

**ANALYSIS OF THE FINANCIAL RISKS OF THE UKRAINIAN
RAILWAY TRANSPORT**

The object of the paper is the financial risks of the railway transport. Today the financial situation of Ukraine's railway transport tends to deteriorate due to the systemic crisis of the national economy, the severance of existing economic ties, the critical wear and tear on non-negotiable assets, as well as an ineffective financial management. This led to the complexities of the formation of sufficient financial resources, the growth of financial risks and, as a result, the reduction of the international ratings. It is shown that little attention is paid to the risks, arising in the course of operating activities in the JSC 'Ukrzaliznytsia'.

The paper analyzes financial risks of Ukrainian railway transport (financing of operating activities, liquidity, interest, credit and currency). The analysis showed that the industry is facing problems related to the financing of operating activities, providing the necessary level of liquidity and, consequently, the cost of the resources involved. This leads to a decrease in the ability of Ukrzaliznytsia to carry out the operational activities, reduce its effectiveness and, as a result, further deterioration of the financial condition.

In order to improve the financial situation and reduce the financial risks of railway enterprises, the directions of their reduction are offered: optimization of the structure of financial resources by reducing the share of borrowed funds, limiting the amount of high-risk financial transactions, limiting the volume of current assets in the form of low liquid and illiquid assets, rationalizing the policy of managing financial instruments, implementation of scientifically sound financial management system. The strategy and tactics for managing financial risks of the railway enterprises should be based on the balance between expected benefits and possible risks.

Keywords: financial condition, financial resources, financial risk, analysis, railway transport.

JEL codes: G 320, G 390, L 920

After the global financial crisis of 2008, the processes, associated with the development of the "new industry", took shape politically and organizationally. One of the priority directions of the proclaimed policy of "the industrial renaissance" is the introduction of qualitatively new approaches to cooperation within the framework of the formed economic order. In this context, in

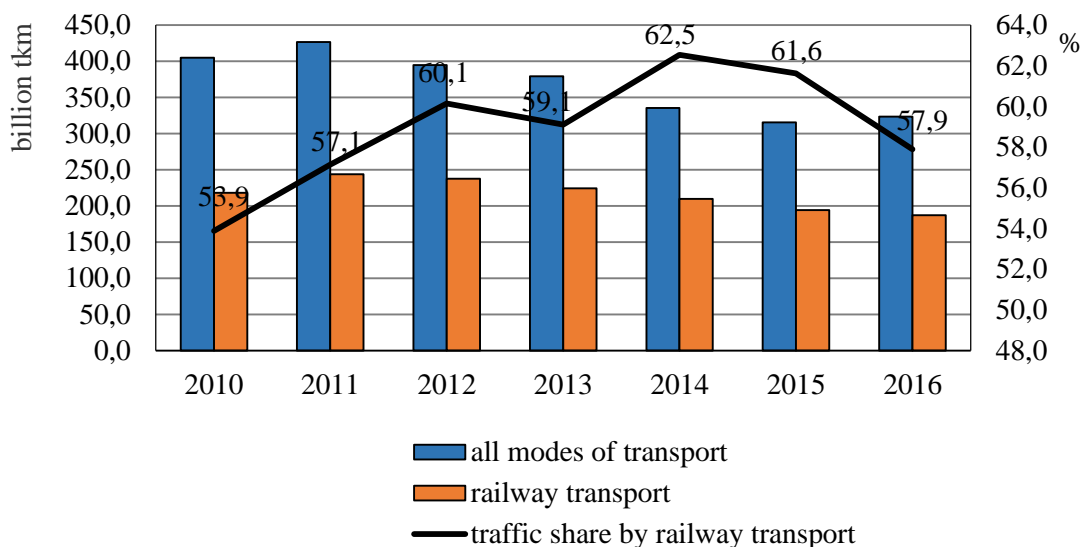
2013 China offered the concept of "One belt – one way", involving the mutually beneficial integration of developing and developed countries, the introduction of new mechanisms for the regional economic partnership, the stimulation of economic prosperity of the states, and the promotion of their sustainable development [1]. Implementation of this concept is impossible without

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the creation of a developed infrastructure, including railway transport, which is the "circulatory system" of any economy that allows overcoming territorial gaps between producers and consumers of goods and services, strengthen the economic ties between enterprises, and ensure the free movement of the population. In this unified infrastructure, the Ukrainian railways can act as a connecting element between the countries of Europe and Asia: the main trans-European corridors (East-West, Baltic and Black Sea) pass through Ukraine; the Ukrainian railways directly interact with the railways of Hungary, Slovakia, Poland, Romania, Russia, Belarus, and Moldova.

For the economy of Ukraine, railway transport also retains "a paramount importance" [2] due to high speed, reliability, rhythmicity, the possibility of transporting

large volumes of cargo, a low cost of transportation and relative independence from the weather conditions. The transport capabilities of the industry and the carrying capacity of the railway network directly affect the functioning of not only individual industrial enterprises, industries, but also the national economy as a whole. The railways account for more than 50% of freight traffic by all modes of transport and more than 30% of the passenger traffic (Figure 1-2). For the leading industries, they [railways] are a non-alternative mode of transport, which carries up to 90% of their output. In conditions of poor quality of highways, as well as the factual insignificance of the river and sea fleet, railway transport remains the most competitive and popular mode of transport for both the shippers and passengers.

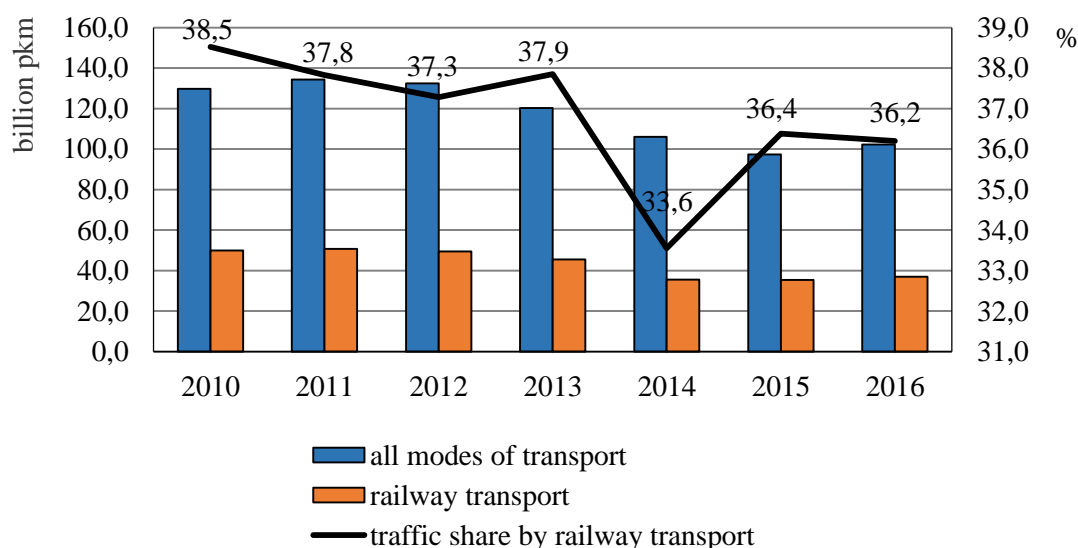


Source: data from the State Statistics Service of Ukraine [3]

Fig. 1. Dynamics of freight traffic in 2010-2016.

The systemic crisis of the national economy, the disruption of existing economic ties both within the country and with foreign partners, primarily – Russian ones, the lack of effective reforms in the industry, ineffective management in the JSC ‘Ukrz-

liznytsia’, and the critical wear and tear on the non-current assets of its structural divisions led to a significant deterioration in their financial results. A comprehensive assessment of the financial situation in the industry based on the five-factor



Source: data from the State Statistics Service of Ukraine [3]

Fig. 2. Dynamics of passenger traffic in 2010-2016

model "Credit-Men" by Depalyan, J. (Table 1) shows that during 2010-2014, there was a significant deterioration in the financial situation in Ukrzaliznytsia, which resulted in problems of providing sufficient financial resources not only for investment activities, but also for operating and financial ones. The artificial increase in the

value of non-negotiable assets in 2015 made it possible to significantly increase the assessment of the financial condition of railway enterprises, but this did not give the expected result, that is, did not lead to an increase in the investment attractiveness of the industry.

Table 1

Assessment of the financial situation in the railway transport of Ukraine

Indicators	At the end of the year						
	2010	2011	2012	2013	2014	2015	2016
Standardized quick liquidity ratio	0.11	0.18	0.04	0.07	0.08	0.21	0.29
Standardized debt ratio	1.64	1.49	1.44	1.37	0.61	3.93	3.76
Standardized equity immobilization ratio	0.67	0.66	0.63	0.63	0.41	0.84	0.84
Standardized inventory turnover ratio	1.17	1.17	1.04	0.88	1.01	0.93	0.80
Standardized receivables turnover ratio	0.81	0.96	1.21	1.57	1.21	0.72	0.51
Assessment of the financial situation	90.01	90.98	88.32	91.44	65.81	144.92	135.85

Source: data from the consolidated financial statements of the JSC 'Ukrzaliznytsia' [4]

The worsening of the financial situation immediately affected the international ratings of Ukrzaliznytsia. Thus, long-

term credit rating in the foreign currency from the consulting company Standard & Poor's was determined at the level of SD

and Fitch Ratings – RD; credit rating of LPN by Standard & Poor's – CCC +, Fitch – CCC [5]. Such low ratings are indicative not so much of the technical default already occurred in 2016, but rather of potential default in the future and, as a consequence, the possible suspension of the railway transportation, which will have catastrophic consequences for the national economy. To avoid such a situation, special attention should be paid to analyzing and assessing the risks of Ukrzaliznytsia functioning, especially financial risks, in order to increase its adaptive capacity for abrupt changes in the external environment, and improve the results of production, economic and financial activities. In addition, the stabilization of the financial situation will help to increase the investment attractiveness of the capital investments in the development of the industry.

The questions of assessing financial risks were investigated in the researches of leading Ukrainian and foreign scientists, among whom Andersen, T.G., Blank, I.A., Bollerslev, T., Brealey, R.A., Brehmer, B., Vitlins'kyi, V.V., Christoffersen, P.F., Diebold, F.X., Vickers, J., Wengler, J., Grado-boyev, V.V., Karchik, V.G., Myers, S.C., Stulz, R.M., Taran, O.V. [6-15] should be noted. At the same time, it should be mentioned that this problem with the regard to railway transport is not actually considered. This can be explained by the fact that until recently, the railway transport was viewed as something integral, unchanging and outside the laws of a market economy. This resulted in insufficient attention to the difficulties, especially financial ones that arose in the process of the adaptation of the industry to new economic realities, which led to "negative results of the railway...", the true reason for which, according to V. Medvid, director of the consulting company "Invest-Expert", has become an ignorant financial policy, and not operational activities [16]. Increasing difficulties, associated with the formation of

the sufficient financial resources for the implementation of the operational, investment and financial activities, cause the urgency of the problem of the financial management of the railway enterprises, as well as emerging risks as a necessary condition for not only its development but also effective functioning.

With this regard, the *aim of the article* is to analyze the financial risks of Ukraine's railway transport.

The functioning of any business entity, including railway transport, in a market economy is always accompanied by the risks of different nature, the outcome of which is the failure to receive the expected financial results, loss of profits or additional costs. Ukrzaliznytsia noted that four groups of risks can affect the efficiency of functioning of the industrial enterprises, namely [17]:

(1) economic risks caused by a change (decrease) in freight traffic as a result of the further deterioration in the state of the national economy and a decrease in the volume of industrial output. As tools for leveling these risks, it is proposed (a) to work out a flexible investment program for the development of the industry; (b) to introduce a set of measures aimed at reducing costs and increasing labor productivity as the factors for enhancing the profitability of operating activities; (c) use the tactics of rolling stock diversification in accordance with the needs of the customers to improve the quality of the services provided;

(2) significant investment are needed for the renewal of rolling stock and infrastructure due to the critically high moral and physical depreciation of non-negotiable assets resulted from the extremely low intensity of their renewal. Thus, during the period of 2010-2016, the largest increase in assets was observed in 2011 (3.6%) with retirement of 0.4%, in 2016, the increase was already 0.2% with a retirement of 0.1% [18, p. 25]. According to

I.V. Volovelska, this situation was caused by an irrational policy of the formation of an amortization fund, the amount of which is insufficient for the simple reproduction of completely worn out non-negotiable assets. The lagging of the book value of these assets from the real assets was more than 4 times, which resulted in a decrease in depreciation charges and unreasonable overstating of the accrued profit, more than 75% of which is transferred to the budgets of various levels in the form of tax deductions [19, p. 179]. The revaluation of the value of non-negotiable assets by more than 4 times in 2015 did not significantly affect the situation, since its goal was not so much the formation of its own investment resources, sufficient for gradual improvement of the situation, but only an artificial increase in the financial indicators, earnings before interest, taxes, depreciation, amortization (EBITDA), to attract the foreign investors. At the same time, it was not taken into account that railway transport is an industry with low investment attractiveness not only in Ukraine, but also in the world;

(3) a large proportion of staff costs, which adversely affects the cost of services and, as a consequence, financial results. So, in 2016, the structure of the operating expenses for wages and deductions for social security accounted for 32.8% (for comparison, for material expenses – 26.7%, for depreciation – 24.6% [4]). As the factors to reduce this risk, it is offered to implement a set of measures to increase labor productivity and staff optimization, as well as to carry out professional retraining of the workers;

(4) currency risk, associated with the fact that part of the expenses and liabilities of Ukrzaliznytsia are denominated in the foreign currency. It is determined that this risk can be reduced due to (a) the "natural hedge" of exporters, that is, the weakening of hryvnia rate increases the competitiveness of the goods of the Ukrainian producers and, thereby, will increase the need for transportation of their products; (b)

the denomination of part of the transit proceeds in the US dollars; (c) reporting on a permanent basis the results of monitoring by the Treasury of Ukraine of the magnitude of market risks;

(5) refinancing risk and interest risk, associated with short-term liabilities of Ukrzaliznytsia. To eliminate these risks, it is expected (a) to intensify the work to increase the maturity of debt obligations of railway enterprises, including Eurobonds; (b) to develop a funding and refinancing strategy.

The consulting company Ernest & Young recognizes the main reasons for the occurrence of these risks and the increased riskiness of the functioning of Ukrzaliznytsia in general, in the instability of the political and economic situation in Ukraine, as well as in the shortcomings of the national economy, namely – low liquidity in the capital markets, high inflation and a significant deficit in the balance of the state finance and foreign trade [4]. At the same time, little attention is paid to the financial risks, arising in the course of the operating activities, which led to deterioration in its liquidity, solvency and financial stability indicators (Table 2).

Since 2010, the current assets of the railway enterprises do not cover their current obligations, which impede the normal operation of the industry and indicate the need to develop emergency measures to reduce the accounts payable. The situation is complicated by the fact that Ukrzaliznytsia is experiencing significant problems with the repayment of short-term obligations. At the same time, due to a significant increase in equity capital, the industry retains financial independence and has a reserve of raising financial resources from the external sources. The low level of the equity ratio is a consequence not so much of the cautious attitude of the industry management to external sources of financing, but the low investment prospects of the railway enterprises. However, at the

Table 2

Indicators of the financial condition of the railway transport in Ukraine

Indicators	At the end of the year						
	2010	2011	2012	2013	2014	2015	2016
Coverage ratio	0.508	0.711	0.534	0.599	0.180	0.539	0.415
Absolute liquidity ratio	0.009	0.138	0.015	0.033	0.056	0.155	0.220
Equity ratio	0.666	0.713	0.684	0.649	0.377	0.797	0.790
Debt ratio	0.334	0.287	0.316	0.351	0.623	0.203	0.210
Financial stability ratio	0.745	0.765	0.762	0.788	0.505	0.885	0.890
Financial leverage ratio	0.611	0.697	0.720	0.728	1.650	0.254	0.266

Source: data from the consolidated financial statements of Ukrzaliznytsia [4]

to a significant increase in short-term liabilities. In 2015, the situation improved, primarily due to enhancing in the cost of equity capital by 7.9 times. High values of the equity ratio are "normal" for the railway transport, which is a capital-intensive industry (the ratio of non-negotiable and working capital in 2016 was 16.0). The consequence of this was a significant excess of the level of the financial stability ratio, which determines the solvency in the long term. At the same time, low financial leverage ratio indicates a missed opportunity to increase profitability of equity by attracting additional resources to the activities of Ukrzaliznytsia. Thus, railway enterprises have significant problems in managing their finances and ensuring a balance of the financial activity.

The risk of financing operating activities. The conducted researches show that the main financial risk of the operating

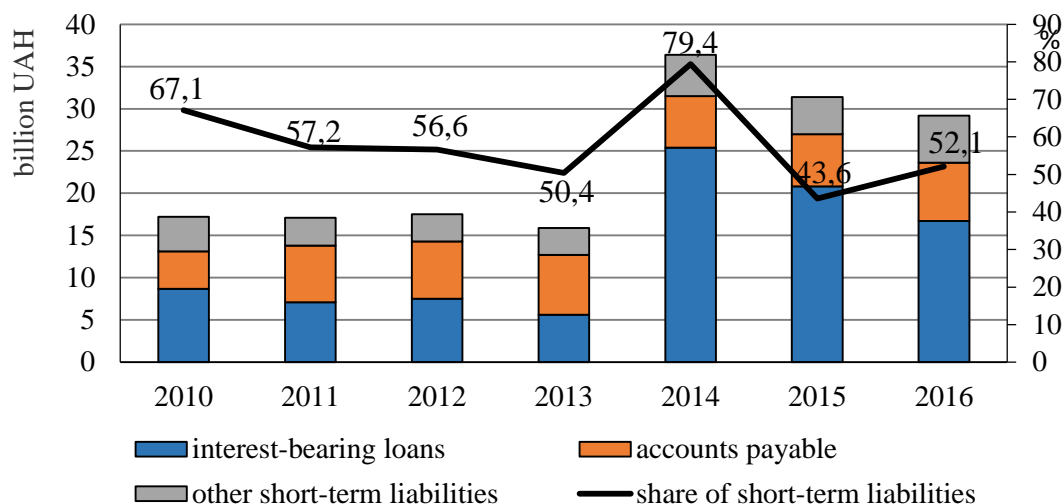
activity of Ukrzaliznytsia in the industry is the growing deficit of the current assets for financing the transportation activity [18, 20, etc.]. This was the result, on the one hand, of a decrease in the profitability of operating activities (Table 3). With an average profitability of 10% in 2014, the profitability of operating activities decreased to 7.1%. In 2015, to improve the situation, tariffs for transportation were increased, which made it possible to increase profitability while reducing the volume of transportation (in the period from 2010 to 2016 freight transport decreased by 30.4%, passenger transportation by 8.7% [3]). Secondly, over the past decades, the process of laundering of money from the economic turnover of Ukrzaliznytsia has been taking place. The resulting shortage of the financial resources of the railway enterprises is liquidated due to short-term obligations (Figure 3).

Table 3

Financial results of Ukrzaliznytsia's operating activities in 2010-2016, billion UAH

Indicators	Years						
	2010	2011	2012	2013	2014	2015	2016
Freight transportation, million tons	432.5	468.4	457.5	441.8	387.0	350.0	344.1
Passenger transportation, million people	426.6	430.1	429.6	425.4	389.1	389.8	389.5
Total revenues from sale	42.6	51.6	52.7	51.0	49.5	60.1	66.6
Operating expenses	(38.4)	(44.6)	(47.5)	(46.1)	(46.2)	(54.3)	(64.7)
Operating profit	4.2	7.0	5.2	4.9	3.3	5.8	1.9
Profitability of operating activity, %	10.9	15.7	10.9	10.6	7.1	10.7	2.9
Net profit	6.7	2.1	0.8	0.6	(15.4)	(16.7)	(7.4)

Source: compiled on the basis of data from the State Statistics Service of Ukraine [3] and data from the consolidated financial statements of Ukrzaliznytsia [4]

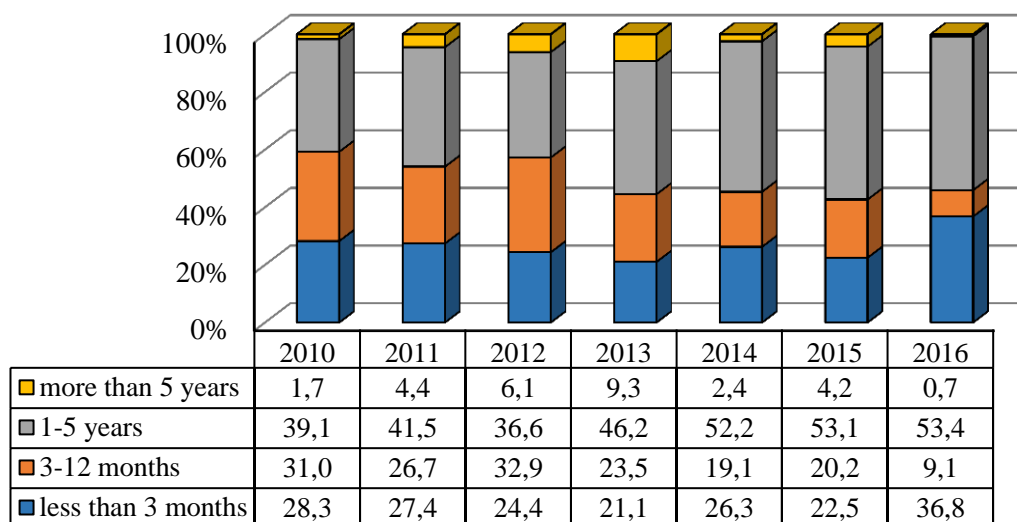


Source: data from the consolidated financial statements of Ukrzaliznytsia [4]

Fig. 3. Dynamics of the short-term liabilities of Ukrzaliznytsia in 2007-2016

The main instruments for regulating the amount of available financial resources in Ukrzaliznytsia are short-term interest-bearing loans and liabilities, as well as accounts payable, obligations under finance leases, etc., arising directly in the operating activities. With the exception of 2015, the share of short-term financial liabilities was more than 50%, reaching a maximum in 2014 (79.4%). The largest part is accounted for interest-bearing credits and loans, used to eliminate the current shortage of the

financial resources. In 2014 there was a significant decrease in the volume of freight (by 12.4%) and passenger (8.5%), which was accompanied by a 2.9% decrease in revenues and twice increase in short-term loans and borrowings. At the same time during 2010-2016 3-months financial liabilities augmented to 36.8%, while long-term loans (more than 5 years) – decreased to 0.7% (Figure 4). This structure of liabilities of Ukrzaliznytsia is not normal for the railway enterprises.



Source: data from the consolidated financial statements of Ukrzaliznytsia [4]

Fig. 4. Structure of obligations of Ukrzaliznytsia by maturity terms in 2010-2016

The present situation is explained by the management of Ukrzaliznytsia, using the funds raised to "smooth out the effect of unpredictability and inefficiency of Ukrainian financial market and is aimed at reducing its potential negative impact on financial results ..." [4]. At the same time, the real target of increasing tariffs for transportation and the formation of short-term obligations is the liquidation of the deficit of the current assets to finance operating activities, as well as the repayment of the existing obligations. This not only has a negative impact on the financial sustainability of railway enterprises, but also has a deterrent effect on the national economy and the leading industries in times of crisis.

The liquidity risk is derived from the risk of financing operating activities. As noted by the management of Ukrzaliznytsia, one of the main tasks of managing financial risks of railway enterprises is to maintain a balance between continuous financing and flexibility in the use of the funds received from operating activities and the terms of lending that are put forward by the suppliers and banks. At the same time, as of June 30, 2017, the current liabilities of Ukrzaliznytsia exceeded the current assets by 14.66 billion UAH (as of December 31, 2016 – 13.4 billion UAH) [4]. This is accompanied by a violation of the deadline for fulfilling obligations under long-term credit agreements, which were not corrected until the end of the reporting period, which led to cross defaults on certain types of loans. In the meantime, it is noted that railway enterprises may not be able to liquidate a possible violation of the conditions for placement of Eurobonds of Shortline P-L-C in the amount of 500 million US dollars.

Given that as of December 31, 2016, no credit resources were used for the amount of 6.5 billion UAH, in early 2017, Ukrzaliznytsia received confirmation from

the Ukrainian banks for new long-term loans for the amount of 5.5 billion UAH to refinance a portion of loans and borrowings included before current liabilities, as well as to finance the capital expenditures. Also by the end of 2017, it is planned to issue domestic bonds worth 2.0 billion UAH and the possibility of a new issue of Eurobonds is being considered.

During the period 2010-2016, the book value of undiscounted payments on the financial liabilities increased by 2.2 times, including interest-bearing loans – by 3.5 times (Table 4), while the volume of freight traffic increased by 7.4%, and passenger – decreased by 6.0%. This indicates a growing number of problems with servicing financial liabilities of Ukrzaliznytsia. At the same time, the obligations under the finance leases agreement in the period 2010-2016 decreased by 3.6 times, that is, the railway enterprises are forced to abandon actually the only possibility to update the part of their non-current assets (primarily rolling stock) by getting them through leasing. This will result in a decrease in the operating cash flow, worsening of the financial situation, the further decline of liquidity indicators, an increase in negative expectations of the potential investors regarding investments in the development of railway transport, and boosting other financial risks, primarily credit and interest.

The increase in **interest rate** risk in Ukrzaliznytsia is associated mainly with interest-bearing loans and loans with floating interest rates. In 2015-2016 years the loans of railway enterprises mainly had fixed and floating interest rates linked to the London interbank offered rate ("LIBOR").

Increases in the percentage risk can be explained by such factors: (a) instability of interest rates on the external liabilities and (b) high sensitivity of the profit of Ukrzaliznytsia to a change in basis points.

Table 4

*The book value of the undiscounted payments on financial liabilities of Ukrzaliznytsia
in 2010-2016, billion UAH*

Indicators	Years						
	2010	2011	2012	2013	2014	2015	2016
Interest-bearing loans	11.6	14.6	16.8	17.9	31.1	42.0	40.5
Obligations under finance leases	5.8	4.2	3.3	2.4	3.4	2.0	1.6
Trade and other payables	4.4	6.7	6.8	7.1	6.1	6.2	6.9
Total	21.8	25.5	26.9	27.4	40.6	50.2	49.0

Source: data from the consolidated financial statements of Ukrzaliznytsia [4]

The instability of the interest rates on the liabilities and loans, as well as high sensitivity to their change is primarily due to the negative expectations of investors regarding maturities, which results in an increase in the cost of raising funds in the economic turnover of the enterprises. So, even in the relatively prosperous 2013 it was noted that the initial cost of interest-bearing loans and loans attracted by both Ukrzaliznytsia and individual roads is significantly higher than the average market one, reaching 30% per annum for certain assets [21] (for reference: according to the data of Prostobank Consulting in August 2013 the average interest rate on loans for the acquisition of the non-current assets in UAH was 21-22% per annum). Such "distrust" to the railway enterprises was explained by the difficult situation in the financial markets, very low profitability and non-transparent management of cash flows. The current financial condition of Ukrzaliznytsia also does not contribute to the lowering interest rates to the average market level. In addition, the failure to meet maturity terms leads to an increase in their value: in 2016, the annual interest rate on Euro-bonds increased from 9.5% to 9.875% [22].

The problem of high profit sensitivity to changes in basic points (Table 5) is a consequence of an inefficient financial policy in the industry, irrational structure of the financial resources, lacking of sound development strategy. In 2014, the forecast interval of fluctuations of the basic points was small: according to LIBOR – [-0.02;

+0.02], according to EURIBOR – [-0.02; +0.02]. This predetermined the possibility of minor fluctuations in profit: [-1.0; 1.0] and [-0.3; 0.3]. The deterioration of the financial condition of Ukrzaliznytsia resulted in a greater spread of the probable changes in the basis points, as well as their impact on the profit of railway enterprises (with the elimination of the influence of other factors). So, in 2016 the spread of possible fluctuations according to LIBOR was [-0.08; +0.60], according to EURIBOR - [-0.08; +0.12] and, accordingly, the profit — [-4.3; 32.0] and [-0.8; 1.2]. Despite the management's remarks that this does not affect the equity capital of Ukrzaliznytsia and it does not participate in hedging of interest rate risks, the current situation intensifies the negative expectations of the potential investors and provokes an even greater increase in the cost of attracting resources from the external sources.

The credit risk. The financial instruments that can lead to a potential increase in the credit risks of railway enterprises include mainly cash and its equivalents, deposits, trade and other receivables, as well as loans provided. The management of Ukrzaliznytsia states that the funds are placed in the "big reliable banks of Ukraine", the credit risks are monitored and analyzed in each specific case, and also properly displayed in the reserves for depreciation of assets [4]. At the same time, the maximum credit risk at the end of 2015 and 2016 equaled the book value of all financial instruments. In addition,

Table 5

*Sensitivity of profit before taxation of Ukrzaliznytsia to changes in interest rates
in 2014-2016, million UAH*

Lending rates	At the end of the year					
	2014		2015		2016	
	change in basis points, %	impact on profit	change in basis points, %	impact on profit	change in basis points, %	impact on profit
LIBOR	+0.02	1.0	+0.50	29.5	+0.60	32.0
LIBOR	-0.02	(1.0)	-0.12	(7.1)	-0.08	(4.3)
EURIBOR	+0.04	0.3	+0.17	1.1	+0.12	1.2
EURIBOR	-0.04	(0.3)	-0.05	(0.3)	-0.08	(0.8)

Source: data from the consolidated financial statements of Ukrzaliznytsia [4]

when assessing credit risks for all customers that are granted with the loans or deferred payment exceeding the established limit, railway enterprises do not require pledge for their financial assets, which only in 2016 led to an increase in receivables by 22.9% compared to 2015. Such a policy in the conditions of worsening the financial condition of Ukrzaliznytsia and the growing scarcity of available resources is irrational and provokes the further deterioration of the situation.

The currency risk. This risk is significant for Ukrainian railway transport, since more than 80% of its liabilities are in foreign currency. In addition, the payments

for transit and interstate transportation are also carried out in currency. This risk relates to monetary assets and arises from fluctuations in rates in the foreign exchange market, as well as in transactions for the purchase/sale of transportation services, the value of which is calculated in foreign currency. Instability of the national currency (from January 1, 2015 to January 1, 2017, the devaluation of the UAH against the US dollar was 68.2%, the Swiss franc - 70.5%, the euro - 62.4%, the Russian ruble - 49.8% [23]) negatively affects the sensitivity of profit to the likely change in exchange rates (Table 6).

Table 6

*Sensitivity of profit before taxation of Ukrzaliznytsia to changes in the exchange rate
in 2014-2016, million UAH*

Currencies	At the end of the year					
	2014		2015		2016	
	change in UAH, %	impact on profit	change in UAH, %	impact on profit	change in UAH, %	impact on profit
UAH / dollar	+28.9	(7892.6)	+67.0	(24344.5)	+53.0	(20117.8)
UAH / dollar	-28.9	7892.6	-18.0	6540.3	-13.0	4934.6
UAH / Swiss franc	+28.9	(19.9)	+67.0	(96.7)	+53.0	(21.3)
UAH / Swiss franc	-28.9	19.9	-18.0	26.0	-13.0	5.2
UAH / EUR	+29.0	(108.3)	+67.0	(366.8)	+53.0	(289.3)
UAH / EUR	-29.0	108.3	-18.0	98.5	-15.0	81.9
UAH / Russian Ruble	+39.9	(1.5)	+50.0	(1.9)	+58.0	(0.9)
UAH / Russian Ruble	-39.9	1.5	-33.5	1.3	-22.0	0.4

Source: data from the consolidated financial statements of Ukrzaliznytsia [4].

The greatest impact on profit of Ukrzaliznytsia has UAH to US dollar rate, which is connected with the binding of tariffs for transportation to this currency. During 2014-2016 years the impact of UAH exchange rate on the Swiss franc and on the Russian ruble is significantly reduced, which is associated with a fall in transit, intermodal and multimodal transport due to the severance of economic ties with the Russian Federation and the creation of artificial barriers to the international transportation by the territory of Ukraine. At the same time, the impact of currency risks on profits is reduced due to a decrease in transportation activity. This, on the one hand, is a positive point, as the expected profits of railway enterprises become more predictable, which allows more efficient distribution, including the renewal of non-negotiable assets. On the other hand, a decrease in the volumes of transit and international transportation, which are the most profitable, leads to a decrease in profits and, as a consequence, a deterioration in the financial condition of the branch enterprises.

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decrease in the volumes of transit and international transportation, which are the most profitable, leads to a decrease in profits and, as a consequence, a deterioration in the financial condition of the branch enterprises.

Conclusions. The favorable geographical position of Ukraine, its developed transport infrastructure, including the railway infrastructure, stipulate its inclusion in the integration processes taking place on the Eurasian continent. Thus, when implementing the concept of "One belt – one way", connecting European and Asian countries in a single economic space, the significance of Ukraine as a transit state through which territory the main trans-European corridors pass is significantly growing. At the same time, the existing network of railways retains its importance as a "locomotive" for the national economy.

The systemic crisis in Ukraine, the lack of effective reforms, the breakdown of established economic ties, and the irrational financial policy in Ukrzaliznytsia led to a significant deterioration in its financial condition. The result was an increase in the financial risks and, as a consequence, a significant decline in the international ratings.

Analysis of the financial risks of Ukrainian railway transport has shown that the industry is facing problems, related to the financing operating activities, providing the necessary level of liquidity and, in effect, the cost of the resources involved. This, along with systemic problems of the national economy, leads to a decrease in the ability of Ukrzaliznytsia to carry out the operational activities, reduce its effectiveness and, as a result, further deterioration of the financial condition. In addition, a decrease in the transportation capacity and capacity of the railway network adversely affects the functioning of the leading industries due to the fact that it is impossible to carry out transportation activities in the required quantities and with sufficient quality.

It is impossible to improve the financial situation and reduce the financial risks of railway enterprises and Ukrzaliznytsia as a whole without the implementation of a set of measures aimed at increasing the volumes of transportation, primarily freight, improving the efficiency of transportation activities, developing a scientifically sound financial management strategy, policy of management of the formation of the financial resources. In this case, the main areas for reducing the financial risks should be the following:

(1) optimization of the structure of the financial resources by reducing the share of borrowed funds, primarily in the form of the short-term obligations. The decrease in the share of borrowed funds will help to reduce the dependence of industrial enterprises on the external sources of financing and increase their financial stability. At the same time, a predominant focus on own financial resources will lead to a decrease in the level of the financial leverage;

(2) restriction of the financial transactions having a high level of risk. The shortage of the financial resources of Ukrzaliznytsia does not allow to completely exclude such operations, as they are used for a prompt liquidation of cash gaps and repayment of the current liabilities, as well as financing of the continuous transportation activities, as a result of which own financial resources are formed;

(3) limitation of the volume of the current assets in the form of low liquid and illiquid assets (stocks, overdue or bad trade and receivables, etc.). This will limit the washing of own financial resources of their economic turnover of Ukrzaliznytsia, reduce the risk of insolvency to an acceptable level. However, the introduction of the strict limitation of the current assets on their liquidity can lead, on the one hand, to an increase in the amount of lost profits from the failure to provide services for the transport of goods or passengers, and on the

other hand, to a disruption in the rhythm of transportation activities due to an excessive reduction of the insurance stocks;

(4) streamlining of the policy of managing the financial instruments. This will allow (a) the issuance of the domestic and foreign loan bonds: borrow funds in necessary (sufficient) volumes, manage the interest rate risk; (b) when placing temporarily free resources: correctly determine the direction of the investment of funds and, thereby, reduce the losses from ineffective investments in short-term financial instruments, as well as reduce the risk of loss of profits;

(5) the introduction of a financial management system based on the principles of integrated management, integration with production and economic management systems, the continuity of monitoring changes in the external and internal environment of Ukrzaliznytsia, as well as the balance in making the financial decisions.

The development of a strategy and tactics for the management of the financial risks of the railway enterprises should be based on the balance between the expected benefits and possible risks, namely – the need for additional financial resources for the implementation of the operational, investment and financial activities and the likely deterioration of the financial condition, reduced liquidity and solvency. This involves the use of the modern methods of forecasting risks, based on the economic and mathematical modeling.

The complex implementation of these measures in the management of the financial risks of Ukrzaliznytsia will not only reduce unforeseen losses due to changes in the external and internal environment, but will also help to improve the financial situation in the sectorial enterprises, generate sufficient financial resources for continuous transportation activities, update non-negotiable assets, as well as to enhance the efficiency

of the railway transport in Ukraine as a whole.

The complexity and multifaceted nature of the problem under consideration causes the need for the further research, aimed primarily at developing methodological bases for forecasting the dynamics of risks, taking into account the specifics of the financial resources' formation in railway transport and changing the demand for them, as well as the development and justification of a complex of fast response measures to a threat of an increase in external and internal risks for the timely neutralization of their negative impact on the financial situation in Ukrzaliznytsia.

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Ольга Олексіївна Кравченко,

д-р екон. наук, доц.
Державний університет інфраструктури і технологій
04071, Україна, Київ, вул. Кирилівська, 9
E-mail: kravch.olha@gmail.com

АНАЛІЗ ФІНАНСОВИХ РИЗИКІВ ЗАЛІЗНИЧНОГО ТРАНСПОРТУ УКРАЇНИ

Доведено, що погіршення фінансового стану підприємств залізничного транспорту призвело до дефіциту фінансових ресурсів. Визначено, що наслідком неефективного управління фінансами стало збільшення ризиків «Укрзалізниці». Проведено

аналіз динаміки основних фінансових ризиків залізничного транспорту та їх впливу на формування фінансових ресурсів галузевих підприємств.

Ключові слова: фінансовий стан, фінансові ресурси, фінансовий ризик, аналіз, залізничний транспорт.

JEL codes: G 320, G 390, L 920

Ольга Алексеевна Кравченко,

д-р экон. наук, доц.

Государственный университет инфраструктуры и технологий

04071, Украина, Киев, ул. Кирилловская, 9

E-mail: kravch.olha@gmail.com

АНАЛИЗ ФИНАНСОВЫХ РИСКОВ ЖЕЛЕЗНОДОРОЖНОГО ТРАНСПОРТА УКРАИНЫ

Показано, что ухудшение финансового состояния предприятий железнодорожного транспорта привело к дефициту финансовых ресурсов. Определено, что следствием неэффективного управления финансами стало увеличение рисков «Укрзалізниця». Проведен анализ динамики основных финансовых рисков железнодорожного транспорта и их влияния на формирование финансовых ресурсов отраслевых предприятий.

Ключевые слова: финансовое состояние, финансовые ресурсы, финансовый риск, анализ, железнодорожный транспорт.

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