

## PROBLEMS OF FINANCIAL PROVISION FOR ENTERPRISE'S ECONOMIC GROWTH

N. Fedorenko, *postgraduate student*

Public discussion has for a long time centered on the decreasing investments and the difficult liquidity situation which most companies face. They have generally been seen to be the primary causes of lacking growth. The size of investments and economic growth are closely related over the medium to long term.

There is a problem of financial provision for enterprise's investment activity at the given stage.

In view of the poorly functioning banking system, the majority of enterprise financing has to be derived from internal sources. This also implies that tax policies should leave companies sufficient room for manoeuvre in the financing area. At the same time, attempts must be made to improve the credit conditions for companies, to maintain low real interest levels, and to improve the banking system's strength. Attracting foreign credits and investments could be another significant part of financing and investment in Ukraine.

However, it is not only the scarcity of supply, an insufficient demand for credit and investment too, leads to a decline in investment. To date not only foreign investment has been limited; many domestic enterprises prefer to invest their funds in foreign countries rather than investing it in the domestic economy (capital flight). The preconditions for increasing the readiness of domestic and foreign investors to invest in Ukraine are stable economic policies, absence of erratic fluctuations in the taxation approach, and the creation of a level competitive playing field.

In the short term it is very important for growth to what extent the lack of liquidity impedes companies from expanding their production. Deficient ongoing financing was again and again mentioned as the cause for production reductions. This argument was then used as justification for the continuance of state subsidies to companies. The reduction of state subsidies must therefore also be looked at from the point of view of financing. In spite of the partial withdrawal of the state from company financing, there are signs that the liquidity situation of companies has not deteriorated.

A.M. Dyadechko, *ELA*