

ECONOMIC DETERMINANTS OF SUSTAINABLE DEVELOPMENT MANAGEMENT

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In today's business environment there is increasing concern for the need to sustainable development which adequately responds to the demands of economic growth.

The rise of scientific scrutiny to sustainable development management is reflected in a great amount of theories and hypotheses which cover a wide range of factors and techniques for sustainable development. The way we see this problem is derived from our intention to reveal economic determinants of sustainable development.

Having analyzed a set of concepts dealing with sustainable development and taken this knowledge into consideration, we are ready to admit that one of the valuable economic techniques for sustainable development implementation is capital structure optimization within separate production enterprise. Hence, we consider optimal capital structure to be one of substantial economic determinants towards sustainable development management.

The general objective of this study is to explore a set of factors influencing capital structure in industrial enterprises of Ukraine in the framework of sustainable development.

This article develops an empirical approach to the problem dealing with optimization of a firm's capital structure. The main idea of the approach is straightforward. As branch specialties impact possible enterprise's capital structure we estimate dependencies of debt/equity ratio on the main influencing factors which include the characteristics of production activity (Table 1). Strong correlations should be taken into account if optimal capital structure strategy is adopted.

The findings from this analysis show that the production indices of the manufacturing companies in Ukraine are significantly related to their capital structure. Thus, they have to orient primarily on their own capital in order to avoid bankruptcy. The observations obtained were being tested on one of the Ukrainian manufacturing companies. Unfortunately, studies have found distortions in capital structure of the company observed via over normative gearing. In this relation, its development was far from sustainable one, running a failure risk at a rate 0.75-1.00.

Table 1. Economic and Statistical Correlation Analysis between Production Indices and Capital Structure Parameters (Debt Ratio)

№	Production Indices	R ² (correlation)	Economic Essence
1.	Cost of production capital assets	-0.9298	Highly capital-intensive production limits access to credits
2.	Capital assets investments	-0.9286	Renovation, as well as modernization and reconstruction, is financed mainly through own corporate capital, retained earnings in particular
3.	Production sales	-0.9291	Additional capital needs under favorable production conditions (increase in production sales) can be met with the help of high capitalization of earnings
4.	Profit	-0.9694	
5.	Bankruptcy	0.9819	Smashup of a business is determined by the overwhelming loan share in the structure of total capital, advanced to economic activity

Taking the results obtained together, such criterion for capital structure optimization as *minimizing the financial risks* is recommended to be used. In the way proposed the manufacturing companies will be able to finance their assets without serious financial losses. These research outputs will significantly facilitate production sector in attaining financial sustainability through determining an optimal capital structure that is going to maintain its sustainable development as a whole. We believe that it can be used in practical capital structure decisions although specific calculations must be fulfilled for each firm that needs such decision.