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Theoretical Fundamentals of Improving Financial Health in Enterprises

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Abstract

The article examines theoretical approaches to the concept of "financial rehabilitation" of enterprises. Additionally, the need for a methodology to improve the recovery of enterprises on the brink of crisis, taking into account all its capabilities, is also considered in the management decisions in the process of financial recovery of enterprises.

Keywords*: financial recovery, financial mechanism, financial stability, financial risk.*

Introduction: In the process of carrying out financial and economic activities, each enterprise goes through periods of growth and decline, as any process in socio-economic systems develops cyclically. Such fluctuations within the enterprise can be mainly due to two factors, namely the external - the objective impact of the market economy in general and the internal - subjective reasons that are associated with the problem of expediency and effectiveness of management decisions. In fact, for one of two reasons, an enterprise may lose its financial stability.

It should be stated that arbitration practices for the financial rehabilitation of existing enterprises in the country are not an effective market mechanism. This is due to the lack of scientific and methodological approaches to define the important content of this concept, developed on the basis of this holistic program for the financial rehabilitation of enterprises and the achievement of long-term financial stability.

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Literature review: Peculiarities of financial recovery processes in enterprises are analyzed in the scientific works of modern scientists: Barulin S.V., Terenteva M.V., Makarkina N.P., Nesterova O.S., Pichugin A.V., Romanova A.V., Marushkina N.E. and others.

According to A.V. Romanova, N.E. Marushkina[1], financial rehabilitation is the adaptation of the production structure of the enterprise to the requirements of an effective market, provided that the profitability of the activities carried out by the enterprise.

N.P. Makarkina[2], on the other hand, said that preventive financial recovery is aimed at preventing insolvency and preventing the initiation of bankruptcy proceedings.

According to S.Yu.Suchkova[3], financial recovery is a management measure to end the financial crisis in the enterprise, i.e., the inability of the organization to timely and fully fulfill its payment obligations arising from trade, credit and other monetary operations.

M.A. Tsrimov[4] noted that despite the visual clarity and prospects of the financial recovery process, currently financial recovery mechanisms are ineffective, in practice and in terms of prevention initiatives, as well as in the framework of bankruptcy decisions.

In studying the role of complex economic analysis as a means of financial rehabilitation of the enterprise, the authors attach great importance to assessing the level of development of the relevant conceptual apparatus and, above all, categories such as financial rehabilitation. Financial recovery is a relatively new and controversial concept for economics that emerged at the same time as the formation of market relations.

The strategic mechanism of financial recovery is a system of measures aimed at maintaining the financial balance achieved in the long run. This mechanism is based on a model of sustainable economic growth provided by the main parameters of its strategy. The structural-technological approach to financial recovery is to prevent crises using flexible technologies aimed at innovative renewal of the organization.

Analysis and results: Allocation of resources for financial rehabilitation of enterprises is carried out at the expense of certain sources: for example, for the budget mechanism, budget revenues should be considered as a source of resources, and for a state support fund, not only budget funds, but also funds from private investors should be considered.

Financial rehabilitation requires the use of comprehensive measures to increase the solvency, financial stability and efficiency of enterprises and organizations and for this involves the development of financial rehabilitation strategies, appropriate programs and plans based on the chosen methods. An assessment of clear criteria is required to select methods of financial recovery. The basis for their selection is the stage of the financial crisis in which the enterprise is located. This is the stage of financial instability, the latent stage of bankruptcy, the stage of insolvency (real bankruptcy), the stage of formal recognition of bankruptcy, the post-trial stage.

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[2] Makarkina N.P. Theoretical aspects of anti-crisis management and preventive financial recovery of the organization // Economics and business: theory and practice. 2018. No.5-1. pp. 151-154

[3] Suchkova S.Yu. The mechanism of financial recovery of the company // Modern trends in the development of science and technology. 2016. No.11-11.

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The reasons for financial instability should also be taken into account when evaluating the criteria. Different causes of crisis require different methods of recovery. Thus, if the main cause of insolvency is a sharp increase in overdue receivables, the following will help to restore the financial balance: the use of sessions, factoring and promissory notes.

The choice of method of financial rehabilitation is also influenced by regional characteristics: the characteristics of local legislation, primarily taxation, the possibility of obtaining additional financial assistance from local authorities.

The mechanism of spending financial resources is based on the use of various forms: state funding of financial support of enterprises in crisis conditions can be provided from the budget in the form of grants and investments, and targeted loans should be the main form of financing from the support fund. In general, the financial mechanism of state support for financial rehabilitation can be described as follows (Figure 1):

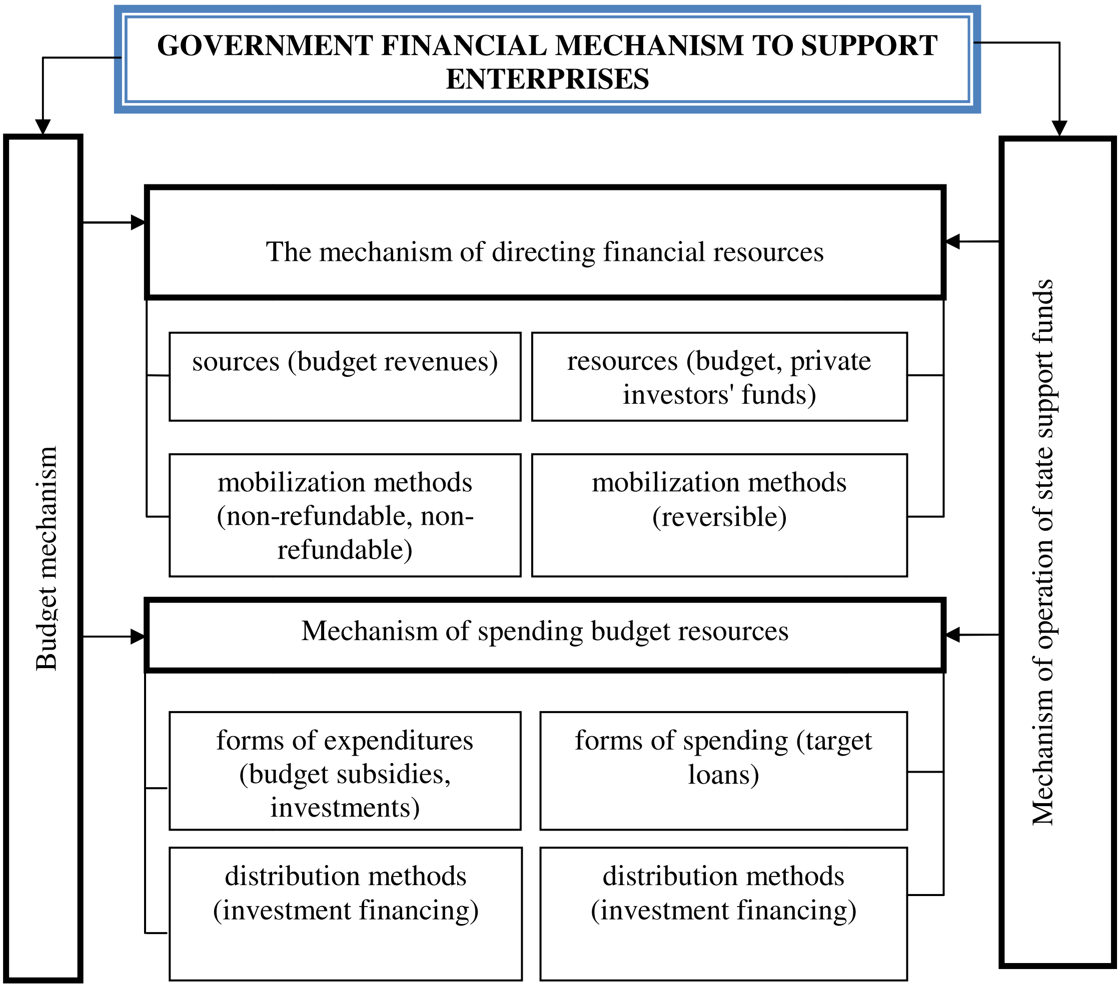

Figure 1. Financial mechanism of state support in the financial rehabilitation of enterprises

Each branch and individual link of the financial mechanism is an integral part of a whole, while its branches and links work relatively independently. Ensuring the consistency of the various components of the financial mechanism allows you to create an appropriate organizational structure for its operation.

Since the financial flows of all entities in the country's economic turnover are interconnected and interdependent, it can be argued that these flows keep the entire financial system in equilibrium. Volume optimization and a constant balance of cash flows are achieved through the effective operation of the financial management system of the commercial organization. As a result, the solvency of enterprises is ensured. When an imbalance of incoming and outgoing financial flows occurs, it leads to temporary and sometimes permanent failures and gaps, the solvency of the business entity deteriorates, and then financial rehabilitation is required to restore it.

Many of the factors that lead to a crisis indicate the need to use management methods to financially improve an enterprise, as balanced and effective management decisions can significantly mitigate the negative effects of crisis events. An important problem in the theory and practice of crisis management of enterprises is the imperfection of methods of assessing the feasibility of financial recovery, as they are primarily focused on the current financial condition of the enterprise and do not take into account its capabilities.

Conclusion: The success and effectiveness of government support is largely determined by the rationality of its financial support. Particular attention should be paid to the uncertainty of state support for crisis-hit enterprises and limited budgetary resources, the formation of a financial mechanism for state support of financial rehabilitation, the specific composition of its elements and ways of their interaction.

Thus, the main drawback of the use of indicators of financial condition of the enterprise for diagnostic purposes, in our opinion, is their low data content, because the results of the analysis of these indicators do not provide the initial data necessary for financial recovery. In order to increase the effectiveness of financial recovery, we propose to: supplement the guidelines for the preparation of a financial recovery plan with additional sections, including an assessment of financial risks and a forecast of the financial condition of the organization. In practice, the recommendations may, on the one hand, limit the possibility of introducing a financial recovery procedure, on the other hand, ensure that all participants in the bankruptcy institution take a responsible approach to decision-making about the future of the debtor organization and increase process efficiency.

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