

*TKACHENKO M.O.*, Ph. D. (Economics), Associate Professor, NTU «KhPI»  
*LIU JUAN*, student, NTU «KhPI»

## **COMPANY MARKET VALUE INCREASING DUE TO STRUCTURE AND COST OF THE CAPITAL MANAGEMENT**

The issue of capital structure is always the core concern of enterprises, and the main content involved is whether the resource allocation of enterprises is efficient. The company's capital structure directly affects its cost of capital, and then affect its market value. Excessive debt ratio may increase the company's financial risk and reduce investors' confidence in the company, thus affecting the stock price and market value. Conversely, if the debt ratio is too low, the company may miss the opportunity to use financial leverage to increase scale and profitability. Therefore, companies need to find a balance between equity and debt to achieve an optimal capital structure [1].

The relationship between the optimal capital structure, capital cost and the growth of market value is a complex and important issue, which needs to consider many factors and conduct in-depth research and analysis. With the support of scientific research methods and statistical data, we can better understand this problem and provide useful guidance for the company's practice.

Capital structure refers to the composition and proportional relationship of various types of capital in an enterprise. It encompasses the mix of financial resources from different sources of long-term financing, specifically the ratio of debt to equity used in economic activities. This structure significantly impacts the return on assets and equity, financial stability, solvency ratios, and the balance between profitability and capital risk. Weighted Average Cost of Capital is an important financial metric used to estimate the cost of company's capital, it takes into account the cost of all sources of funding for a company, including equity and debt [2].

The determinants of optimal capital structure, that typically affect a business's cost of capital, risk tolerance, and long-term value, can be considered from multiple perspectives:

- Tax considerations: tax credits can add value to a company. In determining the capital structure, the company will consider the tax relief effect that the interest expense of the debt can bring, thereby increasing the after-tax profit.
- Asset type: the specificity of assets will affect the financing choice of enterprises.
- Uncertainty of operating income: if the operating risk is greater, a lower debt level may be chosen to reduce the financial risk; if operating income is stable, debt financing may be increased to take advantage of the financial leverage effect.
- Risk attitude of managers: management's risk efficiency can influence capital structure decisions.
- Realistic financing ability, including its credit rating and relationship with financial institutions, will affect the cost and conditions of its access to funds.
- Macroeconomic environment, market competition environment and policies affect the capital structure decisions of enterprise.
- Industry characteristics and company strategy [3].

Sum up, the optimal capital structure is determined by many factors, including tax, asset type, operating income, risk level, financing ability, macroeconomic environment, industry characteristics and so on. When deciding on the capital structure, company needs to take these factors into account to maximize the long-term value of the business.

#### **References:**

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