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INSTITUTIONAL ASPECTS OF FINANCIAL AND CREDIT RELATIONS WITHIN ENTERPRISES AIMED TO SUPPORT PROFITABLE ACTIVITIES OF ENTERPRISES

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Abstract

This article discusses the institutional aspects of the effectiveness of financial and credit relations. It is noted that the effectiveness of financial and credit relations largely depends not only on the organizational size of the enterprise, structure, strategy and organizational culture, but also on independence and action within the framework of general entrepreneurial principles in accordance with the strategy of enterprises.

Keywords*: performance, profit, costs, costs, intra-organizational costs, decentralization, strategy, principle, synergy effect, decentralization, competition, contractual freedom, control, stability, administrative regulation.*

Introduction.

The effectiveness of financial and credit relations largely depends not only on the organizational size of small businesses and private entrepreneurship, but also on the structure, strategy and organizational culture. This is mainly due not so much to the consequence of socio-economic transformations, which quite often were some kind of dominant of effective organizational development, but to such economic criteria as financial and credit efficiency, flexibility, rationality, and productivity. For strategically minded domestic entrepreneurs, it has become important to understand the very nature of a small business entity and private entrepreneurship as an economic organization, as well as the conditionality of the emergence of new forms of conducting business financial and credit operations as a result of changes in the technological foundations of their activities.

Literature review.

Commercial banks, through the collection and use of transactions, are an important "infrastructure" of the national economy, since they invest a significant amount of national savings in the business system (Allen and Gale, 2000). It is more difficult for small banks to provide highly sophisticated financial services to large enterprises at competitive prices. A process of specialization that has resulted in smaller banks primarily financing SMEs and larger banks predominantly providing credit lines to large enterprises (Berger et al. 2005), also supported by some empirical research done in Italy. Bernanke and Gertler (1989), Kiyotaki and

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Moore (1997) and some other researchers, at the forefront of their research, put friction in the financial markets, which, in their opinion, arise due to intermediary activities between borrowers and lenders. Intermediation drives a wedge, in their view, between the cost of external financing and the cost of domestic financing, which adds to the overall cost of credit faced by the borrower. And also, the size of the premium for external financing depends on the state of the borrower's balance sheets.

In general, the result of research by individual authors is a combination of the concept Gertler and Karadi’s (2009), which allows for financial intermediation, and the concepts Kiyotaki and Moore’s (2008), which takes into account liquidity risk. Other authors also take into account some of the features that prevail in traditional quantitative macro models (such as Christiano, Eichenbaum, & Evans, 2005; Smets & Wouters, 2007), to get a rough idea of the importance of the factors that are introduced. Some studies are devoted to the institutional foundations of credit relations in the field of tax regulation (Баева, Е.А. et al., 2020; Авдеева, Е.А. et al., 2021; Ahrorov, Z. 2020).

Analysis and results.

Speaking about financial and credit relations, one should proceed from the consideration of the problem of determining the organizational boundaries or the size of the enterprise, since, by the very definition, financial and credit relations are “internal” in that they are somehow and somehow limited. And this, in turn, inevitably pushes to determine the boundaries of the subject and make decisions about the appropriate assumptions in their analysis, that is, the foundations on which the theory should be built. Since in economic theory there is an obvious desire to start the analysis with a separate subject of small business and private entrepreneurship, that is, it is necessary not only to formulate a clear definition of the term “small business” or “private entrepreneurship”, but also to clarify the differences between this term and a real adequate subject.

First, as the entities we are considering become larger, business income may decline, i.e., transaction costs within them may increase. Some point must be reached where the costs of additional transactions within them equal the costs associated with making transactions in the open market, or the costs of enterprises by their other entrepreneur. Secondly, it may happen that, as a result of the increase in the number of organized transactions, the entrepreneur will not be able to place the factors of production so that they create the greatest value, in other words, he will not be able to extract the maximum benefit from cost factors and income. That is, a point must be reached at which the losses from the inefficient use of financial and credit resources are equal to the costs of exchange transactions on the open market or the losses that occur if this transaction is organized by another entrepreneur. The first two reasons given for “decreasing income from management activities” are most consistent with the position formulated by economists (Xotinskaya G.I.). It follows that the price of supplying one or more factors of production may rise, since the “other advantages” of small businesses and private entrepreneurship are higher than those of a large enterprise.

In its limiting value within the framework of financial and credit relations, the costs within an enterprise can be equal or similar to the costs of another enterprise or the costs associated with the “organization” of a transaction through the price mechanism. At the same time, the enterprise should systematically, as necessary, experiment, expanding or narrowing the scope of its control, and in this way maintaining balance. It is clear that dynamic factors also play a significant role,

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and therefore an examination of the effect that changes in the financial conditions of an enterprise have on its internal organizational costs and on distribution costs will generally prompt a search for an explanation of why enterprises become larger or smaller. The importance of this process is due to the fact that the concept of intra-economic relations, understood as the development of the activities of the enterprise and its structural divisions, should ensure its success in the market. This concept includes the following mandatory set of basic system-forming characteristics of an enterprise of any size: its strategy, structure, organization in the sense of using financial and credit mechanisms for decentralization and (and) centralization of an enterprise, key success opportunities in the context of the financial stability of an enterprise.

The economic reality is such that even Western enterprises and their individual structural divisions, although they have a fairly large degree of independence of financial and credit relations, at the same time operate within the framework of general business principles in accordance with the financial and credit strategy of enterprises. Most Western enterprises are of medium size, therefore, well-established financial and economic relations allow them to quickly respond to growing complexity, the dynamic development of financial, economic and social conditions, and, most importantly, to changes in consumer demands.

Large enterprises, which often cover numerous forms of activity and various types of production, with well-established financial and economic relations, some experience difficulties when it is necessary to respond in time to changes, firstly, occurring in the markets; secondly, in financial and credit relations. Therefore, in recent years there has been a constantly growing trend towards further centralization of management and the use of financial resources by enterprises. This is due to a significantly lower hierarchy and greater independence of enterprises with various forms of business units, as well as new changes in the financial and credit mechanism and in the strategy of the enterprise, mainly due to ensuring their financial stability.

To improve the form of enterprise management, it is necessary to make changes both in its structure and in its strategy, moreover, there cannot be a single “recipe” for managing departments - as the introduction of one or another specific form of on-farm financial relations. The experience of implementing this idea and various institutional forms of on-farm financial relations has revealed the important pattern that another most important feature of enterprises is the high level of cohesion of their teams.

If an enterprise operates on the principles of intra-economic relations, has a decentralized structure, and its activities are multifunctional, then the career of many specialists is associated with appointments to various business units and other areas. These features are especially characteristic of industrial enterprises, because they allow all personnel to enrich their personal experience and improve their skills in the process of achieving various strategic goals and objectives.

Therefore, there is a need to strictly limit the activities of the “center” to those tasks that can only be performed centrally, and thus keep the “center” compact and “easy to manage”. Here, the main principle for top management, both in the implementation and implementation of the principles of intra-economic relations, should be the rule – “do not take on too much” in order to achieve a more tangible financial result in the context of the implementation of the Action Strategy Program.

As pointed out in the Western scientific literature, there are preconditions necessary for the implementation of the parameters of intra-economic relations for the effective management of units. Among them are the following:

1) each enterprise and its division separately must have its own strategic goal, which may be reflected in the desire to increase competitiveness and profitability;

2) the leader-manager should strive to demand strong, not weak leadership. Therefore, comprehensively gifted middle managers will always be needed in order to adequately counter the top manager and effectively manage their profitable divisions, "profit centres or divisions"; it is impossible to achieve synergy in the enterprise by transferring all controlling powers to the central office;

3) a developed culture and devotion to the enterprise on the part of all personnel are required, which gives an appropriate synergy effect;

4) on-farm financial relations can be fully implemented with an adequate understanding of all problems between the manager and subordinates.

It is necessary to create conditions for the correct perception of knowledge skills, assuming that each business process should become an object of study for workers who are responsible for it. In addition, it would be possible to monitor the work of departments and their results, but not in order to interfere in their work, the schemes of the enterprise development strategy should be revised in order to take into account the views of each participant in production and their ideas about the future of the enterprise.

With the successful management of units, their increased interest in profit, greater market orientation, and acceleration of the financial decision-making process should be manifested. However, there are also "collateral disadvantages" that manifest themselves in the fact that efficiency can be temporarily reduced due to a partial change in functional specialization. The synergy that existed between departments may quickly disappear, and the assessment of the enterprise by the outside world may change.

Nevertheless, the practice of on-farm financial relations shows that the introduction of management of independent profitable business units does indeed lead to significant economic growth, often to a significant reduction in costs.

At the same time, it should be noted that in a market environment, none of the listed advantages or disadvantages are decisive. The choice of "for" and "against" intra-company financial relations depends on the importance that the company attaches to concentration on target groups of consumers, functional efficiency and synergy. In our opinion, it is important to note here the ways in which synergy can be realized in the organizational decentralized structure of the enterprise. This is done through strategic entrepreneurship, firstly, by creating an appropriate structure, and secondly, by carefully and adequately introducing the management of profitability units.

Conclusion.

However, in order to effectively apply unit management, the following must be true. First, business units must have a strategic, evidence-based goal that will allow them to prevent competition from each other without hindering active competition with competitors. In addition, a unit will be a "whole team" when it has a compelling strategic plan. Secondly, there should be no intermediate levels between departments and top management. The subdivision management system should be based on contractual relations. Here, direct contacts should contribute to the

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formation of short lines of on-farm communications. This will enable top management to communicate with departments, which can also help make financial decisions faster. Third, productive units should have the necessary contractual freedom. Under contracts with customers (served by multiple units), the contracts will be managed by the business units themselves. Contractual freedom should be used, first of all, for the purchase and sale of goods, i.e. it is required for external contracts. Secondly, to establish relations with the support services of the enterprise itself. Fourthly, such important functions as marketing, sales and production of goods, their development should be carried out by departments as long as it is physically possible or until there are own losses in synergy. Fifth, to establish quality control and control over the administrative functions of management. Thus, the management system and the incentive system will always need instructions for them from the centre, but they should be carried out decentralized. Sixth, divisions should have a say in the appointment of managers and exercise full control over who holds other positions within the division. Seventh, the enterprise must have a real strategic management system, that is, it must apply not only the methods of operational planning, but also adhere to a firm strategic line in management. Eighth, the enterprise must have a well-developed management information system that includes all profit and loss calculations in each division and a staff of accountants in divisions that can concentrate these figures. Ninth, synergies must be achieved by promoting an “all-encompassing” management style and culture that is worthy of top management. Here, the main emphasis in contacts between management and departments should be on strategic issues, and all this, in our opinion, requires a sufficiently developed corporate culture. Tenth, a management system must be created that can continue to function even when conflicts arise between departments, as well as between departments and the central office of the enterprise.

Such rules for the implementation of intra-economic relations indicate that the management of divisions should be a radical process: no half-hearted decisions. There should be no deviation in this matter. At the same time, management should take a clear position in relation to independent units.

An enterprise can be divided into divisions in various ways. The choice of ways in which the entire management system can be built should be determined by the desire to bring units closer to consumers and, above all, aimed at maintaining profitability based on the development of each such unit's own budgets.

The experience of enterprises developing on the principles of intra-company relations and built on the principles of autonomy and interdependence, of course, demonstrated the growth of their profitability based on the development of their own budgets.

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