

Problems of business entity financial security provision in conditions of economic crisis

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Received September 02.2016; accepted September 12.2016

Summary: The support for the stable functioning of business entities with focus on their further development is impossible without an effective system of financial security, because any time there is a danger of implementing a variety of risks that can lead to the onset of the crisis. It should be noted that the implementation of measures to ensure financial security is most effective when they are applied long before the crisis - it makes business entities able to recognize early trends of crises and have time for preparedness. In the case when it comes to the global economic crisis, which cannot be prevented, timely measures to ensure financial security can minimize its negative effects, and if the crisis is expected at the level of the enterprise, it will be able to avoid it altogether.

The study clarified the theoretical basis of ensuring the business entity financial security - namely, the definition of "financial security" and a list of its tasks, functions and principles. The existing problem of providing financial security are researched. A qualitative and quantitative methods for assessing the financial condition of a business entity are showed.

The research has established that the main problems of ensuring the financial security of business entity need to be addressed at the state level, but the early assessment of external and internal environment of economic units significantly reduces the risk of certain threats and thus increases financial security of business entities.

The showed methods of assessing the financial situation can be used in practice of national business entities.

Key words: financial security, methods of assessing financial condition, problem of providing financial security, economic crisis, assessment of financial condition.

INTRODUCTION

The economic crisis that hit the economy of Ukraine in late 2013, affected all the spheres of economic activity of the country. Plenty of national business entities suffered losses or even became bankrupt due to the dramatic changes in the economy drawn by the crisis. Such disruptive impact of crisis tendencies on Ukrainian business entities was caused, among other reasons, by imperfect system of providing financial security, which is essential for the stable operation of any business entity. Therefore, the above facts confirm the relevance of the research topic.

THE ANALYSIS OF RECENT RESEARCHES AND PUBLICATIONS

A lot of Ukrainian and foreign scientists were engaged in the problems of financial security ensuring, including: Aref'eva O. V., Blank I.O., Vasylytsiv T.G., Epifanov A.O., Yermoshenko M.M., Tkachenko S.O. and others. However, the majority of the investigations covers primarily general issues of financial security, while ensuring stable operation of business entities during the economic crisis has not been profoundly studied yet.

OBJECTIVES

The aim of the article is to highlight the problems of business entities financial security in a crisis economy.

THE MAIN RESULTS OF THE RESEARCH

First of all it is necessary to establish the basic theoretical principles of financial security, which include clarifying the definition of "financial security" and the list of its tasks, functions and principles.

There is no common approach to the definition of "business entity financial security". Epifanov A.O. considers financial security as a system, which is able to identify potential threats and risks and quickly find effective ways of countering them, ensuring stable financial position of business entity and the opportunity for further development and survival [1, p. 13-14].

Vasylytsiv T.G. characterizes financial security as a dynamic feature of business entity financial position that reflects its stability to internal and external threats, the capacity for sustainable and balanced development and protection of its financial interests [2, p. 31].

Tkachenko S.O. believes that the provision of business entity financial security has to involve the mechanism of all-inclusive actions, counteracting potential and real threats, which, in turn, enables minimizing these threats for the opportunity of effective functioning in a dynamic development of internal and external environment [3, p. 61].

Yermoshenko M.M. notices that the business entity financial security has the following parameters: balance and quality of financial tools, technology and services of business entity; resistance to internal and external threats; ability of the financial system to ensure the realization of

a business entity's financial resources; insurance of the development of the financial system [4].

Blank I.A. provides the most comprehensive determination of financial security: business entity financial security is quantitatively and qualitatively defined level of its financial condition, providing consistent protection of its financial interests from the identified real and potential threats of internal and external nature [5].

Judging from the definition above, one of the key points of financial security ensuring of a business entity is to identify internal and external threats and to create effective mechanisms to counteract them. Let us consider the broad classification of threats that may affect financial security.

1) All the threats can be divided into external and internal by the source of occurrence. The external threats include, for example, industrial espionage, illegal actions of competitors, the instability of the economy etc. Internal - low qualification of specialists who develop contractual documents, inefficient work of financial or economic security service etc. The greatest danger, as a rule, is external threats.

2) By the level of the severity of consequences all the threats can be divided into threats of high, large, medium or low severity of consequences. High severity means that these threats can lead to a sharp deterioration of the financial performance of a business entity that causes immediate termination of its activities or cause irreparable harm that will result in such consequences later. In this case, the liquidation of a business entity can happen. A significant level of severity of the impact of threats suggests the possibility of applying such financial losses to a business entity that negatively affect the main financial indicators of a business entity and its activities in the future. Average severity means that overcoming the effects of these threats requires spending (causes a loss), comparable to the current expenditures of a business entity and doesn't require considerable time. The consequences of threats of low severity have not any significant effect either on the strategic position of a business entity, or even on its current activity.

3) By the level of probability threats can be unlikely and highly likely.

4) Threats may differ by manifestation at particular stage of activity. There are threats which are most likely and dangerous in the construction phase of a business entity, and threats which are typical for its operation. In the first case, it may be illegal actions by corrupt officials who prevent the organization of a business entity. At the stage of operation threats may arise in the preparatory phase (prevent normal supply of raw materials, equipment), the production stage (destruction or damage to property, equipment, theft of "know-how"), the final stage (interference to sales, restriction of competition, illegal advertising restrictions).

5) The threats may differ by the object attacked. The object attacked is, especially, resources: labor (staff), physical, financial, informational. Staff threats are blackmail to obtain confidential information, theft of employees, extortion etc. Material resources threats are damage to buildings, facilities, communications systems, equipment stealing. Financial resources threats are fraud,

falsification of financial documents, currency, theft of cash. Information resources threats are unauthorized connection to the information network of the company, removal of confidential documents etc.

6) By the subjects of threats: threats from criminal organizations; threats from unfair competition; threats from contractors; threat by employees.

7) By the mode of the damage - threats, implementation of which has a direct damage and threats, the implementation of which will result in loss of profits [20, p. 121-122].

For the successful maintenance of financial security, it is also essential to clearly identify its objectives, functions and principles, which are presented in Fig. 1.

Moving from the general theoretical principles of financial security to the study of financial security in crisis economy, it should be noted, that ensuring financial security in economic crisis is complicated by constant influence of negative factors and problems that cannot be controlled at the level of the business entity. Therefore, it is important to consider these problems, their causes and solutions at the state level.

The main paragraphs of the state policy for solving current problems of industry and its further development are outlined in the "Concept of State Target Economic Program of the industry development for the period 2020". The structural and logical scheme of the Concept is shown in Fig. 2.

It is appropriate to supplement the outlined Fig. 2 range of problems, which hinder the stable operation and development of business entities, with the following factors, which are rather subjective, specifically - the moral and ethical aspects. These include:

low-efficiency and not always transparent use of resources;

migration of highly educated young scientists, especially in the current times of crisis [6, p. 124-126];

errors, abuse and other deviations (mismanagement, various economic crimes, etc.);

the growth of economic crime, corruption [7, p. 33].

Thus, we have found that the listed problems of ensuring the financial security of business entities are mainly generated by the external environment and need to be solved at the state level. A separate economic unit cannot eliminate and overcome them on its own, but carefully assessing these threats, it can take a range of measures to mitigate their destabilizing impact. The type of such measures depend on the specifics of a particular business entity, but the methods for assessing the threats are standard for any economic unit. Based on the fact that it is impossible or difficult to assess the above threats with quantitative methods, it is appropriate to use qualitative methods of analysis for their assessing. The most widespread of these methods are SWOT- and PEST-analysis [11, p. 52]. SNW- and STEP- analysis are widely used as well.

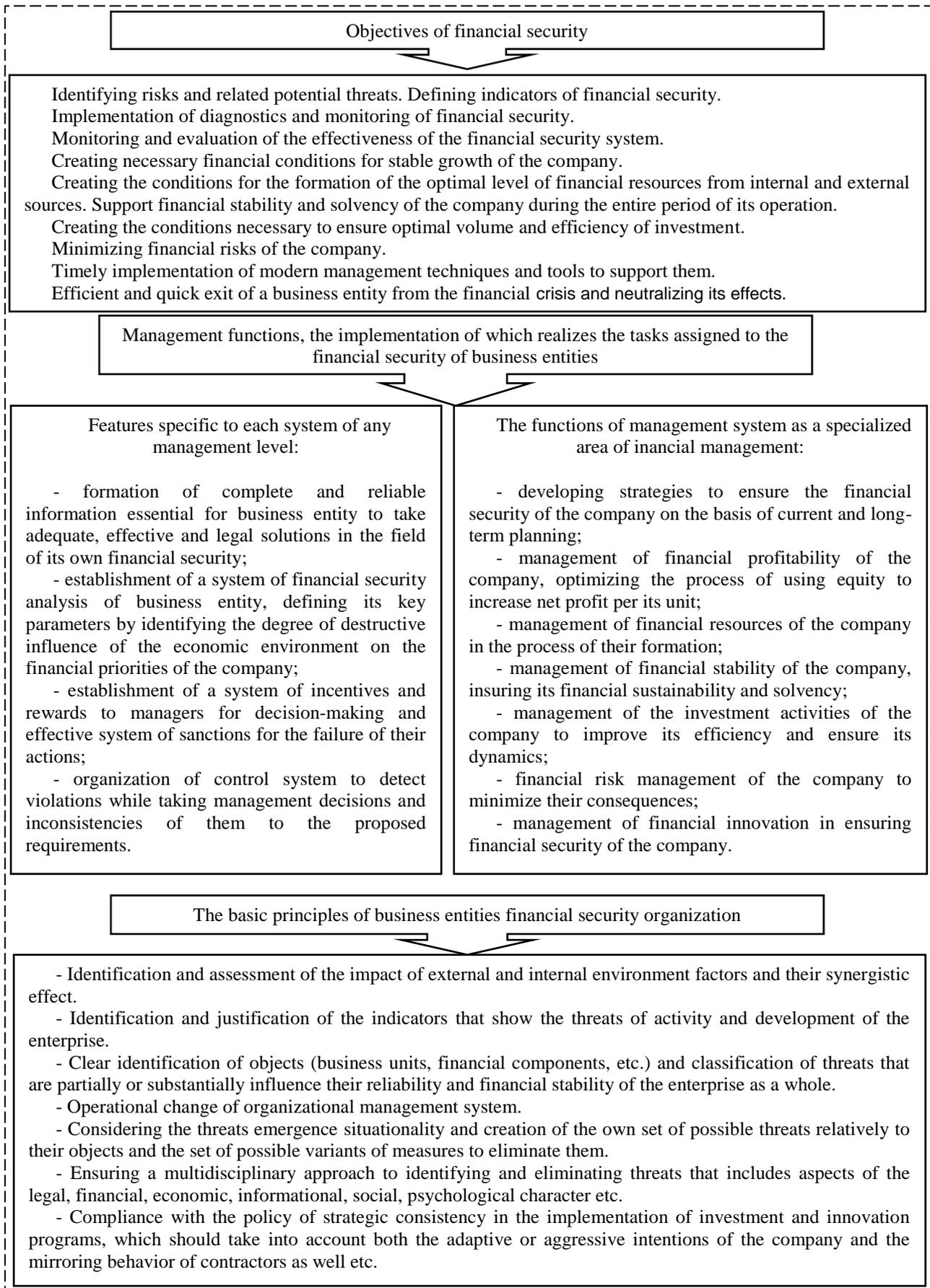


Fig. 1. Objectives, functions and principles of business entity financial security (compiled by [1, p. 23 , 8, 9, p. 13])

The structural and logical scheme of the main concepts of the “Concept of State Target Economic Program of the industry development for the period 2020”

Aim

Integrated solution of problematic issues of industrial sector functioning of Ukrainian economy through the development of organizational and economic mechanism and resource allocation to achieve the objectives of structural and technological modernization of the national industry in the direction of increasing the share of high-tech activities in output and exports, fulfilling of needs of the national market with its products, increase of employment and thereby improvement of welfare.

Problematic issues

- inadequacy of investment and credit system, causing the outflow of equity capital, reduction of financial resources and reduction of innovation and investment activity level of economic entities;
- low level of the fulfilling of needs of the national market with national products;
- high energy intensity and energy consumption, significant part of which is imported to Ukraine;
- lack of communication between science and industry;
- a significant backlog of Ukraine in the sphere of information technologies;
- dependence of Ukraine on external conditions;
- low level of innovative activity;
- reduction of the share of high-tech industries, which leads to a reduction in demand for national research and applied developments and impedes the development of technology transfer.

Causes

- lack of competitiveness of national industrial products due to the use of outdated technologies and a significant depreciation of fixed assets;
- limited access of enterprises of basic industries to credit resources because of high interest rates of commercial banks, especially in the long term for retooling;
- reducing demand for national products in the national market;
- untimely VAT refund to the enterprises - exporters of national products;
- increase of energy prices, which share in the structure of production costs is too high, especially in the steel and chemical industries;
- a significant focus on exports of industrial production;
- unfavorable external economic situation.

The basic options of solving the problem

The first option involves virtually no influence of public authorities on industrial production in the country.

Second - modernization of industrial production based on imported science and technology (technologies, equipment, products, services) that are not used in the global market as an innovative product.

Third, the best option of solving the problem, consists in realization of state policy of structural and technological changes of industry in the medium and high-tech industries by increasing the share of national developments through a combination of innovation and industrial policy.

Expected results

The Program implementation will help to ensure an increase of: the index of industrial production in 2-2,2 percent annually; the share of innovative products in the volume of industrial production to 50 percent; the share of industrial enterprises conducting innovative activity to 25 percent.
The realization of the Program will help to: preserve existing and create new jobs, increase real living standards of citizens and their social protection (increase of real wages of industrial workers is expected to reach 10-15 percent annually); reduce dependence on imports of industrial goods due to the development of national enterprises, which will help to reduce the rate of annual increase to 9-9,5 percent; provide an annual average growth rate of industrial exports by at least 7-10%; reduce energy consumption through the modernization of energy-intensive equipment of industry enterprises.

Fig.2. The main concepts of “Concept of State Target Economic Program of the industry development for the period 2020” (compiled by [10])

SWOT-analysis is the primary method of strategic analysis. This method allows quick assessing the strategic business entity's financial position in its main outlines. Abbreviation SWOT stands as follows: S – strengths; W - weaknesses; O – opportunities; T - threats.

PEST-analysis focuses the strategic analysis only on macro factors. Groups of such factors share the macro

environment of business entity functioning in the following four varieties, characterized by the acronym PEST: P - political and legal environment; E - economic environment; S - sociocultural environment; T - technological environment.

System of SWOT-analysis and PEST-analysis can be complemented by the assessment by methods of scenario

(in versions "pessimistic", "realistic" or "optimistic" forecast) or expert strategic financial analysis [12, p. 126-130].

SNW-analysis is improved SWOT-analysis. SNW decipherers as follows: S - strength (strong side); N - neutral (neutral side); W - weakness (weak side).

However, this analysis is applied only to assess the internal environment.

Unlike analysis of strengths and weaknesses in the SWOT-analysis matrix, SNW-analysis additionally.

Provides determination of the average market state (N). The main reason for adding this party is the following: "often such state may be sufficient for winning the competition, when a particular organization comparative with all of its competitors in all, but one, key positions is in the N state, and in the only one position is in the S state" [21, p. 70].

Analysis of the environment is an assessment of the status and prospects of the most important in terms of business entity, entities and environmental factors, such as industry, markets, suppliers, and set of global environmental factors, that can't be directly influenced by the business entity.

STEP-analysis technique is also widely used for macro analysis. The term "STEP" means a macro analysis based on the study of: S - social factors; T - technological factors; F - financial factors; P - political factors.

There are two main options of STEP- and PEST-analysis. Option of STEP-analysis is used for countries with advanced economies and stable political systems, priority of this option is taking into account social and technological factors. PEST-analysis is used to analyze the macro environment in countries where the economy is poorly developed or in transition, where the main factors are politics and economics. When selecting any of the options we should take into account the priority of consideration of those or other macro factor groups depending on possible impact of strength and factor stability for monitoring [22, p. 10].

The financial security is also vulnerable to the issues generated at the level of enterprise that related mostly to irrational financial management. Such issues need to be assessed with quantitative methods.

There is a wide range of methods of quantitative assessment based primarily on the analysis of relative and absolute indicators of financial stability, liquidity, business activity, profitability, property, etc. [18-19].

Yepifanov A.O. noted seven key indicators of analysis of business entity activities [1, p. 84-85]. However, the detailed financial analysis must cover the broader range of indicators, which are divided into groups.

The most common groups of the indicators are the following:

- Financial stability indicators. Financial stability is a state of enterprise, when the amount of the property (assets) is sufficient for the repayment of finance commitments, that is, the company is solvent.

- Liquidity indicators. Liquidity is a possibility of quick transfer of assets into cash without significant loss of their value (minimal cost).

- Business activity indicators. Business activity of a business entity shows up in its dynamic development,

achieving goals, what is reflected by the natural and cost indicators, the effective use of economic potential, expanding markets for its products.

- Profitability indicators. Profitability indicators characterize the performance of the enterprise as a whole, the profitability of the various activities.

The first group contains the following financial stability indicators:

Financial independence ratio shows the proportion of equity in total amount of sources of funds.

Current debt concentration ratio shows the proportion of the assets generated by current liabilities.

Financial leverage ratio (financial risk) shows the correlation between debt and equity capital.

Indicator of inventories providing by equity characterizes the amount of equity per unit of inventory.

Maneuverability of current assets ratio describes the amount of working capital per unit of current assets.

Maneuverability of equity ratio describes the amount of working capital per unit of equity [13, p. 242].

The second group contains the following liquidity indicators:

Absolute liquidity ratio shows the proportion of short-term obligations, which can be repaid immediately of the most liquid assets.

Quick liquidity ratio is the ratio of cash, short-term investments and short-term receivables to the amount of short-term financial obligations of a business entity.

Current liquidity ratio is the ratio of the full amount of current assets including inventories to total amount of current liabilities. It shows the degree of coverage of short-term liabilities by current assets of business entity.

Beaver ratio is needed for timely identification of poor balance sheet structure formation that could potentially lead to insolvency [14, p. 103-104].

The third group contains the following business activity indicators:

Turnover of capital ratio reflects the turnover rate of the capital of an enterprise as a whole.

Equity turnover ratio determines the turnover rate of the equity of business entity.

Payable turnover ratio indicates expansion (decrease) of the amount of loans provided to business entity [15, p. 22].

Receivables turnover ratio displays the rotational speed of receivables of business entity over the period [16, p. 392].

The fourth group contains the following profitability indicators:

Return on total capital shows how effectively business entity uses its assets to make a profit or the amount of profit per each money unit invested in assets.

Return on equity is of interest primarily for investors and describes how effectively business entity uses its equity. The operating return on sales indicates the profitability of a business entity after deducting costs of production and marketing of goods [17, p. 30-31].

It is also advisable to complement the listed quantitative and qualitative methods with additional evaluation techniques and instruments [23-24].

CONCLUSIONS

1. We have investigated the problem of business entity financial security provision in conditions of economic crisis and found that the main issues need to be solved at the state level.

2. Timely assessment of external and internal environment of economic unit functioning significantly reduces the risk of threats and thus increases financial security of business entities.

3. Future research will be focused on study of existing models of integrated assessment of the business entity financial condition, and the branch features of financial security provision.

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ПРОБЛЕМЫ ОБЕСПЕЧЕНИЯ ФИНАНСОВОЙ БЕЗОПАСНОСТИ ХОЗЯЙСТВУЮЩЕГО СУБЪЕКТА В УСЛОВИЯХ ЭКОНОМИЧЕСКОГО КРИЗИСА

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Аннотация. Поддержка стабильного функционирования хозяйствующих субъектов с упором на их дальнейшее развитие невозможно без эффективной системы финансовой безопасности, потому что в любое время существует опасность реализации различных рисков, которые могут привести к наступлению кризиса. Следует отметить, что осуществление мер для обеспечения финансовой безопасности наиболее эффективны, когда они применяются задолго до кризиса - это делает хозяйствующих субъектов способных распознавать ранние тенденции кризисов и иметь время для подготовки. В случае, когда дело доходит до глобального экономического кризиса, который не

может быть предотвращен, своевременное принятие мер для обеспечения финансовой безопасности может свести к минимуму ее негативные последствия, а если кризис ожидается на уровне предприятия, оно сможет избежать его полностью.

В работе уточнены теоретические основы обеспечения финансовой безопасности хозяйствующего субъекта - а именно, определение понятия "финансовое обеспечение" и перечень задач, функций и принципов. Исследованы существующие проблемы обеспечения финансовой безопасности, качественные и количественные методы оценки финансового состояния хозяйствующего субъекта.

В результате исследований было установлено, что основные проблемы обеспечения финансовой безопасности хозяйствующего субъекта должны решаться на государственном уровне, но ранняя оценка внешней и внутренней среды экономической единицы значительно снижает риск возникновения определенных угроз и, следовательно, повышает финансовую безопасность субъектов хозяйственной деятельности. Приведенная методика оценки финансового положения может быть использована в практике национального хозяйствования.

Ключевые слова: финансовая безопасность, методы оценки финансового состояния, проблемы обеспечения финансовой безопасности, экономический кризис, оценка финансового состояния.

