

Reorganization Capacity of the Ukrainian Machine-Building Enterprises

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Abstract: Machine-building is one of the leading industries of Ukrainian economy. The companies of the industry are engaged in manufacturing of machinery and equipment for virtually all types of industrial activities, contributing 10% of GDP in 2012. In that time as leading countries of the world widely using possibilities of the innovative reorganization of economy, industry of Ukraine is based mainly on traditional technologies, based yet on the early stages of industrialization. Ineffectiveness is an of a particular branch pattern of industrial production. More than 2/3 general volume of industrial products is on industries, which produce raw material and power resources. Part of machine-building in the structure of industry almost in 2-3 times below than level that have the developed countries.

Key words: Ukrainian machine-building • State of the industry • Reorganization • Resource possibilities • Government support • Prospects of the industry

INTRODUCTION

Presently at the market of economic literature of Ukraine the amount of editions which are devoted to machine-building has increased. The next researchers have devoted their works to the question of machine-building development: D.A. Sosnin, N.V. Tarasova, S.P. Timoshenko, G.G. Mukhin, V.V. Klyueva and others. The analysis of literary sources allows to draw a conclusion, that in scientific works of the noted authors the state of machine-building is neither not quite examined, nor examined to crisis situation, which has stipulated the actuality of presented research.

Article's aim is to analyze the state of Ukraine's machine-building enterprises, to outline possible development directions of machine-building enterprises.

Current State of Ukrainian Machine-Building Enterprises Activity: Ukrainian machine-building is characterized by following specifics:

Strengths and opportunities:

- Long historical ties with large clients, firm position on CIS markets;

- Great degree of wear and tear of production and transportation facilities;
- Developed metallurgy industry together with significant reserves of raw materials that satisfy production needs;
- Significant potential of scientific development based on educational level of staff.

Threats and weaknesses:

- Significant part of sales is to Russia, which makes the viability of the industry dependent on political relations between two countries;
- Increase of components and raw materials cost.

The Ukrainian machine-building enterprises are in a condition of deep financial crisis. For Ukraine as a whole characteristic high unprofitability of the industrial enterprises, which level in 2011 made 36% from total of the enterprises. The situation in machine-building is still bigger and the part of the unprofitable enterprises makes 45% [1].

Except an unprofitability problem, the situation worsens because of reduction of volumes of receipts from realization, decrease in level of liquidity, emergence of threat of loss of a financial autonomy and independence.

Table 1: Financial result of Ukrainian machine-building enterprises activity, 2008 – 2012, million UAH

Company	2008	2009	2010	2011	2012
“Avtolivmash”	6,7	-3,5	-1,5	-0,9	1,1
“Experiment”	2,6	-2,7	3,5	-2,3	-2,5
“Dniprovazhmash”	7,3	3,5	1,9	1,1	-0,8
«Titan Factory»	6,2	3,1	-0,8	-1,3	-2,9
“Techinmash”	-1,2	-2,3	-1,8	-0,9	0,5
“Konveermash”	3,8	0,2	-1,7	-0,9	-0,6
“Poltavhimash”	6,9	-5,3	-2,7	0,6	1,7
“Dnipropolimer mash”	-2,7	-2,1	-0,7	-1,6	-2,3
“Plastmash”	3,5	3,1	2,3	0,9	-1,7
“Visar”	3,6	2,5	-0,8	-0,7	-1,3
Average value	3,8	-0,5	-0,2	-0,7	-0,9

Table 2: Proceeds from sales of production of the Ukrainian machine-building enterprises, 2008 – 2012, one million UAH

Company	2008	2009	2010	2011	2012
“Avtolivmash”	55,7	43,4	48,9	50,7	49,7
“Experiment”	46,8	38,7	40,1	38,5	36,2
“Dniprovazhmash”	74,2	60,9	66,7	63,1	59,8
«Titan Factory»	89,5	72,5	72,5	63,2	65,8
“Techinmash”	53,1	47,8	46,3	45,9	49,2
“Konveermash”	48,9	40,4	45,7	47,3	46,2
“Poltavhimash”	75,5	60,3	66,8	60,1	55,7
“Dnipropolimer mash”	110,2	89,5	90,6	91,2	86,1
“Plastmash”	62,1	50,5	58,8	59,7	60,5
“Visar”	68,6	52,4	62,2	56,7	52,1
Average value	68,7	56,4	60,1	57,8	56,5

Table 3: Profit of the Ukrainian machine-building enterprises, 2008 – 2012, one million UAH

Company	2008	2009	2010	2011	2012
“Avtolivmash”	5,6	2,1	0,6	-0,3	0,8
“Experiment”	3,4	0,7	4,2	1,9	-0,6
“Dniprovazhmash”	5,1	8,6	10,5	11,6	10,8
«Titan Factory»	4,2	7,3	6,5	5,2	2,3
“Techinmash”	2,8	0,5	-1,3	-2,2	-1,7
“Konveermash”	7,5	7,7	6	5,1	4,5
“Poltavhimash”	6,3	1	-1,7	-1,1	0,6
“Dnipropolimer mash”	5,5	3,4	2,7	1,1	-1,2
“Plastmash”	2,9	6	8,3	9,2	7,5
“Visar”	3,6	7,2	6,4	6,2	5,8
Average value	5,0	4,6	4,4	3,7	2,8

It allows to claim that now in activity of machine-building enterprises acute financial crisis signs therefore the enterprises need development and deployment of the reorganization actions directed on removal of the enterprises from a crisis state and on ensuring their profitable existence are noted.

The problem of low profitability, high unprofitability and unstable financial condition is the extremely important and actual for the Ukrainian machine-building.

In 2008 – 2012 Ukrainian machine-building enterprises had negative financial result of activity (Table 1).

Problems with unprofitability of machine-building enterprises activity began as a result of world financial and economic crisis of 2009, in 2008 of the enterprise mainly got profit. In 2008 among 10 enterprises unprofitable were only 2 of them, thus the average annual sum of net profit counting on one enterprise made 3,8 million UAH [2].

“Techinmash” and “Dnipropolimer mash” even before financial and economic crisis were in a crisis state which only went deep after 2009. Financial results of machine-building enterprises were affected negatively by financial and economic crisis 2008 - 2009: in 2009 of 50% of machine-building enterprises were unprofitable, and the average size of a loss counting on one enterprise made 500 thousand UAH [3].

Major factors of unprofitability of machine-building enterprises in 2009 were: essential reduction of volumes of orders for production, the growing prices of energy resources that didn't give the chance to machine-building enterprises to cut down cumulative expenses and not to allow losses [4]. The proceeds from sales of production of machine-building enterprises were reduced by 17,9% - from level of 68,7 million UAH on one enterprise to level of 56,4 million UAH on one enterprise (Table 2). In 2010 the proceeds from sales of production grew by 6,5% in comparison with 2009 (to level of 60,1 million UAH on one enterprise), and average unprofitability decreased – to 200 thousand UAH by one enterprise.

In 2012 proceeds from sales of production kept a descending tendency, unprofitability – increased. The profit of machine-building enterprises within the last 5 years was reduced from 5,0 million UAH by one enterprise in 2008 to 2,8 million UAH in 2012 (Table 3).

It is possible to assume that one of reasons of such position in industry there is insufficient attention of leaders of machine-building enterprises to the questions related to the structure of resource potential, which influences on ability of enterprises activity to react the necessities of market and, accordingly, function in the profitable mode.

Analyse testifies the presence of considerable row of problems into which machine-building enterprises run and which slow their development. Generalization of conclusions of researchers which probe consisting of businesses of industry [5, 6] and own results of research, enabled to select such problems:

- Internal demand is limited on the domestic products of machine-building;

- Absence of the real sourcing, which results in doing of reconstruction and technical retooling of enterprises of industry and providing due to it of high quality of machines and equipment, mastering of production of new competitive technique impossible;
- Absence of financial mechanisms and instruments which create the personal interest in innovations, and also stimulate research works;
- Low level of innovative activity of domestic enterprises;
- Insufficient level of solvency of commodity producers, that negatively influences on the state of enterprises – base factories from making of difficult technique are in a difficult financial situation;
- Increase of critical level of wearing out of the fixed production assets of base enterprises, which negatively influences on a competitiveness, quality and unit cost;
- Insufficient development of infrastructure of internal market;
- Insufficiency of circulating money, imperfection of crediting mechanism;
- Dependence of domestic enterprises from CIS;
- Insufficient control is from the side of the state after activity of monopolists and mediators, that results in considerable growth of cost of materials.

Recommendations for Stabilization: World experience shows that without adaptation of innovative activity of the enterprises recovery from the crisis will be complicated and therefore introduction at the Ukrainian machine-building enterprises of model of their innovative development is an objective requirement for increase of competitiveness of national economy as a whole and its branches separately.

Machine-building production has to have higher level of investment and innovative development among branches which enter into an industrial complex of Ukraine [7]. For the solution of questions of stabilization of the Ukrainian machine-building enterprises restructuring which is directed on change of organizational structure of the enterprises, organizational and administrative norms that can lead them to financial improvement, increase in volumes of output has to be carried out and to increase production efficiency.

Machine-building as marks out L.Fedulova, is the main branch of national economy in which production receive the material embodiment practically all achievements of scientific and technical progress [8].

Therefore there is obvious a need of reconsideration of approaches to management of its development as from the state (through allocation and investment support of the priority projects which realization will provide creation of new types resource-saving and functionally more progressive equipment for production requirements and, respectively, will improve a technical component of resource capacity of the Ukrainian manufacturing enterprises), and from certain subjects of enterprises activity (through participation in implementation of the projects directed on improvement of structure of own resource potential, in particular, by its intellectual component). Resource capacity of the Ukrainian machine-building enterprises is used insufficiently that can be connected with its irrational structure.

Negatively high wear of fixed assets which reached critical level (to 75%) influences the general results of activity of the enterprises. Level of technical updating of the industry remains low: the coefficient of elimination of fixed assets of the industry makes 0,93% [9].

Government Support: Machine-building industry is generally regulated by the Cabinet of Ministers of Ukraine and the Ministry of Economic Development and Trade of Ukraine. There are no special laws regulating machine-building industry. However, there are legislative acts envisaged to provide support to the industry. For example, the Law of Ukraine “On stimulation of the development of native machine-building for the purposes of agricultural complex” adopted in 2002. The law stipulates certain measures to support Ukrainian enterprises (with no limitation of the foreign capital or control) producing vehicles and machines designed for agricultural activities. The supportive measures include: partial compensation of (i) interest paid for loans and (ii) of the cost of equipment designed for agricultural activities for the purchasers, as well as direct purchases of agricultural equipment by the government. However, the volume of such support depends on the funds envisaged in the State Budget for a particular year.

Machine-building is one of the key industries of state interest in Ukraine.

According to the “State program of economic and social development for 2012, and general objectives for development in 2013 and 2014”, the major objective for machine-building industry development is to increase production of exportable products by introduction of modern advanced technology. State support program for 2013 includes:

- State compensation of the interest expenses on loans obtained for implementation of high-technology manufacturing;
- Promotion of domestic industrial products in domestic and foreign markets (diversification of foreign markets and a wider representation of domestic industrial products in the markets of North Africa and the Middle East);
- State support of the domestic producers of solar cells and solar power systems.

Among the instruments of state support there will be state guarantees and state insurance for exporters.

Among projected measures to be taken by the government in 2014 are: development of innovative infrastructure, establishment of industrial parks and development of their network.

CONCLUSION

Research of tendencies of machine-building enterprises development shows disproportions in development of branch structure, its discrepancy to priorities of development of national economy. In machine-building branch decrease in innovative activity which attracts the subsequent loss of competitiveness of production of mechanical engineering and replacement of the Ukrainian producers from those market segments what they occupied is observed. Reduction of volumes of activity predetermines low level of profitability of mechanical engineering and a lack of means for financing of technical and technological updating and development – every year in branch the number of workers is reduced, wear of fixed assets increases.

From a crisis situation of the Ukrainian mechanical engineering it is necessary to apply effective macroeconomic regulators which would create certain preferences to the Ukrainian enterprises to an exit [10]. Under these conditions the Ukrainian mechanical engineering can become a vanguard link of an industrial complex, creating conditions for technical re-equipment of all branches of economy. However macroeconomic regulation will solve only partially a problem – protection of the Ukrainian mechanical engineering won't create the strong base for structurally innovative reorganization of mechanical engineering. The actions directed on improvement of structure of resource capacity of machine-building enterprises which has to meet the requirements

of time can be much more constructive. First of all it concerns its innovative component which has to be sufficient for realization of problems of increase of competitiveness of the enterprises and their production. This important strategic task to management of these enterprises and it has to be solved each enterprise. Therefore development of practical recommendations for formation of innovative development of resource capacity of machine-building enterprises and management of its effective use has to become prospect of the following researches.

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