

FINANCIAL SECURITY MANAGEMENT OF ENTERPRISES IN MODERN CONDITIONS


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Abstract: The financial security of economic entities is part of the financial security of the state since the enterprise creates added value, which forms a gross domestic product at the state level. In addition, businesses are the main taxpayers that affect the formation of state and local budget revenues. Therefore, a high level of financial security of an enterprise provides the state opportunities to perform its functions, ensures economic development, and improves social standards. In the context of economic and political instability, in addition to the variability of micro- and macro-environment factors that affect the activity of the enterprise, the assessment of financial security is a particularly pressing issue. The aim of the article is to develop a mechanism for managing the financial security of enterprises in accordance with the actual conditions of business conducted by Ukrainian enterprises. The management mechanism is considered as a certain system, which consists of a certain set of interrelated elements and involves taking actions to achieve financial interests by the timely reduction of financial risks and counteracting external as well as internal threats. In each enterprise, an urgent task is to develop an effective strategy for the development of financial security, which is characterized by the close relationship and interdependence of its individual components. In these conditions, in order to increase the level of financial security of enterprises, the following measures are proposed: reducing the amount of receivables, controlling short-term debt, limiting the need for financial sources, reassessing fixed assets, increasing production volumes and product sales, reducing costs and others.

Keywords: equity, financial security, financial stability, liquidity, working capital

JEL Classification: K19, G32, C50.

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Introduction

In the context of martial law in Ukraine, economic and political instability, variability in micro- and macro-environment factors that influence the activity of enterprises, the need to ensure sustainable development of business entities and their financial security is increasing significantly. The financial security of business entities is a major factor in their effective development, as well as the safe functioning of the state as a whole. A system of methods and measures aimed at developing and implementing management decisions related to ensuring the protection of its functioning is needed to manage of the financial security of an enterprise. The solution to these problematic issues determines the need for further development of both theoretical provisions and the development of practical aspects of ensuring the financial security of economic entities.

Methods

The following methods were used for proper analysis and interpretation of the financial and economic processes that occur at the enterprise: the dialectical method of cognition, rapid evaluation method, tabular method, graphic method, and the comparative method.

The methodological basis of the study was the systematic approach to the research of the investigated phenomena and processes, in addition to the dialectical method of cognition, which allowed comprehensive consideration of the new realities of the agrarian sector of the economy and associated with the deterioration of financial security in connection with the full-scale war of Russia against Ukraine.

Express analysis acts as an effective method of preliminary evaluation of the financial condition of an enterprise. It can be used to determine the basic trends of activity and development of the company and on their basis, determine the priority directions for further in-depth evaluation. Thus, the results of rapid analysis allow prompt and dynamic information to be obtained about the state of enterprise property, the financial results of its activity, condition as well as the efficient use of financial resources, the level of solvency, profitability and business activity of the enterprise.

The tabular method is the most convenient and effective way of systematizing and generalizing information. The basis of the tabular method is a table consisting of a system of rows and columns in which in certain sequences outline statistical information about the studied phenomena or process.

The graphic method refers to the method of gathering data on the primary descriptive stage. The graph is a drawing that shows the ratio data using geometric images. They are more visual than tables since the data sequence and their values are visually presented.

The comparative method is based on comparing values of groups of indicators similar to each other. When using this system of financial indicators, the current activity of the enterprise is monitored.

Results and Discussion

Currently, one of the most important factors influencing the financial security of enterprises is the full-scale war on the territory of Ukraine, which as a result provokes a fall in the economy, a rise in unemployment and inflation rates, currency fluctuations, and others that have negatively affected primarily the profitability and the solvency of an enterprise and in turn have reduced its level financial security. Therefore, in a state of martial law and economic instability, is advisable and necessary to exercise special management of the financial security of enterprises.

One of the most important problems of ensuring the financial security of modern enterprises is the lack of analytical work on assessing its reliability and level (Melnyk, 2020). The inability to evaluate the existing threats to financial security leads to the inability to eliminate them, which as a result determines the inefficiency of the financial activity of the enterprise. It is advisable to evaluate the efficiency of the financial security of enterprises in the context of their structural elements since the use of each of them involves employing specific mechanisms of influence on objects that directly form a certain state.

The normal functioning of any enterprise is impossible without sufficient financial resources at its disposal. Therefore, the financial and production activity of the enterprise should be aimed at the practical implementation of financial support, that is, the stabilization of financial resources to the extent sufficient to finance its production and social development.

According to Baranovskyj (2019) and Marusiak & Bak (2022), not providing the enterprise sufficient financial resources can lead to interruptions in its activities, the inability to pay suppliers, repay bank loans, pay wages, make other payments, and can ultimately lead to a loss of liquidity as well as bankruptcy. It is possible to prevent this by conducting effective financial planning and control.

Improving the financial and economic activity of the enterprise, increasing the income and profits, reducing production costs, increasing profitability, detecting and mobilizing domestic reserves is possible only through the analysis and control of its financial and production activities. Therefore, in market conditions, the financial activity of the enterprise is related to analysis of the formation of sources of funds and their use.

The object in the financial security system determines the financial activity in general with further concretization, which depends on the specificity of the financial and economic activity of the enterprise (Table 1).

The essence of the financial security of the enterprise can be characterized as the state of finance of the enterprise, which allows it to withstand identified and potential threats through effective management of the use of capital, as well as risks in the course of its activity.

Each branch of the national economy of Ukraine suffered losses as a result of aggression by the Russian Federation. According to government estimates, Ukraine will lose 33.2-33.5% GDP in 2022. The agrarian sector of Ukraine also suffered significant losses of human resources, crop production and livestock, premises and

equipment, fuel and fertilizers. Hence, it is necessary to study the processes occurring in the agricultural sector of Ukraine to determine the financial losses during hostilities, and to find diversified areas of the financial security of enterprises in the industry as soon as possible.

Table 1. Objects and tasks of financial security control of enterprises

Control objects	Control task
Financial resources	Systematic monitoring of efficient use of financial resources; preventive measures on possible acts of theft, spoilage, dismantling, removal without proper grounds; prevention of liquidity loss; use for intended purpose; expediency and legality of different payments; search for unused efficiency reserves
Sources of financial resources	Tracking of execution of credit agreements; analysis of creditor debt prevention of losses of creditworthiness; targeted directional deductions; targeted use of loans; use and distribution of profits; use of state target programs
Financial flows Production Distribution Exchange Consumption	Compliance with current legislation on taxes and mandatory payments and fees; establishment of receivables; timely collection of receivables; implementation of plans for sale of products; expediency of implementation and supply operations; compliance with established production technology
Mechanisms for ensuring financial security Environment Internal environment	Systematic monitoring of macroeconomic conditions; ensurance of synchronicity and flow of cash; price diagnosis; tracking of state financial support; anti-inflationary measures; creation of insurance reserves; formation of dividend reserve; prevention of solvency loss

Source: Author's compilation based on (Kovalchuk & Korbutyak, 2014; Blank, 2019; Kravchuk, 2020; Ladyuk, 2016)

Kernel-Trade LLC has operated in the agricultural sector in Ukraine since 2001 and is the largest manufacturer and exporter of sunflower oil. The main areas of activity are: the cultivation, processing and export of sunflower oil, cereals, grain storage in elevators and port capacities. The enterprise has 28 elevators all over Ukraine with a total storage capacity of 2.34 million tons at a time.

Kernel-Trade LLC exports its products to more than 80 countries around the world. The company's export products are: sunflower oil, wheat, barley, corn and solid waste from oil production.

To determine the financial security of an enterprise, financial analysis is carried out, the main target of which is comprehensive assessment of state enterprises in order to identify and eliminate deficiencies in the liquidity of assets, financial stability, business activities and the efficiency of enterprise activities (Medvid, 2006; Kovalchuk & Korbutyak, 2014).

Figure 1 shows the property status of Kernel-Trade LLC.

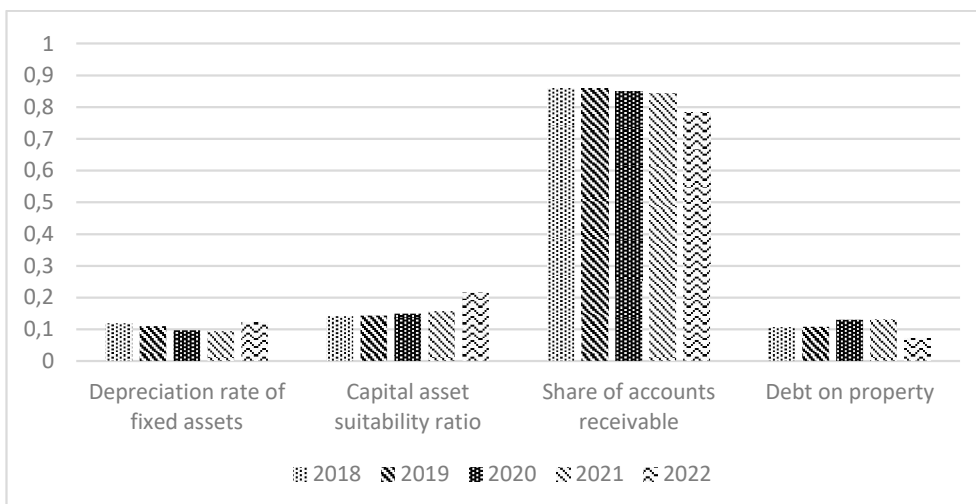


Figure 1. Indicators of property status of Kernel-Trade LLC

Source: Author’s own study

Figure 1 shows that the recommended value (more than 0.5) is not only the share of receivables, which indicates the low reliability and production potential of the enterprise. All other indicators of the property status of Kernel-Trade LLC are normal.

Figure 2 presents the liquidity of Kernel-Trade LLC.

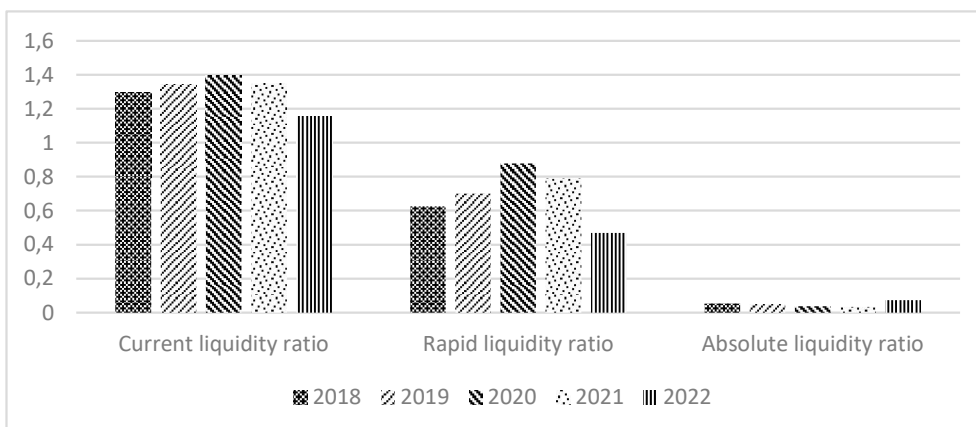


Figure 2. Liquidity indicators of Kernel-Trade LLC

Source: Author’s own study

The ratios of fast and absolute liquidity are below the normative values (1 and 0.2, respectively). Reducing these indicators may cause the company to be able to respond in time to its current liabilities, and in the event of a systemic liquidity crisis, the company may be declared bankrupt.

Figure 3 displays the development of Kernel-Trade LLC, which indicates the corresponding level of its business activity.

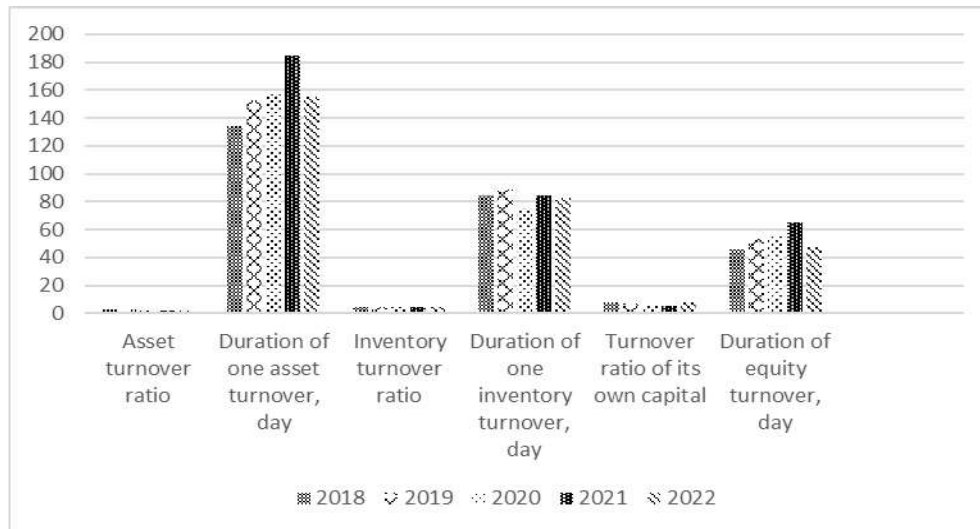


Figure 3. Indicators of business activity of Kernel-Trade LLC

Source: Author's own study

The data indicate that the effectiveness of Kernel-Trade LLC is increasing. The period of the conversion of raw materials into finished products in 2022 was 82 days, which is 2 days less than in the previous year. The ratio of equity turnover also indicates optimization of the enterprise and the efficient use of equity.

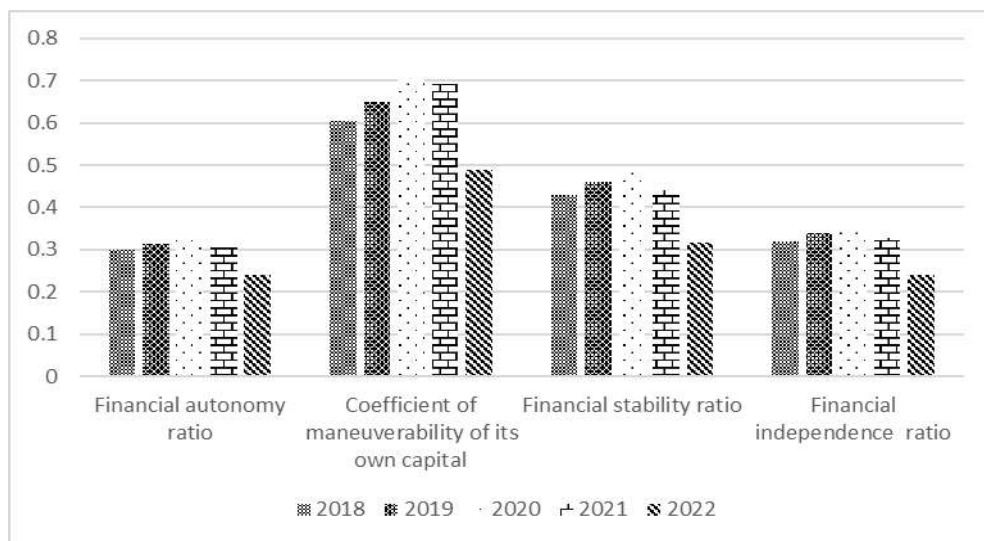


Figure 4. Indicators of financial independence of Kernel-Trade LLC

Source: Author's own study

Figure 4 shows the financial independence indicators of the company.

The coefficients of financial autonomy, stability and independence are below the normative values, which indicates a violation of the financial equilibrium of Kernel-Trade LLC. The enterprise is becoming less independent every year, that is, it operates by attracting additional resources

Figure 5 presents the profitability of the enterprise.

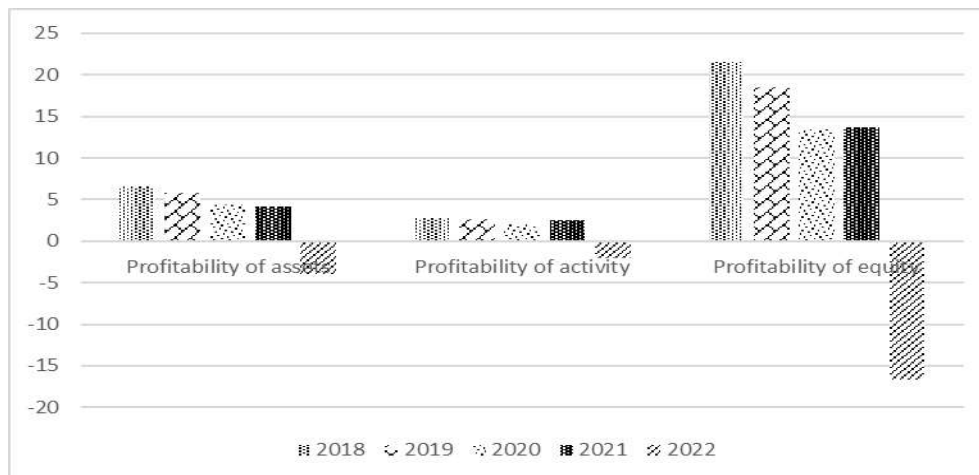


Figure 5. Indicators of profitability of Kernel-Trade LLC

Source: Author's own study

The profitability of Kernel-Trade LLC during the last year has deteriorated, first of all due to the unprofitability of the enterprise in 2022. For example, in 2021 Kernel-Trade LLC received 4.19 cents of net profit for each invested hryvnia assets, while in 2022 it was only 4.02 cents. Each hryvnia of its own funds in 2021 brought 13.7 cents of net profit, and in 2022 16.7 cents.

Thus, the financial condition of Kernel-Trade LLC during 2018-2022 was characterized by a decrease in the profitability, stability and liquidity of the enterprise. Business activity remained at a high level.

The aim of financial security management for Ukrainian enterprises in the most general sense can be considered protection against the negative effects of internal and external threats.

Financial security management methods include : achieving financial stability as well as stability of the financial activity of the enterprise; reducing uncertainty to minimize financial risks; timely detecting, identifying and counteracting key threats to the financial security of the enterprise, etc.

Based on the goals and objectives, we will consider the sequence of the financial security management of an enterprise, which, in our opinion, should include the following stages (Orekhova, 2014; Amosov, 2020; Yermoshenko, 2010):

- Stage 1. Formation of financial security organizational structure within the economic security system of an enterprise, defining the responsibilities, tasks and communication.

- Stage 2. Organization of an accounting and analytical system ensuring the financial security of the enterprise by making necessary changes in accounting and the analytical enterprise management system aimed at reducing financial risks and timely detecting key internal and external threats.
- Stage 3. Assessment of the external and internal financial environment to determine the current level of financial security of the enterprise and identify the list of external and internal threats, their classification and hierarchical ordering regarding the ability and expediency of implementing protective measures.
- Stage 4. Forecasting changes in the internal and external environment in order to reduce financial risks, as well as to prevent and reduce their negative effects.
- Stage 5. Regulation of the financial security of the enterprise through the implementation of protective measures.
- Stage 6. Control of the level of financial security of the enterprise. The sequence determines only the essence the main stages, while the content and duration of the implementation depend to a large extent on the scale of the activity of a particular enterprise, the specifics of its financial and economic activity and other factors.

An element of the financial security of an enterprise is the management of financial risks. Risk management for financial security purposes includes the following methods (Khymych et al., 2021):

- eliminating or preventing risk
- reducing the adverse effects of certain factors on the results of production and on general business activity
- transfer of risk by insurance
- risk mastery.

This is the most effective method of risk management, the use of which is advisable and even necessary when potential losses are insignificant, when everything is done to prevent or reduce the harm from the influence of unforeseen circumstances.

When applying modern strategic management methods, enterprises must change their existing financial and economic mechanisms, develop and implement a financial strategy that will help the financial security of the enterprise. The financial security of the enterprise is based on the concept of the systematic combination of control, planning, feedback and information support functions.

The essence of controlling the financial security of the enterprise is defined as a self-organized system that provides the integration, organization and coordination of all the phases of financial security management of the enterprise. The main functions of controlling the financial security of an enterprise are planning, information support, control, and analysis.

The financial security planning process includes:

- evaluation of economic security threats that are political and legal in nature
- assessment of the current level of financial security
- assessment of the effectiveness of preventing possible harm from negative actions
- planning of a set of measures to ensure financial security and the development of recommendations for its implementation

- budget planning of practical implementation of the proposed set of measures
- planning of corporate resources
- prompt implementation of planned actions in the process of financial and economic activity (Berzhanir, 2015).

The main methods of ensuring the financial security of an enterprise include the collection and processing of analytical information on experience and measures to ensure the safety of foreign enterprises; analysis; constant monitoring and forecasting of conditions, threats, dangers and indicators of financial security.

The process of analyzing the current level of ensuring the financial component of economic security is impossible without information support, namely: financial statements, profit of the enterprise, the competitive state of the enterprise in the market, the securities market of the enterprise.

Increasing financial security in the context of globalization primarily involves improving the main indicators of enterprise development, and reaching the level of countries with a developed economy. For this purpose it is necessary to carry out constant analysis of the activities of enterprises and to use the experience from around the world of ensuring the financial security of enterprises both at the state level and at the level of economic entities.

Ukraine's entry into the world financial markets in financial globalization is a long and complex process. Therefore, each step towards integration must be carefully justified and must contribute to the development of a reliable system of financial and economic security of enterprises.

An important purposeful direction of the financial security system of an enterprise is to create the necessary financial prerequisites for sustainable growth of the enterprise in the current and perspective periods.

In today's context of integration processes, there is a need to develop, approve and implement a strategy for ensuring the financial security of the enterprise in the form of an appropriate program for the future; continuous monitoring of real and potential threats to financial security in order to identify them timely and develop measures to mitigate them.

Determining the totality of the enterprise's own financial interests in its mission, the criteria for assessing the state of financial security and the forecast of quantitative values of indicators of the financial security system for the future will ensure the balance of the financial interests of the enterprise, its individual units and personnel.

With timely development and the application of measures to mitigate threats to the financial security of the enterprise, the field will be expanded to create incentives for the efficient use of resource potential, as well as the introduction of innovative projects in enterprises in Ukraine.

Conclusions

Today's economic and political challenges in the country have given rise to the financial insecurity of most agricultural enterprises. In particular, the beginning of a full-scale war and the introduction of martial law have brought about real financial

risks in conducting business activities, which necessitates the definition and generalization of the concept “the financial security of an enterprise”.

Financial security is determined by the financial state of the enterprise, characterized by the balance of financial resources and the ability to ensure their implementation, resistance to the negative influence of internal and external threats of the environment and the ability to ensure a financial equilibrium of the enterprise in the short-term and long term.

In the conditions of martial law, in order to increase the level of financial security of enterprises, the following measures are proposed:

- reducing the amount of receivables, which will allow the amount of working capital to be replenished
- controlling short-term debt, including bank loans, which will reduce the possibility of loss of liquidity
- reducing the need for financial sources by eliminating non-working assets and accelerating the turnover of workers’ assets
- reassessing fixed assets in order to increase their value, which will increase equity
- increasing production volumes and product sales, which will contribute to an increase in net income from sales
- reducing costs (raising the technical level of production, economical and rational use of raw materials, materials, fuel and electricity, waste reduction).

The implementation of these measures will contribute to an increase in the value of a part of the enterprise, an increase in profits and the introduction of additional free funds for further growth and expansion of activities.

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ZARZĄDZANIE BEZPIECZEŃSTWEM FINANSOWYM PRZEDSIĘBIORSTWA WE WSPÓŁCZESNYCH UWARUNKOWANIACH

Streszczenie: Osiągnięcie interesów finansowych w konkretnym przedsiębiorstwie wymaga stworzenia odpowiednich bezpiecznych warunków prowadzenia działalności finansowej i gospodarczej. Bezpieczeństwo sfery finansowej osiąga się poprzez stworzenie systemu zarządzania bezpieczeństwem finansowym, który jest głównym elementem mechanizmu zarządzania. Celem artykułu jest opracowanie mechanizmu zarządzania bezpieczeństwem finansowym przedsiębiorstwa zgodnie z rzeczywistymi warunkami prowadzenia działalności przez ukraińskie przedsiębiorstwa. Mechanizm zarządzania jest traktowany jako pewien system, który składa się z zestawu powiązanych ze sobą elementów i polega na podejmowaniu działań w celu realizacji interesów finansowych poprzez terminowe ograniczanie ryzyka finansowego oraz przeciwdziałanie zagrożeniom zewnętrznym i wewnętrznym. W każdym przedsiębiorstwie pilnym zadaniem jest wypracowanie skutecznej strategii budowania bezpieczeństwa finansowego, którą charakteryzuje ścisły związek i współzależność poszczególnych jej elementów składowych.

Słowa kluczowe: kapitał własny, bezpieczeństwo finansowe, stabilność finansowa, płynność, kapitał obrotowy

