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**INVESTMENT POTENTIAL OF THE ENTERPRISE:
THEORY AND PRACTICE OF ASSESSMENT**

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This article provides systematization of views of scientists about the essence and content of the concept of "investment potential of the enterprise." Authors analyze factors that influence on investment potential of an enterprise. Article summarizes methodological approaches to the economic evaluation of investment potential and areas of improvement. Authors conduct analysis of indexes of the use of investment potential of an enterprise. This article shows necessity of calculating the integral index that comprehensively describes the investment potential of the enterprise.

Keywords: *potential, investment potential, investment potential of an enterprise, investment activity, investments.*

INTRODUCTION

The current socio-economic development of the company depends on effective reproduction its investment potential. Investment potential is formed in the process of recreation of all elements of the production structure of the company. On the one hand, it is the result of effective use of possibilities of the enterprise, and on the other it is a factor of future development.

Works of famous native and foreign scientists, including O. Balatskiy, S. Bobylev, S. Ivanov, N. Krasnokutska, L. Revutskiy, S. Shevchenko represent fundamental theoretical aspects of the research concept of "investment potential of the enterprise".

The problems of recreation of investment potential of enterprise were investigated by such scientists: O. Arapova., O. Vorsovskiy, I. Dun, T. Kucheruk and other. Aspects of forming, efficiency of the use and development of investment potential investigated by N. Cfimenko, N. Krioni, V. Kuzhel', Y. Lityuga etc.

Actuality of the article is conditioned by the fact that Ukraine have signed the association with European Union. This step requires adaptation of the Ukrainian legislation to determination of necessary and sufficient terms of bringing in firstly European investments in development of economy of Ukraine. In this case it is important to conduct procedure of evaluation of potential possibilities of sectors of economy of Ukraine and separate subjects of management in relation to a generation and bringing in of investment resources. A potential investor must have a simple, but reliable tool of evaluation of investment potential of Ukrainian enterprises.

STATEMENT OF THE PROBLEM

The purpose of the article is to improve the scientific and methodological approaches to the economic evaluation of the investment potential of enterprise and its use in the development strategy of the company.

RESULTS

Concept "investment potential" is regarded as possibility of investment of capital with the aim of its next increase or investment possibilities in relation to a conduct, support or maintenance. Also investment potential is determined as complex of internal and external economic resources that create possibilities for economic activity of subjects of management. G. Kyperman explains the investment potential as a set of tools and conditions necessary for the financing of simple and expanded recreation in productive and unproductive spheres [1]. In the works D. Stechenko investment potential is determined as a set of the resources attributed to the investment on the criterion of their possible investment in the charter capital of enterprise [2]. V. Serov names investment potential as the set of cash liquidity, intangible assets and tangible assets that can be directed by enterprises for investment purposes [3]. Thus, most authors define the investment potential as a set of investment resources.

The combination of modern ideas about the nature and content of the investment potential of the enterprise allows to define this concept as a set of investment resources, combined with the possibilities, means and conditions of their involvement and use of investment activity of the enterprise.

The elements of the investment potential are aggregate resource and component capabilities at the level of individual enterprises, regions and areas of the country, ensuring the mobilization and transformation into investments in competitive conditions. The enterprise mechanisms that turn growth of its value in money capital is very important, and create conditions for the development of cycling and opportunities for expansion of investment, both within the company and within the framework of related activities, the creation of subsidiaries and joint ventures [4].

In economic literature the presented researches of investment potential of enterprise are regarded as part of its economic potential. Economic potential is seen as a quantitative and qualitative characteristics of available and possible use of all enterprise resources for economic and social growth. It characterizes the level of investment competition, influence of prices and changes of the state of affairs on investment activity.

Structural investment potential of the enterprise is interconnected with the production, technical, innovation, human resources, financial and economic potential. All these elements serve as funds from their subsequent transformation into investments.

Investments are a special product that is operating on the market. Therefore, the possibility of getting it depends on understanding and taking into account the mutual interests of the partners, the ability to see the object of investment from the position of the strategic investor and assess the investment climate in the enterprise.

Between the concepts of "potential enterprise", "investment potential of the company", "investment activity", "investment funds" there is a close relationship, Figure 1:

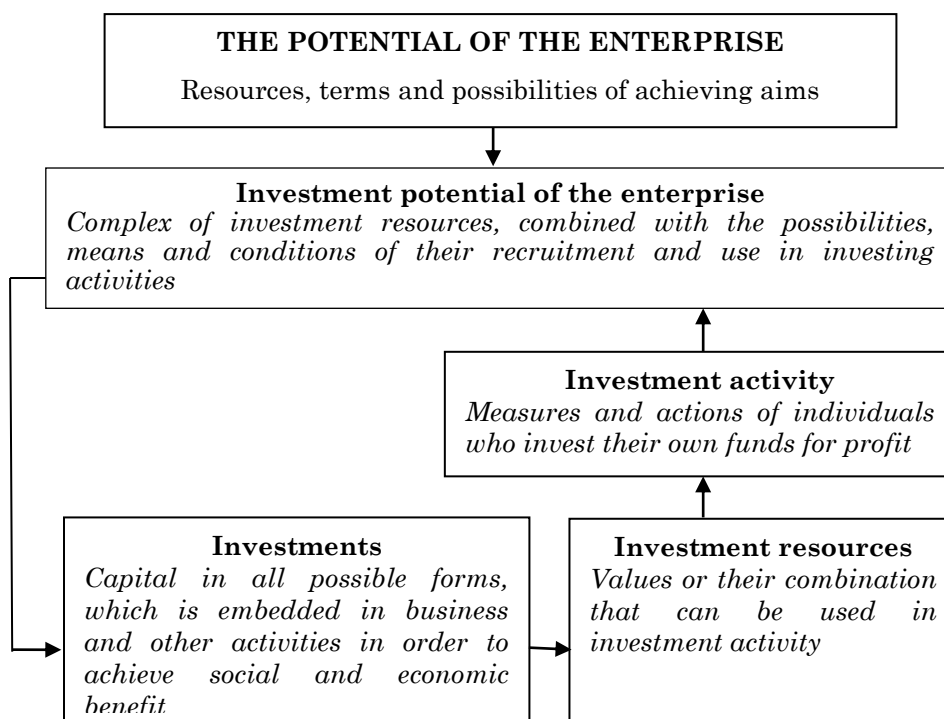


Figure 1 – Conceptualization of the term "investment potential of the enterprise"

So, the investment capacity of the enterprise is an ability to realize investment opportunities to generate additional capital flows due to the mobilization of available resources to improve the value of the investment [5].

It should be noted that significant changes take place in conditions of economy transformation in the field of content category of "investment potential". Accents of investment activity and its implementation mechanisms relocated in a competitive, decentralized system, and new mechanisms are in the process of formation, development and improvement. That is why the category of "investment potential" is influenced by counteracting factors and trends.

The process of forming investment potential takes place under influence of internal and external factors that in turn, can positively or negatively influence on it development. At the present stage of economic development factors of both groups can be found. Formation of investment potential is a natural phenomenon and it depends on what group predominates. Achieving the potential consists on the removal of influence of negative factors that interfere with embodiment of investment possibilities, with the aim of maximization of

profit of company. In accordance with their value potential investors make a decision regarding the advisability of investing, and the company chooses the investment strategy. Thus, the internal factors that positively affect the investment potential include skilled management, high profitability and capital turnover, and the external positive are attractive investment policies and high rates of market development. The most influential internal negative factors are outdated technology, poor marketing policy, high risk investments and others. Negative external factors are the low level of implementation of laws of Ukraine in the field of investment, corruption at various levels of government and high inflation [6].

Under the influence of the above factors the accumulation and realization of the investment potential continuously take part in the reinvestment of company profits and attraction of investment in innovative projects. At the same time, researches have shown that considerable accumulation of investment potential results in the increase of profitability of investments. Over time, the accumulation of investment potential could adversely affect its profitability due to unrealized investment opportunities. That is, there is a limit at which the investment potential begins to decline [7].

Thus, the investment potential of the enterprise includes, on the one hand, the contradiction of modern economic development, on the other content characteristics of the investment process, including a combination of market and state mechanisms, valuation and natural-material forms of movement of investments, a variety of investments and other sources.

An important issue in the research category of the investment potential of the enterprise is the theoretical and methodological foundations for its valuation.

When building a system of assessment of investment potential of the enterprise, above all, we should focus on the needs of potential investors, both native and foreign. According to this statement we can distinguish principles that should form the basis assess of the investment potential of the enterprise:

- reliability - incoming data should be publicly available, the value of which is clear and generally accepted;
- comprehensiveness – it means that it should be taken into account internal and external factors of development and investment potential;
- applied nature - evaluation system must be adapted for use in the practice of companies. The results should be the basis for a strategy of investment and enterprise development.
- unambiguity - the results should not allow double interpretations.
- versatility - evaluation system must be adapted to the evaluation of different industries and regions, but should take into account their specific qualities [8].

The analysis of the scientific and methodological approaches to the assessment of the investment potential of the enterprise showed that the most common ones are:

1. The value approach. In accordance with this method the investment potential is defined as the difference between the future and the present value of the company despite the fact that there was a change in value due to the implementation of investment projects. This method best reflects the economic substance of investment potential. But its drawback is the inability to accurately determine the future value of the company, taking into account

unpredictable environmental factors. Also often they ignore the impact of the various components of the investment potential capital gains;

2. Expert evaluation involves determining the investment potential of the company by group of specialist on the basis of certain groups of indicators. The disadvantage of this approach is the large proportion of the subjectivity of the results. However, it is well suited for the evaluation of components which are qualitative in nature;

3. Evaluation based on one generalized measure. As a generalized measure some authors suggest using, for example, the maximum possible amount of investment resources invested in the business, and assessment based on a generalized measure. As a generalized measure some authors suggest using, for example, the maximum possible amount of investment resources invested in the business and the level of profitability of investments. This approach may be useful during rough estimation of investment potential;

4. A comprehensive approach includes assessment of investment potential based on group of diverse indicators. Its advantage is the possibility of full consideration of all aspects of the formation and use of investment potential. This method is widely used by investment funds and provides partial application of the above approaches. However, disadvantage of this approach consists in its significant complexity;

5. Assessment on the basis of financial performance is a kind of preliminary assessment method of investment potential. It is conducted on the basis of group of financial indexes that characterize investment possibilities of enterprise [9].

The conducted analysis showed that most methodical approaches to the estimation of investment potential of enterprise were based on the complex of indexes that differ in number and differ qualitatively. This does not give the possibility to have definite result. Therefore, we proposed to evaluate the investment potential on the basis of integral indicator and its comparison with the reference value. Thus, it is suggested to use 6 groups of financial indexes in the calculations of integral index of investment potential, Figure 2

The first group is indicators that characterize the financial stability of the enterprise and reproductive opportunity of investment potential. These include the coefficient of financial autonomy, coefficient of financial dependence, coefficient of financial risk and coefficient of concentration of the attracted capital.

The second group is indexes that characterize attracted capital structure and financial independence of the capitalized sources of forming investment potential. These include coefficient of coverage structure of long-term investments, attracted capital structure and financial independence of the capitalized sources.

The third group is indexes of profitability of capital, characterizing the efficiency of the use of the investment potential of the enterprise differentiated by the combined and own capital of enterprise. These include profitability ratios, such as index of profitability of the combined capital and index of profitability of property asset.

The fourth group includes a measure of the absolute values of net cash flow businesses that can be reinvested to increase the investment capacity of enterprises. First of all, it is profit from all activities (operational, financial, investment) and depreciation charges. Income from the investment of the enterprise is allocated separately.

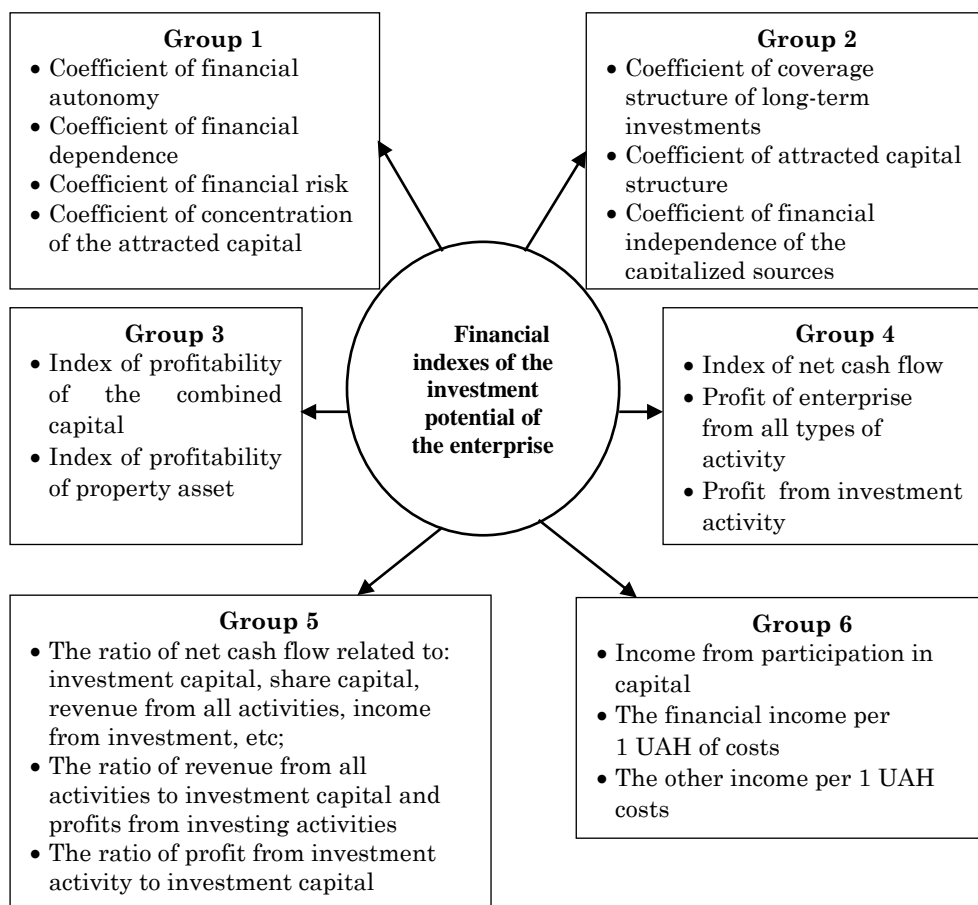


Figure 2 – Groups of indicators of the investment potential of the enterprise

The fifth group is represented by ratios of net cash flow to the sources of investment capital formation. In particular, it is ratio of net cash flow to investment capital, share capital, revenue from all activities and income from investment and so on. This group also owns the ratio of profit from all activities to investment capital and profits from investing activities, as well as the ratio of profit from investment activity to investment capital.

The sixth group is represented by indicators of the level of resources that form the investment potential of the enterprise. These include the ratio between income from the equity to the value of capital invested in compatible, subsidiaries and associates, as well as other types of relationship between revenues and costs [10].

Implementation of this methodological approach in practice involves the following steps:

1. Formation of a group of indicators of the company investment potential. It is necessary to determine the reference value for each indicator. This reference value can be:

- a) the best value rate achieved in recent years during the enterprise's activity;
- b) the best values of the enterprises in the industry;

c) the indicator that suits best the enterprise's development strategy.

2. Standardization of all indicators by comparing actual and reference values. It is necessary to identify factors differentiated by standardizing terms stimulants and de-stimulants.

3. Determination of the integral index for each group of financial performance formula 1:

$$I_i = \sqrt{\sum_{j=1}^m (k_{ij})^2}, \quad (1)$$

Where, I_i is an integral index of the i-group, k_{ij} is a standard rate for those j-group index, m is a number of j-indices of the i-group.

4. Calculation of the integral indicator of investment potential of the enterprise by the formula 2 as the medium geometric:

$$I_{int} = \sqrt[n]{\prod_{i=1}^n I_i}, \quad (2)$$

Where I_{int} is an integral indicator of investment potential of the enterprise, n is a number of sets of indicators

5. Determination of the deviation of the actual value of the investment potential of enterprise from reference.

Calculation of integral indicator of investment potential of the PJSC «Summy Frunze NPO» and JSC "NASOENERGOMASH Sumy" was realized on the basis of methodological and financial reporting of these enterprises, picture 3.

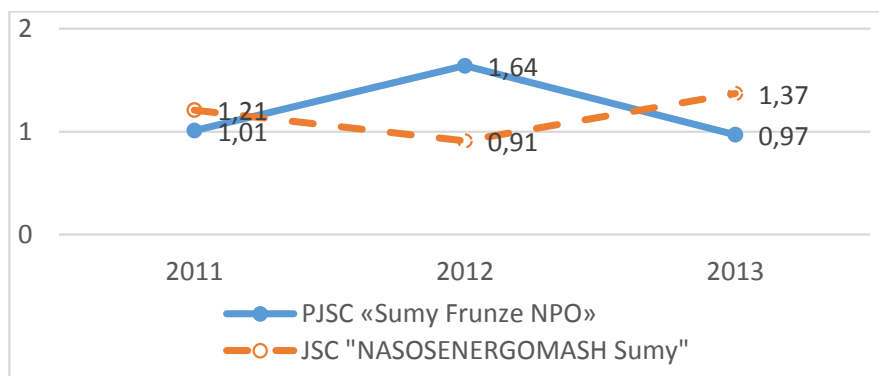


Figure 3 – Changes in the integral indicator of the investment potential of machine-building enterprises in Sumy

The integral indicator of investment potential at PJSC "Summy Frunze NPO" was 53.4% of the reference in 2011, it was 89.4% in 2012 and 51.3% in 2013. This is due to the fact that the amount of net profit increased significantly (to 238 441 thousand UAH) in 2012 (compared to 2011) and that rate of net cash flow from investing activities also increased significantly (to 54703 thousand UAH). However, it was a loss of 159 997 thousand UAH in 2013 (compared to 2012), while net cash flow from investing activities increased by 154 011 thousand UAH.

Integral indicator of investment potential of JSC "NASOENERGOMASH Sumy" totaled 66.1% in 2011, in comparison with the reference value of 49.7% in 2012 and 74.9% in 2013. This trend is explained by the fact that net

earnings decreased significantly to 30 012 thousand UAH in 2012, and the rate of net cash flow from investing activities was -51,740 (while in 2011 it was -137,172 thousand UAH); the volume of net profit increased to 108 557 thousand UAH in 2013, compared with 2012, and the rate of net cash flow from investing activities increased to 202 276 thousand UAH.

The calculated integral indicators of the investment potential of enterprise can determine how actual value differs from the reference indicator.

Testation of methodical provisions for the assessment of investment potential of the enterprises confirmed the possibility to recommend them to practical use. This will allow enterprises to evaluate objectively financial and economic activities; take appropriate management decisions to improve the utilization of investment potential considering possible sources of growth.

CONCLUSIONS

Conducted researches lead to the following conclusions:

1. Investment potential of the enterprise is a set of investment resources, combined with the possibilities, means and conditions for their involvement and use of investment activity of the enterprise.

2. Formation of investment potential is influenced by internal and external factors, which in turn can positively or negatively influence its development.

3. Assessment of the investment potential of the enterprise may be realized by various methods that have both positive and negative features. It is proposed to determine the investment potential on the basis of comparison of the actual value of the integral indicator with its reference value.

4. Investment potential of machine-building enterprises in Sumy was evaluated according to the developed method, which showed that the investment potential of PJSC "Sumy Frunze NPO" was by 48.7% lower in 2013 than its reference value, and the potential of JSC "NASOENERGOMASH Sumy" was lower by 25.1%.

5. The calculated integral indicators of the investment potential of enterprises can determine how actual value differs from the reference potential, as well as investment potential of one enterprise differs from others.

РЕЗЮМЕ

ІНВЕСТИЦІЙНИЙ ПОТЕНЦІАЛ ПІДПРИЄМСТВА: ТЕОРІЯ ТА ПРАКТИКА ОЦІНЮВАННЯ

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У статті здійснено систематизацію поглядів учених щодо сутності та змісту поняття «інвестиційний потенціал підприємства». Проаналізовано фактори, що впливають на інвестиційний потенціал підприємства. Наведено методичні підходи до економічної оцінки інвестиційного потенціалу та напрямки їх удосконалення. Проведений аналіз показників використання інвестиційного потенціалу підприємства. Доведено необхідність розрахунку інтегрального показника, який комплексно характеризує інвестиційний потенціал підприємства.

Ключові слова: потенціал, інвестиційний потенціал, інвестиційний потенціал підприємства, інвестиційна діяльність, інвестиції.

РЕЗЮМЕ

ИНВЕСТИЦИОННЫЙ ПОТЕНЦИАЛ ПРЕДПРИЯТИЯ: ТЕОРИЯ И ПРАКТИКА ОЦЕНИВАНИЯ

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В статье систематизированы взгляды ученых на сущность и содержание понятия «инвестиционный потенциал предприятия». Проанализированы факторы, влияющие на инвестиционный потенциал предприятия. Показаны методические подходы к экономической оценке инвестиционного потенциала и направления их совершенствования. Проведен анализ показателей использования инвестиционного потенциала предприятия. Доказана необходимость расчета интегрального показателя, который комплексно характеризует инвестиционный потенциал предприятия.

Ключевые слова: потенциал, инвестиционный потенциал, инвестиционный потенциал предприятия, инвестиционная деятельность, инвестиции.

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