments. Therefore, considering the relevance and practical significance of the research, the article examines aspects of ensuring enterprises' effectiveness by transforming financial instruments considering external challenges.

### **The purpose of the article**

Therefore, the purpose of the article is to model the forecasts of the development of the financial system of Ukraine in the conditions of challenges and transformations due to a full-scale military invasion and changes in the domestic and foreign economic markets, the projection of the results of the forecasts on the methodological foundations of the formation and implementation of financial mechanisms that can ensure effectiveness and competitiveness at the level of entities management

To achieve the goal of the study, the following tasks were performed:

- ♦ an analysis of models of financial systems and financial instruments of influence on indicators of the macro- and microeconomic environment was carried out,
- ♦ the projection of the results of the effects of challenges and transformations on financial instruments is determined, based on which a realistic, pessimistic, and optimistic scenario of the development of financial systems is developed,
- ♦ a model of factors influencing the microeconomic environment was developed, based on which methodological recommendations were developed for the formation and implementation of financial mechanisms that can ensure effectiveness and competitiveness at the level of economic entities.

### **Literature Review**

The efficiency of the enterprise depends on numerous factors. Management of the system of financial indicators of the enterprise determines the financial results that generally affect the state of development.

Private business is the basis of the formation of the country's economy. In developed countries, small and medium-sized enterprises predominate (in the U.S.A., their share is approximately 99.7% of the economy, in the E.U. and Japan, slightly more than 98.5%). Therefore, small and medium-sized enterprises are the basis of the formation of the country's G.D.P., provide employment for the population, and influence financial results at the macro level. Crediting, leasing and investment attractiveness processes are essential financial tools for business.

In the conditions of minimal external influences on economic systems, the financial instruments of economic entities consist, first, of crediting processes and the formation of investment portfolios in the innovative development system. Such processes take place in the countries of Eastern Europe, which have certain specific tasks and specifics of development (Larisa, M., Eugenia, B. and Liliana, S. 2022]. In the conditions of the scaling of external challenges, macroeconomic, financial processes begin to actively influence the choice of financial instruments of economic entities (Bakhov, 2013).

Therefore, innovative processes, including financial ones, begin at the enterprise level. However, it is worth noting that financial systems at the national level exert a direct influence on financial processes at the level of economic entities, which is particularly relevant in the conditions of external challenges and the instability of the external environment for any economic system (Ostapenko, R., Herasymenko, Y., Nitsenko, V., Koliadenko, S., Balezentis, D., Streimikiene T. 2020). Numerous authors applied the law of necessary holism, the hierarchy of continuity and interdependence, and the law of entropy to determine the set of factors influencing the development of economic entities. The developed methodological approaches made it possible to determine that the influence of financial factors on economic systems should be considered comprehensively: financial, economic, and corporate. The authors note that effective financial regulation significantly strengthens the competitiveness and reliability of the enterprise (Štrukelj, T., Beloglavec, S.T., Zdolšek, D. and Jagrič, V. 2022).

The basis of the study of the financial processes of the enterprise is the analysis of the results of the

financial and economic activity of economic entities in dynamics. The analysis of these indicators makes it possible to form a clear picture of the company's real position in the market, to determine its "weaknesses," and to provide analytical information for the management decision-making processes. Several authors propose to develop a set of factors influencing financial processes that form an ecosystem based on analyzing accounting information and statistical data. As a result of the application of a three-pronged methodology: literature review, expert survey, and self-survey, hypothetical assumptions regarding the effects of the analyzed factors on key financial indicators were determined. The research was conducted based on the creation of geography for the analysis and determination of the connections between the national levels of financial systems and the results of the financial activities of economic entities (Pham, Q.H. and Vu, KP 2022).

It is appropriate to pay attention to the analysis of financial systems in the context of global challenges. In particular, the coronavirus pandemic infection has become a large-scale challenge for the financial and economic systems of the world. Numerous studies determine the impact of external factors on various areas of management and the functioning of households. The results of the pandemic led to a macroeconomic downturn. The results of the analysis determined methodical approaches to the formation of financial packages to reduce the negative economic consequences of the pandemic. Conducting an analysis of the financial condition of enterprises the example of enterprises in the tourism industry, which is one of the most affected by the pandemic, according to the data of the U.N. World Tourism Organization on financial and monetary policy, the role of lending and fiscal policy as an element of financial stability at the macro- and microeconomic levels is determined (Şengel, Ü., Işkın, M., Çevrimkaya, M. and Genç, G. 2022).

It is expedient to determine the financial indicators of enterprises for the development of the commercial sector and the social sector. Challenges of the external environment significantly affect the standard of living and social security of the population (Kostiukevych, R., Mishchuk, H., Zhidebekyzy, A., Nakonieczny, J. & Akimov, O. (2020). Therefore, social enterprises and social projects are highly

relevant in the face of global challenges. Analysis of the Social Enterprise Places initiative (Great Britain). Identified the influence factors on social and economic ecosystems, their organizational, financial, and professional components (White, G.R.T., Allen, R., Samuel, A., Taylor, D., Thomas, R., and Jones, P. 2022).

In conditions of instability, it is expedient to determine the role of the financial risk management system. The number of researchers suggested considering the action of stock markets, monetary policy, investment funds, and securities as elements of financial risks. In particular, the processes of the impact of the drop in the share price of leading Chinese companies in the conditions of the pandemic are simulated, and proposals are developed to minimize the consequences of these risks (Sun, Y., Liu, S. and Chen, S. 2022).

In the conditions of the information society, financial risks are accompanied by information processes. The analysis of the influence of financial risks on information processes and information technologies on the financial risk management system made it possible to determine the weighting factors of the influence of individual factors. Among the influencing factors, a strong positive impact of information technologies on the security of financial systems was determined. In addition to the definition of I.T. security as an effective financial tool, a system of effective financial risk management was defined, which is highly relevant in the conditions of growing dangers and organizational problems in modern corporate financial institutions (Owusu Kwateng, K., Amanor, C. and Tetteh, FK 2022).

Therefore, business research and the development of scientific and technological progress determine new approaches to the formation of effective financial systems. Under the conditions of external challenges, such factors change, transform, lose, or, on the contrary, gain weight in the system of changes and development of the financial system at both the macroeconomic and microeconomic levels. By applying the hierarchical analytical process, selecting a set of the most acceptable influencing factors and evaluating their role in the financial system is possible. The method is based on a multi-criteria approach that can be used to analyze and prioritize factors based on pairwise comparisons

between several attributes that influence the choice of a financial instrument. The financial function and the financial system require finding a balance that ensures the efficiency of the financial system (Berrones-Flemmig, C.N. 2022). To ensure research and confirmation of the proposed hypotheses, it is proposed to group the results of the literary analysis and analyze statistical data, which will allow to develop of the structure of factors and determine their effects.

## MATERIALS AND METHODS

The article uses methods of literature review, analysis, and projection of statistical data and modeling. The literary analysis made it possible to determine a set of approaches to forming factors influencing financial systems. The development of financial systems is a complex concept, so the grouping of research results allowed us to ensure the relevance of the structure of influencing factors. To confirm the models proposed by various authors, an analysis of statistical data was conducted that characterizes the development of the financial system through the accumulation of statistics from the National Bank of Ukraine. Working with statistical data and automated-building systems made it possible to determine trends in the development of the financial system of Ukraine in 2022-2024. It is appropriate to consider that the study is highly unique because financial systems in the conditions of full-scale military conflicts on the European continent are practically unstudied. The risks and consequences of full-scale military aggression are identified as the main trigger for the study. Development trends were developed by projecting the results of the analysis of statistical data of the National Bank of Ukraine. However, the projection of results cannot reflect exact figures, as there are high financial risks associated with a full-scale military invasion. The article analyzes the causal relationships of the influence of factors of the military conflict on the financial system of Ukraine. The analysis determined that the leading factors are the cost and availability of resources for industry, food and fuel, and energy materials, as well as the accessibility of ports, which are the basis of transport logistics. Factors were grouped to develop further models. To confirm the adequacy of the model, three predicted states were developed: pessimistic,

realistic, and optimistic. The impact of each of the proposed factors on the developed states was determined by projection and simulation. As a result of the conducted research, a multifactorial dual model for assessing the financial condition at the macro- and microeconomic levels was developed. Based on the developed model, methodological principles for the formation and implementation of financial mechanisms that can ensure effectiveness and competitiveness at the level of business entities are proposed.

## RESULTS

Analysis of literary sources and statistical data from official reports of the National Bank of Ukraine made it possible to determine:

- ♦ directions of work on the implementation of the system of effective financial instruments in the period of challenges and transformations,
- ♦ to determine models and factors of influence on financial systems,
- ♦ determine the prospects for the development of financial systems,
- ♦ analyze and structure financial instruments that affect the development of the microenvironment,
- ♦ determine the number of recommendations for the development of methodical approaches.

As a result of the analysis, the projection of indicators of financial development at the macroeconomic level in 2022-2024 was determined by projecting trends in the development of the financial system of Ukraine, taking into account the risks and consequences of full-scale military aggression. Two directions have been developed - basic and alternative. The results are presented in table 1.

As a result of the analysis of literary sources, indicators were determined that reflect dynamic changes in the financial system at the macro level. Based on assumptions, statistical data from the National Bank of Ukraine, projections of development trends, it is appropriate to develop three scenarios of the development of the financial system of Ukraine and determine the factors influencing financial indicators. As a result of the analysis, the following influencing factors were identified:

- ♦ migratory movements - the number of people who left the country and the number of people who returned to the country, the number of forcibly displaced people within the regions of Ukraine,
- ♦ the number of the working population, which affects the increase in G.D.P.,

**Table 1:** Forecast of development trends of financial indicators at the macro level, 2022-2024

Indicators	2022		2023		2024	
	Base	Alternative	Base	Alternative	Base	Alternative
<b>Fiscal Sector</b>						
Consolidated budget, caldo, billion UAH	-764	-764	-804	-821	-591	-607
% from GDP	-16,1	-16,1	-13	-13,7	-8,0	-8,6
<b>Balance Of Payments (according to the analytical form of the National Bank of Ukraine)</b>						
Current account, billion dollars.	6,8	6,8	-8,0	-8,3	-5,1	-7,9
Export of goods and services, billion dollars.	57,3	57,3	58,5	53,2	64,3	56,1
Import of goods and services, billion dollars.	82,1	82,1	95,1	92,8	89,2	88,9
Private remittances to Ukraine, billion dollars.	13,9	13,9	16,4	16,9	13,8	15,5
Financial account, billion dollars.	11,7	11,7	1,9	4,5	-5,1	3,8
Consolidated balance sheet, billion dollars.	-4,9	-4,9	-9,9	-12,8	0,0	-11,8
Gross reserves, billion dollars	26,0	26,0	21,7	18,7	27,4	12,6
Months of imports of the future period	3,3	3,4	2,9	2,5	3,5	1,6
<b>Monetary Accounts,%</b>						
Monetary base, %	15,0	15,0	9,3	10,5	6,2	7,5
Money supply, %	13,0	13,0	15	19,5	9,5	11,7
Rotation speed (at the end of the year, times)	2,0	2,0	2,3	2,1	2,5	2,2

Source: National Bank of Ukraine.

- ♦ the level of tariffs for communal services, which can fluctuate significantly in the conditions of martial law, the need to find additional investments for the preservation and restoration of residential and communal infrastructure,
- ♦ global market conditions: the market of agricultural products (primarily, grain), the market of oil and gas, metal, etc.,
- ♦ the openness of ports and access to shipping determines the possibilities of conducting world trade and controlling the growth of prices based on resources and food.

By analyzing the factors of influence, a realistic scenario of the development of events was developed, and its quantitative description was determined. The results of the analysis are presented in Table 2. Based on the analysis of the basic development

scenario proposed by the National Bank of Ukraine, the author developed a realistic, pessimistic, and optimistic development scenario. The results of the calculations are presented in Table 3.

Based on the projection of the results in parameters of 20%, three scenarios of the development of the financial system were formed depending on the analyzed factors. The analysis of the resulting parameters made it possible to develop a model for assessing the financial condition, which can be presented in the form of the following table 4.

The developed model, based on the analysis and projection of trends in the development of the financial system at the macroeconomic level, made it possible to determine the methodological principles of the formation and implementation of financial mechanisms that can ensure effectiveness

**Table 2:** A realistic scenario of the development of factors influencing the financial system of Ukraine. Predicted indicators

Indicators	2022		2023		2024		
	base	realistic scenario	base	realistic scenario	base	realistic scenario	
Full accessibility of Black Sea ports	—	—	from the II half of the year	—	+	from the II half of the year	
Official funding	billion dollars 31,1	31,1	28,0	28,0	20,0	20,0	
Tariffs for gas and heating	unchanging	unchanging	1/2 parity	unchanging	on parity	1/2 parity	
Migration (pure)	million people	-8,0	-8,0	0,4	-1,4	2,5	0,6
World prices:*							
Steel, Steel Billet Exp	USD/ton	623,0	623,0	597,8	597,8	549,3	549,3
F.O.B. Ukraine	% p/p	1,3	1,3	-4,0	-4,0	-8,1	-8,1
Iron Ore, China import	USD/ton	123,0	123,0	106,3	106,3	82,8	82,8
Iron Ore Fines 62% FE	% p/p	-23,9	-23,9	-13,6	-13,6	-22,1	-22,1
Wheat, No.1 Hard Red Winter, ordinary protein, Kansas City	USD/ton	365,8	365,8	310,3	322,2	272,6	304,3
Corn, Yellow #2 Delivery U.S.A. Gulf	% p/p	38,8	38,8	-15,2	-11,9	-12,1	-5,5
Oil, Brent	USD/ton	314,5	314,5	259,9	271,8	229,2	256,6
Gas, Netherlands TTF	% p/p	21,2	21,2	-17,4	-13,6	-11,8	-5,6
Gas transit	USD/ton	102,0	102,0	94,3	94,3	81,4	81,4
Harvest of cereals and legumes	% p/p	44,9	44,9	-7,5	-7,5	-13,7	-13,7
	USD/ 1000M <sup>3</sup>	1644,9	1644,9	1371,0	1371,0	932,3	932,3
	% p/p	185,8	185,8	-16,7	-16,7	-32,0	-32,0
	billion m <sup>3</sup>	21,2	21,2	20,0	20,0	20,0	20,0
	million tons	52,5	52,5	57,0	51,5	62,0	52,5

\*Source: Developed based on statistical data and forecast indicators of the N.B.U.

**Table 3:** Scenarios of the development of factors influencing the financial system of Ukraine, realistic, optimistic, and pessimistic approaches

Indicators		2022			2023			2024		
		pessimistic	realistic	optimistic	pessimistic	realistic	optimistic	pessimistic	realistic	optimistic
<b>Full accessibility of Black Sea ports</b>		stop	intermittent work	uninterrupted work	stop	intermittent work	uninterrupted work	stop	from the II half of the year	uninterrupted work
Official funding	billion dollars	24,88	31,1	37,32	22,4	28,0	33,6	16	20,0	24
Tariffs for gas and heating		stop	1/2 parity	un-changing	stop	1/2 parity	un-changing	stop	1/2 parity	un-changing
Migration (pure)	million people	0,64	0,8	0,96	0,1	1,4	1,68	2	2,5	3
<b>World prices:*</b>										
Steel, Steel Billet Exp F.O.B. Ukraine	USD/ton	498,4	623	747,6	478,24	597,8	717,36	439,44	549,3	659,16
Iron Ore, China import	% p/p	1,04	1,3	1,56	3,2	4	4,8	6,48	8,1	9,72
Ore Fines 62% FE	USD/ton	98,4	123	147,6	85,04	106,3	127,56	66,24	82,8	99,36
Wheat, No.1 Hard Red Winter, ordinary protein, Kansas City	% p/p	19,12	23,9	28,68	10,88	13,6	16,32	17,68	22,1	26,52
Corn, Yellow #2 Delivery U.S.A. Gulf	USD/ton	292,64	365,8	438,96	257,76	322,2	386,64	218,08	272,6	327,12
Oil, Brent	% p/p	31,04	38,8	46,56	9,52	11,9	14,28	9,68	12,1	14,52
Gas, Netherlands TTF	USD/1000M <sup>3</sup>	251,6	314,5	377,4	217,44	271,8	326,16	183,36	229,2	275,04
Gas transit	% p/p	16,96	21,2	25,44	10,88	13,6	16,32	9,44	11,8	14,16
Harvest of cereals and legumes	USD/ton	122,4	102	81,6	113,16	94,3	75,44	97,68	81,4	65,12
	% p/p	53,88	44,9	35,92	9	7,5	6	16,44	13,7	65,12
	USD/1000M <sup>3</sup>	1973,88	1644,9	1315,92	1645,2	10,96	1096,8	745,84	932,3	1371
	% p/p	222,96	185,8	148,64	20,04	38,4	13,36	25,6	32	16,7
	billion m <sup>3</sup>	16,96	21,2	25,44	16	20	24	16	20	24
	million tons	42	52,5	63	41,2	51,5	61,8	49,6	62	74,4

Source: Developed by the author.

**Table 4:** Model of assessment of the financial condition at the macro- and microeconomic levels

	Macroeconomic level	Macroeconomic level: financial instruments
Optimistic	The end of military aggression, the quick implementation of the Marshall Plan, the uninterrupted operation of grain corridors, the balance of state finances, the balance of state migration policy, the balance of energy systems	Financial risk management, increasing the volume of long-term assets, increasing the volume of long-term liabilities
Realistic	Completion of military aggression, implementation of the Marshall Plan, operation of grain corridors with interruptions, partial imbalance of state finances, state migration policy, energy systems	Formation of depreciation funds and current reserves, balancing of short-term and long-term liabilities
Pessi-mistic	Prolonged military aggression, retardation of the Marshall Plan, stoppage of grain corridors, imbalance of state finances, state migration policy, energy systems	Formation of prerequisites for increasing investment activity, balancing current liabilities, increasing long-term liabilities, assets, preservation of fixed assets

Source: Developed by the author.

and competitiveness at the level of business entities, among them the following:

- ♦ balancing long-term and short-term liabilities,
- ♦ formation of depreciation funds and development funds,
- ♦ ensuring the financial stability and solvency of the enterprise,
- ♦ preservation of assets, ensuring their high profitability.

## DISCUSSION

So, the result of the conducted research was the determination of factors influencing financial processes. Among the main influencing factors, which were selected based on the analysis of literary sources and statistical data of the National Bank of Ukraine, projections of three scenarios of the development of financial systems were developed: optimistic, realistic, and pessimistic. As a result of the trend projection, it was determined that the financial prerequisites for the development of the Ukrainian and world economies would be influenced by factors of food security and prices of the main industrial resources: steel, metals, gas, and oil. Modeling the processes of system development will depend on factors directly related to the timing of the end of the full-scale military aggression of the Russian Federation and its consequences. Among the macroeconomic and financial forecasts, it is appropriate to highlight the budget deficit, balance currency, high migration flows, and inflationary risks. The pessimistic development scenario predicts a long-term military conflict and corresponding financial consequences: a decrease in financial activity, a decrease in investment attractiveness, a budget deficit, and currency exchange rate fluctuations. In the case of negative trends in financial indicators at the macroeconomic level, it is advisable to recommend that enterprises implement financial mechanisms aimed at maintaining solvency in terms of financial risk management. When implementing an optimistic development scenario (under conditions of high investment activity), financial instruments at the microeconomic level should be aimed at ensuring strategic development and attracting investments in the post-war reconstruction of the country. A realistic scenario for the development of the

financial system requires business entities to aim for the maximum balancing of financial instruments, etc. ensuring the balance of financial indicators. The direction of research will be the projection of the results of the developed scenarios and tools on economic and financial processes at the level of economic entities.

## CONCLUSION

As a result of the analysis, the factors influencing the financial systems were determined. To a global understanding, such factors are macroeconomic indicators, stability, and investment attractiveness. In the conditions of full-scale military aggression of the Russian Federation in Ukraine, among the main risk factors, the following were identified: the operation of ports as the main transport artery for ensuring food security, the cost of steel, metals, gas, oil, and the main types of food. The article develops three scenarios of the development of events by projecting indicators-factors of influence until 2024. As a result of the development of the projection of influencing factors, a model for assessing the financial condition at the macro- and microeconomic levels was formed. Factors affecting the development of the financial system are determined at the macroeconomic level. The state of the financial system determines the impact on the financial performance of economic entities. In the conditions of global external challenges, such influences only intensify. Accordingly, it is advisable to form a model that would determine the influence of external factors on the choice of tools for implementing effective financial policy at the level of individual economic entities. The model was developed based on optimistic, pessimistic, and realistic development scenarios, therefore it can be transformed in the conditions of dynamic changes and challenges of the environment external to the financial system.

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