

## FACTORING AS REFINANCING INSTRUMENT OF RECEIVABLES OF ENTERPRISE

**Yamnenko H. Y.**

PhD in Economics, associate professor of the economics of enterprise department of SHEI "Vadym Hetman Kyiv National Economic University"

*In the theses considered essence, role, strengths and weaknesses factoring as a tool refinancing receivables of company.*

**Keywords:** factoring, receivables.

An important role in the efficient use of working capital, in the improvement of the financial situation of the company plays a reduction in accounts receivable, which diverts funds from turnover, overpayment of taxes and other payments, that occur as a result of the advance of untimely return of funds accountable persons, the emergence of doubtful accounts receivable at the expiry of the payment of the disputed debt in violation of contractual obligations.

Today most domestic enterprises are in a critical financial situation. The main cause of the crisis is the inability of companies to effectively and promptly manage current assets. Most of Ukrainian companies have significant amount of receivables that effectively prevents the company operates as a whole. Under these conditions, the role of effective management of receivables and its timely repayment is growing. One of the methods of the refinancing of receivables is the use of factoring.

Factoring is a "commission-brokering activities related to the assignment of bank client-supplier unpaid claims-payments for goods, works and services and, therefore, the right to obtain payment for them, i.e. collection of receivables client" [3, 34].

Form of refinancing of receivables is a sale of debt that can be specialized factoring, forfeiting companies and banking institutions. The most common is factoring, which is to buy factoring company or a bank the monetary claims of the suppliers to the buyers and their cash collection for certain compensation.

Factoring allows the supplier to minimize risks associated with the deferred payment of the purchase of goods or services, reduces the need for diversion of significant administrative resources to obtain payment from the buyer for the delivered goods or service and allows the supplier to obtain funds for their receivables.

The aim of factoring services is immediate collection of funds (or obtain them at a certain date in the factoring contract), regardless of ability to pay payer and coverage of risks related to timely receipt of payment, accounts receivable management client, providing consulting services to the owner of the receivables. In Ukraine in 2-3 days factoring provider receives from the Department of the bank a percentage of the amount of claims.

Factor-company or bank buys their customers payment requirements for buyers in terms of immediate payment of about 80-90% of the value of direct deliveries (excluding commissions) regardless of the time of receipt of the proceeds from buyers [1].

Note the following advantages of using factoring: the solution to the problems of cash flow, replenishment of working capital in the company by means of factoring transactions; financing without special requirements to ensure: the bank insures its risk by monitoring the flow of receivables clients. On the basis of the volume and nature of such flows, it shall decide on the amount and terms of financing; direct relationship lending with sales. Factoring is a flexible

form of financing, because the funding customer is proportional to the volume of its sales, which reduces the risk of underproduction and overproduction; the liberation of enterprises from the execution inappropriate functions: factoring frees companies from the need to maintain accounts of the partners and implement credit controls on debt repayments [2].

The main drawback of using factoring is the high cost of factoring services. The fee for using the factoring includes the following components: a fixed fee for processing documentation; fees for factoring services; fees for the use of cash. In developed countries the cost of factoring is on average about 1.5-2% of the amount of supply.

The most significant problem of factoring services remains the unreadiness of the vast majority of domestic banks to the development of factoring services. The main obstacle here is not factoring financing, but rather long and relatively expensive "zero cycle" associated with the statement of the case that even in the presence of a professional team continues from 6 to 12 months.

Factoring in Ukraine is not yet seen as an independent sphere of activity. Banks provide the advantage of factoring as a service, only expanding the range of credit products.

Factoring allows you to convert receivables into cash resources and as a result, eliminate the deficit working capital and achieve a balance of cash flows. Factoring will promote economic growth, because it provides a higher level of solvency of companies the increase in sales due to the possibility of deferred payment. Factoring gives a guarantee of payment and relieves providers from having to take additional and costly bank loans. All this has a positive effect on the financial position of the company.

Factoring is risky, but highly profitable business, an effective financial management instrument, therefore, requires a wider application in Ukraine.

#### References

1. Belialov T. E. (2005). Analiz form i metodiv upravlinnia debtors'koiu zaborhovanistiu u skladi operatyvnykh finansovykh aktyviv korporatsii. Aktual'ni problemy ekonomiky, 9 (51), pp. 30-36.
2. Hrybov V.V., Hruzynov V.A., Kuz'menko V.O. (2008). Faktorynh. KNORUS, 216 p.
3. Naumets' I. (2005). Faktor borh. Halyts'ki kontrakty, 49, pp. 34-35.