

Analysis of world's trends of bankruptcy and Ukrainian realities as a recall to the global instability

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ABSTRACT. In the terms of increasing instability in worlds economy, in the article were analyzed the general trends of the global corporate market in the context of bankruptcy fillings. Described the industries that are the most vulnerable to financial instability and highlighted the major corporations that went bankrupt in 2014. Analyzed the unfavorable financial condition of US corporate market in recent years and the general trends that are applicable in the American economy in the context of mentioned topic. Provided the parsing of bankruptcy dynamics of Ukrainian enterprises and analyzed the sectors of the economy, that are the most vulnerable to financial instability. Described the largest enterprises that went bankrupt in 2014. In the article mentioned the general reasons for bankruptcy of Ukrainian enterprises. Concluded the necessity of crisis management both: on corporate and national level in order to prevent bankruptcy fillings and highlighted general features of foreign and domestic systems of state bankruptcy regulation.

KEYWORDS. Bankruptcy, dynamics of bankruptcy, analysis of the global bankruptcy, bankruptcy of US corporations, bankruptcy of Ukrainian corporations.

Introduction

The unstable state of global economy that was observed in the last decade, adversely affects the performance of many enterprises. Today there is a clear tendency in the increase of number of prosecutions for bankruptcy in case of impact of unfavorable factors.. In modern economic science special attention began to pay to the analysis of the dynamics of bankruptcy of the enterprises. There is a clear understanding of the fact: the more tendencies of this problem will be considered, the more effective and appropriate tools will be used in financial crisis management. This, in its turn, will have the positive effect both: on national economic interests and on prosperity of the world economy as a whole.

Analysis of recent research and publications. In the context of global economic instability — a state that recently became characteristic for the world economy — the relevance of bankruptcy analysis has risen to a new level. This topic was reflected in studies of many domestic and foreign scientists.

In the article were used works with the analysis of trends in the bankruptcy of world corporations of such foreign scientists as Charles

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M. Oellermann and Mark G. Douglas², Leslie Hunt³, Loretta R. Cross and Robert L. Moore, Jr.⁴. Among domestic scientists who have studied the phenomenon of bankruptcy and corresponding crisis management, in the article were used works of: P. Brin and A. Bondarenko⁵, E. Mnih⁶, O. Odissiy⁷, I. Oleksandrenka and L. Ischuk⁸, E. Rudenko⁹, V. Hrapkina and O. Chuchko¹⁰.

In the works of these authors were revealed the essence and nature of such concepts as «economic crisis», «bankruptcy» and «sanation», analyzed the causes and effects of the crisis for companies and the economy as a whole.

Goal of the article. To analyze the bankruptcy dynamics of global corporations and Ukrainian companies: to find common and distinctive features.

The world's trends in bankruptcy fillings by sectors of business activity

In modern terms the financial condition of many commercial organizations is worsening because of the effect of increasing global economic instability. Thus, each year the bankruptcy reports show newly added global players in its statistics.

Business dictionary provides definition of bankruptcy as of a legal procedure for liquidating a business (or property owned by an individual) which cannot fully pay its debts out of its current assets. Bankruptcy can be brought upon itself by an insolvent debtor (called voluntary bankruptcy) or it can be forced on court orders issued on creditors petition (called 'involuntary bankruptcy'). Two major objectives of a bankruptcy are:

1) fair settlement of the legal claims of the creditors through the distribution of debtor's assets;

² Charles M. Oellermann United States: The Year In Bankruptcy: 2014 / Charles M. Oellermann and Mark G. Douglas, 2015 [Electronic resource]. — Access mode: <http://www.mondaq.com/>

³ Leslie Hunt. What is bankruptcy? / Official site of Bankrate [Electronic resource]. — Access mode: <http://www.bankrate.com/finance/basics/what-is-bankruptcy.aspx>

⁴ Loretta R. Cross United States: Lessons From The Tronox Bankruptcy / Loretta R. Cross and Robert L. Moore, Jr. 2015 [Electronic resource]. — Access mode: <http://www.mondaq.com/>

⁵ Brin' P.V., Bondarenko A.Yu. (2013), «Analiz suchasnoho stanu instytutu bankrutstva Ukrainy» Visnyk NTU «KhPI». — № 69. [In Ukrainian].

⁶ Mnykh Ye.V. (2011), «Ekonomichnyj analiz»: pidruchnyk [Electronic resource]. — Access mode: <http://pidruchniki.com/>. [In Ukrainian].

⁷ Odosij O. (2015), «Deval'vatsiia hryvni — rezul'tat nekompetentnosti vlady chy ob'iektyvna real'nist'?» Official site of Commons [Electronic resource] — Access mode: <http://commons.com.ua/devalvatsiya-grivni/>. [In Ukrainian].

⁸ Oleksandrenko I.V., Ischuk L.I. (2015), «Osnovni prychny bankrutstva pidpriemstv», Ekonomichnyj forum. — №2. [In Ukrainian].

⁹ Rudenko Ye.M. (2014), «Suchisni tendentsii bankrutstva v Ukraini ta zakhody zapobihannya neplatospromozhnosti vitchyznianskykh pidpriemstv», Naukovyj visnyk Kherson's'koho derzhavnogo universytetu. — №5, Ch.3. — s. 21-25. [In Ukrainian].

¹⁰ Hrapkina V.V., Chuchko O.P. (2015), «Adaptatsiia svitovoho dosvidu antykryzovoho upravlinnia v Ukraini», Tekhnolohycheskyj audyt y rezervy proyzvodstva. — № 1/7(21). [In Ukrainian].

2) to provide the debtor an opportunity for fresh start ¹¹.

According to the American legislation standards, the bankruptcy term can be divided on two aspects: Chapter 7 and Chapter 13.

Chapter 7 — commonly known as liquidation: it usually takes four to six months from the date of filing to the final discharge. The company can file only once in six years. This form of bankruptcy basically allows filers to give up assets in exchange for discharge of their debts. This is frequently the option for companies that have few assets, often little or no income, and a lot of debt.

Chapter 13 — debtors must pass the «means test,» meaning when they file, their income must be less than the median income in their state. If a debtor's income is above the state's median and the company can afford to pay \$100 per month toward paying off debt, then the filer will be forced to file under Chapter 13¹².

The comparison of Chapter 7 and 13 is provided on Figure 1 in a glance.

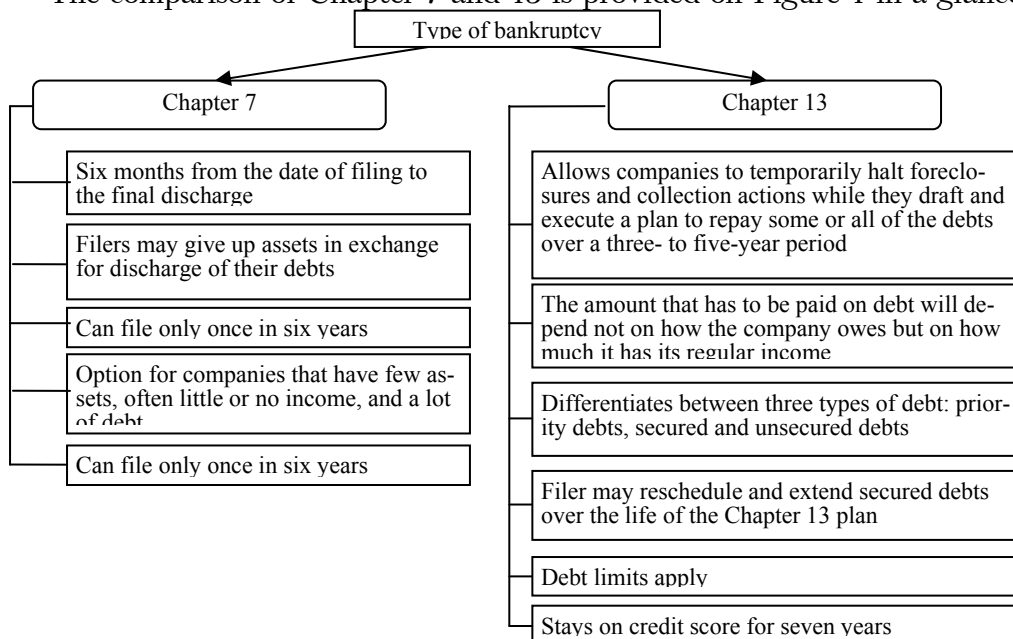


Fig. 1. Core characteristics of bankruptcy types in USA¹³

¹¹ Business Dictionary [Electronic resource]. — Access mode: [http://www.businessdictionary.com/ definition/bankruptcy.html](http://www.businessdictionary.com/definition/bankruptcy.html)

¹² Leslie Hunt. What is bankruptcy? / Official site of Bankarate [Electronic resource]. — Access mode: <http://www.bankrate.com/finance/basics/what-is-bankruptcy.aspx>

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According to the New Generation Research, in 2014 bankruptcy affected completely different economic sectors — energy, ship building, telecommunications, petroleum sphere. Such industrial giants went bankrupt as Energy Future Holdings Corp., of the total of assets — 40.970 million. USD, NII Holdings, Inc. — 8.679 USD, Genco Shipping & Trading Limited — 2,957 million. USD, etc. More detailed information regarding bankruptcy of largest TNCs in 2014 is listed in Table. 1 in descending order of the total estimated number of assets (mln. USD).

*Table 1 Bankruptcy of largest TNCs in 2014*¹⁴

| Company Name | Date of Bankruptcy | Sphere of Economy | Assets, mln. USD |
|--|--------------------|---|------------------|
| Energy Future Holdings Corp. | 4/29/2014 | Electric Utility Company | 40,970 |
| NII Holdings, Inc. | 9/15/2014 | Wireless Communications Provider | 8,679 |
| Genco Shipping & Trading Limited | 4/21/2014 | Ocean Transportation Vessels | 2,957 |
| Momentive Performance Materials Inc. | 4/13/2014 | Produces Silicone & Advanced Materials | 2,694 |
| USEC Inc. | 3/5/2014 | Energy Company | 2,266 |
| Eagle Bulk Shipping Inc. | 8/6/2014 | Ocean Cargo Transportation Co. | 1,723 |
| Endeavour International Corporation | 10/10/2014 | Independent Oil & Gas Co. | 1,525 |
| First Mariner Bancorp | 2/10/2014 | Bank Holding Company | 1,378 |
| James River Coal Company | 4/7/2014 | Coal Production & Sales | 1,204 |
| GT Advanced Technologies Inc. | 10/6/2014 | Produces Equipment for Electronics Industry | 1,187 |
| Revel AC, Inc. (2014) | 6/19/2014 | Resort/Casino Owner & Operator | 1,148 |
| Sorenson Communications, Inc. | 3/3/2014 | Provides Telecommunications Products & Services | 645 |
| Tuscany International Drilling Inc. | 2/2/2014 | Provides Oil Field Services | 645 |
| MModal Holdings, Inc. | 3/20/2014 | Health Care-Related Data Preparation | 627 |
| Global Geophysical Services, Inc. (Autoseis) | 3/25/2014 | Seismic Data Provider | 553 |
| Dolan Company, The | 3/23/2014 | Provides Professional Services & Information | 450 |
| Dendreon Corporation | 11/10/2014 | Biotechnology Company | 434 |
| Brookstone, Inc. | 4/3/2014 | Specialty Retailer | 406 |
| Coldwater Creek Inc. | 4/11/2014 | Women's Apparel Retailer | 346 |
| UniTek Global Services, Inc. | 11/3/2014 | Provides Wireless Telecom Services | 271 |

¹⁴ New Generation Research — Experts in bankruptcy research. 2014 [Electronic resource]. — Access mode: <http://www.bankruptcydata.com/>

According to the New Generation Research analysis, 2014's average prepetition asset figure rose to its highest total since 2009, once again largely as a result of Energy Future's tremendous size. 2014's average asset count was \$1.3 billion, compared to 2013 year's \$600 million. In addition to being the largest bankruptcy of 2014, Energy Future is also the fourth largest (excluding purely financial companies) of all time. The three largest historic bankruptcies (again, excluding purely financial companies) are WorldCom in 2002, General Motors in 2009 and Enron in 2001, respectively.

The decline in the number of public company filings is also consistent with recent activity seen in the business bankruptcy sector, in general. New Generation Research reports that all categories of business bankruptcies (both public and private companies) have dropped steadily since 2007, and 2014 proved to be no exception: 2014 saw a 19% reduction in filings since 2013—with a dramatic 44% drop since 2012.

Once again examining public company statistics, 2014's activity continued a trend seen over the past few years with filings heralding from a wide range of industries. This represents a marked departure from the bankruptcy cycles of (1) 2000-03 and (2) 2008-09, which were clearly dominated by certain sectors (telecom/technology and financial services, respectively). As was the case in both 2013 and 2012, health care & medical industry bankruptcies once again led this year's filing count with eight of the year's bankruptcies (roughly 15% of total filings) coming from this sector, followed closely by six filings each from both the oil & gas and retail industries.

The structure of public bankruptcies in 2014 by industry with 4 or more filings is represented on Figure 2.

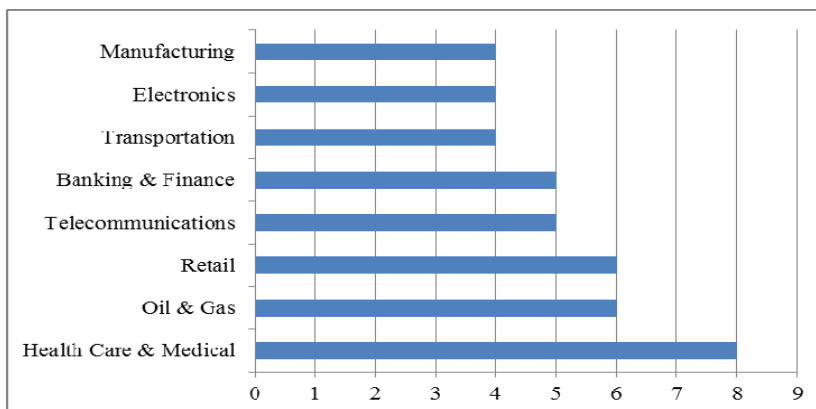


Fig. 2. World public bankruptcies by industry, 2014¹⁵

¹⁵ New Generation Research — Experts in bankruptcy research. 2014 [Electronic resource]. — Access mode: <http://www.bankruptcydata.com/>

Analysis of American corporate sector in the prism of bankruptcy filings by spheres of economy

Compared to much of the rest of the world, the United States had the most positive economic, business, and financial news in 2014. Developments abroad were less hopeful, with Europe and Japan backsliding into recession, China's economic growth stagnating, Russia staggering under the weight of international sanctions for its meddling in Crimea and Ukraine, Argentina defaulting on its sovereign debt for the second time in 13 years, Venezuela brought to its knees by plummeting crude oil prices, regions of the Middle East ravaged by civil war and Islamic militants, and West Africa devastated (physically and economically) by the impact of Ebola.

According to government data released on December 23, the U.S. economy grew at its fastest rate in more than a decade from July through September—the latest sign that the economic recovery is running full speed ahead. The U.S. Commerce Department reported in October that gross domestic product («GDP») growth hit an annualized rate of 5 percent in the third quarter, a rate of expansion not seen since 2003.

Business bankruptcy filings continued a downward trend in 2014 in the United States. The Administrative Office of the U.S. Courts reported that business bankruptcy filings in FY 2014 totaled 28,319, down 19 percent from the 34,892 business filings in FY 2013. Chapter 11 filings totaled 7,658 in FY 2014, down 20 percent from 9,564 in FY 2013.

The data for bankruptcy filings in CY 2014 paint a similar portrait. According to Epiq Systems, total commercial bankruptcy filings during CY 2014 were 34,455, a 22 percent drop from the 44,083 filings during CY 2013. Chapter 13 business filings were 5,172 for 2014, compared to 6,598 for 2013. There were 21,211 chapter 7 commercial filings in 2014, compared to 27,662 for 2013. Fifty-nine chapter 15 petitions were filed on behalf of foreign commercial debtors in CY 2014, compared to 82 in CY 2013 and 116 in CY 2012¹⁶.

The number of bankruptcy filings by «public companies» (defined as companies with publicly traded stock or debt) in 2014 was 52, according to data provided by New Generation Research, Inc. («NGR»). It was the smallest number of public bankruptcy filings since at least 1980 (and perhaps ever, according to NGR). There were 71 public-company filings in 2013, whereas 87 public companies filed for bankruptcy in 2012. At the height of the Great Recession, 138 public companies filed for bankruptcy in 2008 and 211 in 2009. The combined asset value of

¹⁶ Charles M. Oellermann United States: The Year In Bankruptcy: 2014 / Charles M. Oellermann and Mark G. Douglas, 2015 [Electronic resource]. — Access mode: <http://www.mondaq.com/>

the 52 public companies that filed for bankruptcy in 2014 was \$71.8 billion. For the third straight year, the health-care and medical sector claimed the largest number of bankruptcies, followed by oil and gas, retail, telecommunications, transportation, banking and finance, and electronics.

The year 2014 added 11 public-company names to the billion-dollar bankruptcy club, compared to 10 in 2013. Counting private-company and municipal filings, the billion-dollar club gained 13 members in 2014.

Twelve public and private companies with assets greater than \$1 billion exited from bankruptcy in 2014—including six of the 13 billion-dollar public and private companies that filed in 2014. Continuing a trend begun in 2012, more of these companies reorganized than were liquidated or sold. Notable among them was chemical conglomerate W.R. Grace & Co., which emerged from chapter 11 on February 3, 2014, more than 12 years after filing for bankruptcy protection to deal with billions of dollars in asbestos liabilities.

The Federal Deposit Insurance Corporation (the «FDIC») shuttered 18 banks in 2014, compared to 24 in 2013. This represents the lowest number of bank failures since 2007. There were 157 bank failures in 2010 and 140 in 2009, during the height and immediate aftermath of the Great Recession.

The composition of the Top 10 List of public bankruptcy filings for 2014 indicates that the U.S. has largely left behind the fraud, excess, abuse, and improvidence that dominated the bankruptcy landscape during the 2007–08 financial crisis and the ensuing Great Recession. Continuing a trend that began in 2012, only a single representative from the banking and financial services industry made the cut. The remainder reflect more recent market-driven developments, including a drop in cargo shipping rates worldwide (two companies) and plunging fossil fuel, electricity, and nuclear power prices (four companies). Other debtors on the Top 10 List for 2014 were undone by product/infrastructure obsolescence, slowing economic growth abroad, and faulty product design. Each company gracing the Top 10 List for 2014 entered bankruptcy with assets valued at more than \$1 billion. Five of the 10 both filed for and emerged from bankruptcy in 2014—all but one as a reorganized entity (owned, with a single exception, by creditors).

Thus, the biggest international companies, that faced bankruptcy in year 2014, were:

- 1) Dallas, Texas-based Energy Future Holdings Corp. («Energy Future») surged into the No. 1 spot on the Top 10 List for 2014 when it filed for bankruptcy on April 29, 2014, in the District of Delaware with \$41 billion in assets and \$49 billion in debt. Following months of spec-

ulation over when it would file, the private equity-backed electricity provider filed for bankruptcy to implement a restructuring that would split the company between groups of creditors and eliminate more than \$26 billion in debt. Formerly known as TXU Corp., Energy Future in 2007 was the subject of what was then the largest leveraged buyout ever. It was undone by a staggering debt load and plunging electricity rates caused by a free fall in natural gas prices, as hydraulic fracturing of shale rock unleashed a glut.

2) *NII Holdings, Inc.* («NII»), a Reston, Virginia-based telecommunications company with 13,600 employees, grabbed spot No. 2 on the Top 10 List for 2014 when it filed for bankruptcy protection in the Southern District of New York on September 15, 2014, with \$8.7 billion in assets and \$3.5 billion in debt. Through its subsidiaries, NII provides wireless communication services under the Nextel name in Brazil, Mexico, Argentina, and Chile. Formerly known as Nextel International, Inc., NII changed its name in December 2001 and emerged from bankruptcy in November 2002¹⁷.

Analysis of Ukrainian business entities in the prism of bankruptcy fillings by spheres of economy

Bankruptcy and insolvency are the categories of market economy that describe the financial position of business entities. According to the Law of Ukraine «On renovation debtor's solvency or declaring it bankrupt» under the bankruptcy we understand recognized by the court the failure of the entity to meet its financial obligations to the creditors and mandatory payments within three months after the prescribed period for payment, and the ability to restore its solvency only through the use of liquidation procedure¹⁸.

Great tempests on global corporate level did not pass Ukrainian realities. In such periods bankruptcy mechanism is some kind of criterion for more efficient companies. In order to evaluate the scale of the crisis, it is necessary to analyze the number of bankruptcy proceedings of the business entities (Figure 3).

If for the global corporate market the bankruptcy is typical for all economic areas and for the private sector, for Ukraine in the total number of bankrupt companies in 2013, the main feature is the massive bankruptcy in agricultural area and increase in the number of bankrupt state enterprises. At the same time, the number of enterprises that re-

¹⁷ Charles M. Oellermann United States: The Year In Bankruptcy: 2014 / Charles M. Oellermann and Mark G. Douglas, 2015 [Electronic resource]. — Access mode: <http://www.mondaq.com/>

¹⁸ Zakon Ukrainy «Pro vidnovlennya platospromozhnosti borzhnyka abo vyznannya yoho bankrutom» [Electronic resource]. — Access mode: <http://www.rada.gov.ua.> [In Ukrainian].

ceive damage from its activities is increasing and thus such enterprises have the conditions for bankruptcy in the future.

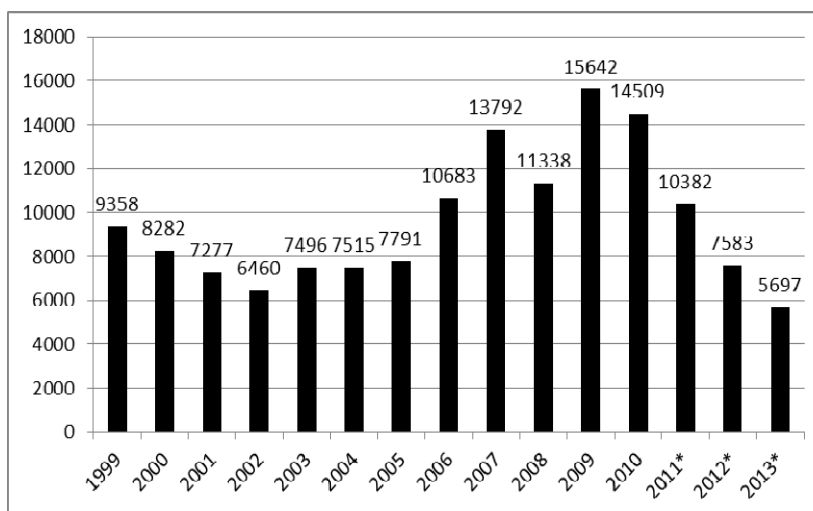


Fig. 3. The amount of bankruptcy cases raised by the business entities in period 1999 – 2013¹⁹

Financial result of large and medium-sized enterprises in the first quarter of 2014, in a whole amounted to -128.5 billion UAH (before tax) compared with profit of 1.3 billion UAH. The number of unprofitable enterprises in Ukraine increased significantly and reached up to 50% of the total against 45.3% for the first three months of year 2013.

Ukrainian enterprises, except for small enterprises and budget organizations, in January-September 2014 faced 168.026 billion UAH losses before tax, while in the same period in year 2013 they received 24.106 billion UAH of profit. In January-September compared to the same period in year 2013, the financial result of profitable enterprises increased by 68.2% – up to 215.507 billion UAH. Simultaneously, the financial result of unprofitable enterprises increased by 3.7 times – up to 383.533 billion UAH. In 2013, Ukrainian companies gained 24.722 billion UAH of profit before taxation that was 3.4 times lower than the analogical indicator for year 2012.

In 2014 the number of companies that received losses from economic activities is differed by economic activity and by region of the country.

¹⁹ Rudenko Ye.M. (2014), «Suchisni tendentsii bankrutstva v Ukraini ta zakhody zapobihannia neplatospromozhnosti vitchyznianskykh pidpriemstv», Naukovyj visnyk Khersons'koho derzhavnogo universytetu. — №5, Ch.3. — s. 21-25. [In Ukrainian].

Thus, the greatest increase in losses in more than 5 times — showed enterprises that operate in the sphere of agriculture, professional and scientific activities, health, real estate.

Most growth of profit — in 4 times — was recorded in financial and insurance activities as well as in the spheres of arts, sports and recreation. Therefore, we can predict what company in those areas, where received the highest losses, have the highest risk of future bankruptcy. We can say that the regions with a lower proportion of industrial enterprises also have fewer preconditions for the growth of bankrupt enterprises on its territories²⁰.

In 2014 the largest Ukrainian entities that faced bankruptcy were:

1) Agro Holding «Mriya»: In August 2014 agricultural holding «Mriya» accepted a technical default on its bonds. «Mriya» debts to the creditors have reached about 1.3 billion UAH. The company explained its problems by difficult situation in the agricultural market in 2014: from decrease in world prices for major agricultural products, up to the loss of domestic markets (Crimea, Donbass) and deficit of borrowing assets on the national financial market²¹;

2) The «Forum» bank: In March 2014 the decision was made to use the services of temporary administration.

After the introduction of temporary administration, there was a competition for the selection of potential investors, on which applied the majority owner of «Forum» — the company Yernamio Consulting.

However, its offer (to direct assets on additional emission of bank shares on the sum of 50 million USD and 1.4 billion UAH) was rejected because the Deposit Guarantee Fond required to provide the capitalization of the at least 3.4 billion UAH in order to bring its regulations into the correspondence with the requirements of the National Bank. As a result, in June it was decided to revoke the banking license and eliminate «Forum» bank.

3) Zaporizhzhia aluminum plant, in December 2014 Zaporizhzhia Regional Administrative Court decided to eliminate the monopolistic producer of aluminum in Ukraine — JSC «Zaporizhzhia aluminum plant» (ZALK). The negative amount of net assets was -1.5 billion UAH, while the authorized capital of 155.6 million UAH. The total amount of its debts reached almost 2 billion UAH;

4) Chornomorzkiy Shipyard: in August 2014 Economic Court of Mykolaiv region approved register of creditors' claims to plant a total of 1 billion UAH;

²⁰ *Oleksandrenko I.V., Ischuk L.I.* (2015), «Osnovni prychny bankrutstva pidpriemstv», *Ekonomichnyj forum*. — №2. [In Ukrainian].

²¹ Official site of Bankruptcy and Liquidation in Ukraine. Топ-5 банкрутств в Україні в 2014 році [Electronic resource]. — Access mode: <http://bankruptcy-ua.com/articles/194>

5) Zhydachiv pulp and paper plant – one of the largest producers of corrugated packaging in Ukraine: the company filed a bankruptcy request in December 2014 with declared debt to its creditors in the total amount of 400 million UAH²².

Thus, the data of the top bankruptcies of 2014 in Ukraine may be represented in the form of the table:

*Table 2 Bankruptcy of the largest Ukrainian companies in 2014*²³

| Company Name | Sphere of Economy | Debts, mln. UAH |
|------------------------|---------------------------|-----------------|
| Mriya | Agriculture | 15600* |
| Forum | Bank Holding Company | 3400 |
| Zaporizhzhia plant | Aluminum production | 2000 |
| Chornomorzkii Shipyard | Shipbuilding | 1000 |
| Zhydachiv plant | Pulp and paper production | 400 |

* 1300 mln. USD according to the NBU official rate for 08.2014

I.V. Oleksandrenko²⁴ insists that the main reasons of Ukrainian enterprises insolvency include:

- Inflation processes. The index of inflation in Ukraine in 2014 was the largest and amounted to 124.9%. For comparison, in 2013 – it was 100.5% and in 2012 – 99.8%;
- Instability in the financial and currency markets.
- significant depreciation of national currency;
- Unstable political and economic situation. In particular, a significant increase in gas and gasoline prices, the increase of production costs.

The instability of national currency should be considered as one of the main reasons for bankruptcy filings of big enterprises for recent two years.

O. Odosij²⁵ provides the following graph (Figure 4), that characterizes Dynamics of international reserves, foreign debt of Ukraine and official UAH exchange rate to the US dollar:

²² Businessua. Nayhuchnishi bankrut-stva 2014 roku [Electronic resource]. — Access mode: <http://businessua.com/banki/16266naiguchnishi-bankrutstva-2014-rokuo.html>. [In Ukrainian].

²³ Made by authors on basis Official site of Bankruptcy and Liquidation in Ukraine. Топ-5 банкрутств в Україні в 2014 році [Electronic resource]. — Access mode: <http://bankruptcy-ua.com/articles/194>

²⁴ Oleksandrenko I.V., Ischuk L.I. (2015), «Osnovni prychny bankrutstva pidpriemstv», Ekonomichnyj forum. — №2. [In Ukrainian].

²⁵ Odosij O. (2015), «Deval'vatsiia hryvni — rezul'tat nekompetentnosti vlady chy ob'iektyvna real'nist'?» Official site of Commons [Electronic resource] — Access mode: <http://commons.com.ua/devalvatsiya-grivni/>. [In Ukrainian].



Fig. 4. Dynamics of international reserves, foreign debt of Ukraine and official UAH exchange rate to the US dollar²⁶

Currently, most large enterprises in Ukraine are either already in crisis or on its verge. Businesses need to create a system of measures that will help to predict failure in advance, to identify negative crisis appearances and to implement anti-crisis policy management to prevent or overcome the financial crisis.

P.V. Brin²⁷, while analyzing the state of bankruptcy institution in Ukraine, differs a couple of its main problems. The first problem is that the basic approach to solving the problems of existence of unprofitable enterprises in bankruptcy cases is not the restoration of the financial solvency of enterprises, but their further elimination. Another significant problem of Ukrainian institution of bankruptcy is so-called «schema» cases when bankruptcy is used for money «laundering» or for raider acquisition of the debtor's property. Moreover, another aspect in the use of bankruptcy may be the way of standing against «raider attacks».

Institute of bankruptcy in Ukraine is not fully developed and is not perfect. Reforms in sphere of legislative regulation of bankruptcy system should improve governmental regulations in these areas and should contribute to better protection of property rights and to increase the investment attractiveness of the Ukrainian economy.

The main drawbacks of the current bankruptcy legislation of Ukraine is a significant duration of its procedure (from 3 to 10 years), its high

²⁶ *Odosij O.* (2015), «Deval'vatsiia hryvni — rezul'tat nekompetentnosti vlady chy ob'iektyvna real'nist'?» Official site of Commons [Electronic resource] — Access mode: <http://commons.com.ua/devalvatsiya-grivni/>. [In Ukrainian].

²⁷ *Brin' P.V., Bondarenko A.Yu.* (2013), «Analiz suchasnoho stanu instytutu bankrutstva Ukrainy» *Visnyk NTU «KhPI»*. — № 69. [In Ukrainian].

cost (up to 42% of the assets of the debtor) and ineffectiveness (the amount of compensation to the creditor to 7.9%).

Current law is considered to be beneficial mainly for unscrupulous debtors and promotes the existence of insolvent and unprofitable enterprises.

V. Hrapkina²⁸ also insists, that that bankruptcy is one of the few institutions in the formation of which all countries are involved. Thus, its history can be studied not only in time but also in space. Comparative analysis of the system of bankruptcy regulation in developed economies can be made in the following direction: – orientation concept of regulation of bankruptcy; its basic concepts; main legal instruments regulating bankruptcy. This analysis is represented in Table 3.

Crisis governance in the countries with developed market economies expressed in different forms. Thus, the United States implement a policy of crisis management by improving legislation in the field of employment, increase job vacancies, especially for youth, development of regional structural programs.

Table 3 Comparison analysis of foreign and domestic systems of bankruptcy regulation²⁹

| Country / Concept direction | Basic concept info | Legal tools of bankruptcy regulation |
|---------------------------------|---|--|
| France / prodebitor | Save existing enterprises, jobs; satisfy creditors' claims | Observations at the first sign of bankruptcy, liquidation |
| Great Britain / procreditor | Minimizing losses for the solvent party | World deal. liquidation |
| Germany / procreditor | Maximum satisfaction of creditors | Competitive production. Liquidation |
| USA / prodebitor | Reorganization preferable to liquidation | Reorganization. Liquidation |
| Italy / prodebitor | Rehabilitation in order to increase employment | Controlled management. Forced liquidation of authorities |
| Czech Republic / procreditor | The satisfaction of creditors' claims | Competitive production. Liquidation |
| Russian Federation / prodebitor | Rehabilitation of the company in order of economic recovery | Observations and sanitation. liquidation |
| Ukraine / prodebitor | Rehabilitation of the company in order of economic recovery | Pretrial and judicial reorganization. Disposal of property debtor. Liquidation |

²⁸ Khrapkina V.V., Chuchko O.P. (2015), «Adaptatsiia svitovoho dosvidu antykryzovoho upravlinnia v Ukraini», Tekhnolohycheskyj audyt y rezervy proyzvodstva. — № 1/7(21). [In Ukrainian].

²⁹ Khrapkina V.V., Chuchko O.P. (2015), «Adaptatsiia svitovoho dosvidu antykryzovoho upravlinnia v Ukraini», Tekhnolohycheskyj audyt y rezervy proyzvodstva. — № 1/7(21). [In Ukrainian].

Another, equally important area of improving governance crisis management in the US is to coordinate the efforts of various government departments in the design and conduction of economic policy³⁰.

E. Mnih proposes to use sanation as the mechanism for bankruptcy avoidance and the development of financial recovery systems. Sanation — a set of consistent activities of financial and economic, technological, organizational and social character, aimed to overcome the insolvency and to achieve recovery or profitability of the enterprise in the long term³¹.

Thus, E. Rudenko³² states, that adavoiding of bankruptcy and timely detection of threats for financial security of the companies is possible by continuous monitoring through various enterprise activities. Monitoring means conduction of diagnosis of the current situation in the company and determination of threats and priorities for further development.

Conclusions

In 2014 bankruptcy affected completely different economic sectors — energy, ship building, telecommunications, petroleum sphere. Compared to much of the rest of the world, the United States had the most positive economic, business, and financial news in 2014. The Administrative Office of the U.S. Courts reported that business bankruptcy filings in FY 2014 totaled 28,319, down 19 percent from the 34,892 business filings in FY 2013.

If for the global corporate market the bankruptcy is typical for all economic areas and for the private sector, for Ukraine in the total number of bankrupt companies in 2013, the main feature is the massive bankruptcy in agricultural area and increase in the number of bankrupt state enterprises.

In 2014 the number of companies that received losses from economic activities is differed by economic activity and by region of the country. Thus, the greatest increase in losses in more than 5 times — showed enterprises that operate in the sphere of agriculture, professional and scientific activities, health, real estate.

Currently, most large enterprises in Ukraine are either already in crisis or on its verge.

This demonstrates the feasibility and importance of the ongoing work on crisis management both on the macroeconomic level and on the global corporate level. Modern management has a broad variety of crisis

³⁰ *Khrapkina V.V., Chuchko O.P.* (2015), «Adaptatsiia svitovoho dosvidu antykrizovoho upravlinnia v Ukraini», *Tekhnolohycheskyj audyt y rezervy proyzvodstva*. — № 1/7(21). [In Ukrainian].

³¹ *Mnykh Ye.V.* (2011), «Ėkonomichnyj analiz»: pidruchnyk [Electronic resource]. — Access mode: <http://pidruchniki.com/>. [In Ukrainian].

³² *Oleksandrenko I.V., Ischuk L.I.* (2015), «Osnovni prychny bankrutstva pidpriemstv», *Ekonomichnyj forum*. — №2. [In Ukrainian].

tools that can diagnose the signs and the likelihood of crises on the enterprises, stabilize a critical situation, to develop and implement effective programs to overcome the crisis, ensure sustainable companies sustainable growth.

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