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THEORETICAL FUNDAMENTALS OF FINANCIAL RESOURCES MANAGEMENT OF ENTREPRENEURIAL STRUCTURES

ТЕОРЕТИЧНІ ЗАСАДИ УПРАВЛІННЯ ФІНАНСОВИМИ РЕСУРСАМИ ПІДПРИЄМНИЦЬКИХ СТРУКТУР

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Abstract. *The article considers the theoretical foundations of financial resources management of enterprises. The paper reveals the economic meaning and definition of "financial resources" as a set of resources that can be used to finance the company's activities and the creation of working capital and non-current assets. The internal and external sources of formation of financial resources which differ on a criterion of payment, fixity of the accrued percent for their use, permanence are investigated. It is determined that the main areas of use of financial resources are the formation of current and non-current assets, the implementation of costs to ensure continuous operating, financial, investment activities. The article systematizes methodical approaches to the management of financial resources of business structures. The process of managing financial resources is cyclical and includes such methods as planning, forecasting, investing, lending, taxation, self-financing, etc. The paper also points out that an important issue in the process of financial resources management is to determine the optimal ratio between borrowed and own financial resources, which is based on the use of WACC, financial autonomy and return on equity.*

Key words: *financial resources, current and non-current assets, payment, interest, coefficient of financial autonomy and return on equity.*

JEL Classification: G30, G31, G32

1. INTRODUCTION

In the conditions of complex economic and political processes in Ukraine there is an increase in the complexity of doing business. Competition in the capital market and credit resources is increasing, more and more companies feel the need to replenish working capital through borrowed funds, which leads to fluctuations in interest rates for the use of financial resources.

In such conditions, the relevance of research on issues related to finding the optimal financing structure to ensure a high economic result, as well as the choice of opportunities to place borrowed financial resources, which will maximize the profitability of any economic entity in the current environment.

2. ANALYSIS OF THE LATTER RESEARCH AND PUBLICATION

In the literature on corporate finance, the management of financial resources of business structures have been the subject of research by such foreign and domestic scientists and practitioners as: there are M. Abilova, I. Balabanov, I. Blank, M. Broadbent, Galitsky, T. Grigorash, J. Gubenko, S. Zakharchenkov, Ivanova, O. Ivanova, M. Kreinina, T. Krylova, N. Krempovaya, J. Kulen, Y. Kulichenko, A. Lastochkina, T. Nikolaeva, L. Ostapenko, E. Panich, A. Polinkevich, M. Styrov, E. Stoyanova, Z. Hamurzov, J. Shim, K. Shubina and others. They have made a significant contribution to the development of theoretical principles of financial management of enterprises, however, as evidenced by current practice, the problem is the lack of a single definition of financial resources, and it is important to study the formation of optimal financing structure of enterprises.

3. STATEMENT OF BASIC MATERIAL

To study the management of financial resources of enterprises, it is necessary to disclose the economic meaning and significance of the concept of "financial resources", as there is no common interpretation, which does not allow to specify the content of this category. Consider the approaches of different scientists.

Halytskykh V.N offers the following definition: the financial resources of an economic agent are the funds available to him [3]. It is worth noting that not all financial resources of the company have a monetary form. For example, a company has some money in its coffers. When receiving a loan in the form of goods from another company, the company does not need to pay for the goods and the amount at the box office will remain at the previous level. That is, a commodity loan is a source of financing, which allows for a more flexible financial policy, but has no monetary form. Therefore, we can only partially agree with this definition - cash is a reflection of part of the company's financial resources.

Other authors believe that financial resources are the only type of resources that can be transformed directly with minimal time lag into any other type of resources [11; 14]. We can agree with this approach, because, for example, the above-mentioned commodity loan can be converted into cash by reselling the goods to buyers. The company's financial resources are completely liquid, so they can be transformed into other assets even faster.

It is also argued that the financial resources of the enterprise should be understood as available at its disposal own and borrowed funds, which are directed to current expenses and capital investments for the purpose of expanded reproduction, as well as to repay liabilities to creditors. This is a static characteristic of the financial resources of the enterprise at a certain point in time. A similar point of view is held, for example, Gritsyuk T.V, Kotilko V.V [5], and from foreign authors - M. Broadbent and J. M. Cullen [17].

The following scientific definitions are also in tune with this interpretation. Yes, S.P. Zakharchenkov proposes to understand financial resources as money in all its forms, as well as any tangible and intangible assets, expressed in monetary terms and involved in the process of purposeful movement of capital [6]. One can agree with this definition, because cash is transferred to the form of various tangible and intangible assets, which are then used in the operating process. The purpose of the enterprise is precisely that after the implementation of production, operating and financial cycles, the amount of funds returned to the enterprise was higher than at the beginning of such a cycle. Thus, financial resources are converted into inventories, finished products, fixed assets, other assets, which then transfer their value to the products created and services provided, which allows you to receive payment from customers. Thus, the author believes that financial resources are all the resources that are set out in the main and non-core activities of the company.

Along with this, we can consider the dynamic characteristics of the financial resources of the enterprise as a flow of cash and material resources in monetary terms, in which all revenues are inflows (formation), and negative - outflow (use) [12]. This approach shows the fact that the financial resources received by the company, then carry out turnover and move from one form to another.

Nikolaeva T.P believes that the financial resources of the enterprise - is a set of own and borrowed cash income that is available and intended to meet financial obligations to the state and other financial institutions, as well as financing the current costs of production, expansion and incentives for employees [10]. This definition is debatable, because, for example, a bank loan is not income, but only cash flow. However, these funds are actively used to replenish the company's working capital and finance the operating process. Therefore, cash income is also a source of financial resources, but is not the only part of this concept.

Kulichenko Yu. L. points out that this is part of the funds that were generated during the creation of the business entity, coming to the company as a result of operating, investment and financial activities for the implementation of tasks and obligations [9]. This definition is broad, and, at the same time, quite accurate. The initial financial resources come from the owners at the time of establishment of the enterprise, but in the future all areas of activity allow to obtain financial resources. For example, the sale of goods related to operating activities will result in cash that can be used to finance the company. The sale of fixed assets (investment activities) or obtaining a loan (financial activities) also allow you to obtain funds to intensify work.

Another group of authors believes that financial resources - all own and borrowed funds available at the enterprise, ie all assets of the enterprise - non-current and current [4]. We can agree with this definition. It is good because it takes into account the process of formation of financial resources and the direction of their use. That is, financial resources include all sources of funding, which are then aimed at creating assets and making expenditures.

Based on these definitions, we can conclude that the financial resources of the enterprise - is a set of resources that can be used to finance the company's activities and the creation of working capital and non-current assets. Financial resources can be obtained in the course of operational, investment and financial work of the company.

Having defined the essence of financial resources, it is important to understand the sources of their formation, as well as areas of possible use. Most often, the financial resources of enterprises are divided into their own and borrowed.

Own sources of financial resources have the following characteristics:

- permanent (permanent) nature of their use;
- lack of a fixed fee for their use;
- the procedure for their use is determined by regulations, constituent documents and internal regulations.

Sources of internal own financial resources are shown in Figure 1. Other income may include investments by owners, charitable donations, and so on. Important sources of internal own financial resources are net capital, depreciation deductions, funds received from the revaluation of values, income from the sale of own property.

Of course, the most important source of replenishment of the company's equity is its own implementation of efficient activities, which allows you to create a net profit, which can then be reinvested in the further activities of the company. Another internal source of financial resources, which together with the profit is used for expanded reproduction in enterprises, are depreciation deductions. This source is available for those small businesses that own depreciated assets.

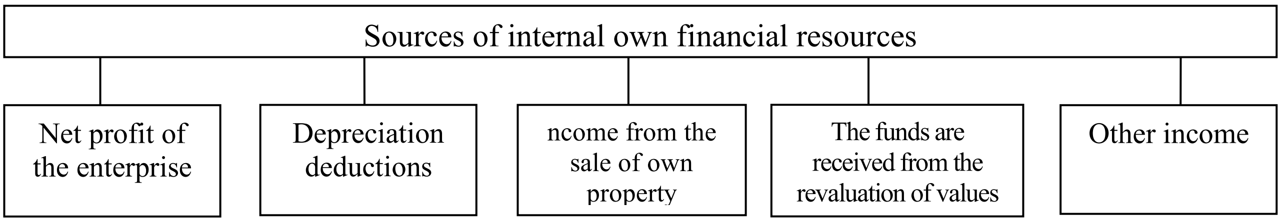

Figure 1. Sources of formation of own financial resources of enterprises
Source: own research

If you pay attention to accounting standards, you can see that the column of equity reflects the authorized capital, reserve capital, retained earnings, and other elements. The authorized capital of the enterprise - the basis of its resources - consists of contributions of legal entities and individuals - participants (shareholders) of the enterprise. It determines the minimum size of property that guarantees the interests of creditors, suppliers, and serves as security for its obligations.

Reserve capital can also accumulate financial resources that will be used in the event of unforeseen situations. As for retained earnings or uncovered losses, they accumulate the financial resources that the company earned in the form of net profit and invested back in the intensification of its activities. The company may also periodically revalue existing assets, and in conditions of rising asset value, this leads to an increase in the price of these assets. If the amount of liabilities remains at the previous level, it leads to an increase in equity.

Borrowed financial resources represent an increase in the amount of cash raised by the company for further development on terms of repayment and payment. External sources of debt capital of the enterprise include external long-term borrowed funds and short-term borrowed funds (Fig. 2).

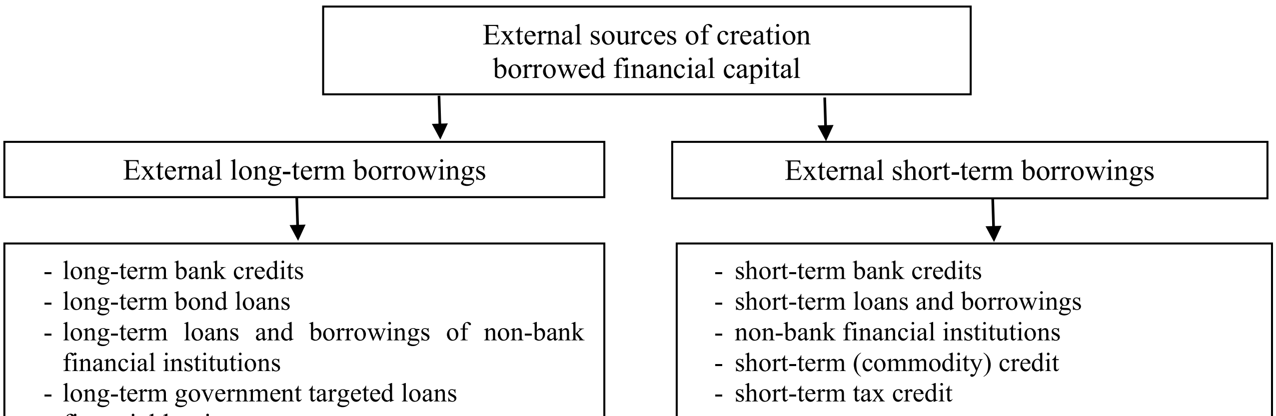

Figure 2. External sources of debt capital of the enterprise
Source: own research

Numerous financial sources are used for the formation of financial resources by enterprises, such as:

1) borrowed funds in the form of various bank loans;

2) borrowed funds from other enterprises (commercial loans) funds received from the placement of issues of bonds and other securities;

3) budget loans;
4) extra-budgetary funds;
5) temporarily attracted funds (accounts payable);
6) factoring (sale of receivables to a financial institution);
7) leasing.

As for the areas of financial resources, these include fixed and working capital (Fig. 3).

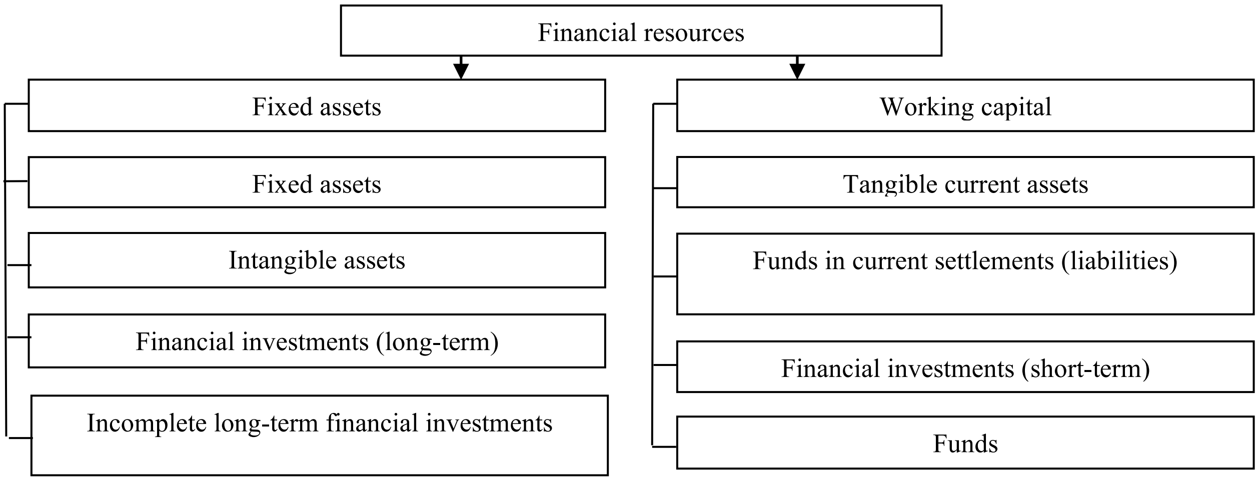

Figure 3. Allocation of financial resources of enterprises

Source: own research

Assets are resources and things that are owned by the company and used in the course of current, investment and financial activities. For example, assets include receivables, cash and cash equivalents, inventories, inventories of goods for resale, inventories of finished goods, products in the process of production, financial investments and more. Assets are usually divided into non-current and current. Current assets are used by the company for a period of up to one year, while non-current assets are used for a year or more.

Based on the data on the company's assets, the user can understand how efficient the process of investing available financial resources is. If inventories are excessive compared to companies in the same industry, the analyst may conclude that inventory management policies are not effective. Excessive amounts of cash and cash equivalents will indicate that the company is losing some of its financial potential due to the effects of inflation. In general, the reporting element as an asset is important to ensure transparency. A steady increase in fixed assets, inventories, receivables in a proportional increase in revenue will indicate that the company is able to operate effectively in market conditions.

The most important elements of non-current assets are usually fixed assets, long-term financial investments, investments in subsidiaries and more. Important elements of current assets are inventories of goods for resale, inventories, inventories of finished products, receivables, especially customer, cash and cash equivalents, short-term financial investments and more.

As for cash flows, they are divided into flows from current or operating, financial and investment activities. In addition, cash flows are divided into cash outflows and cash inflows. Current activities are usually related to the main activity of the corporation, while investment activities are aimed at maintaining fixed assets in working order, to expand production capacity and so on. Financial activities involve the movement of funds in the framework of attracting additional financial resources or performing other financial transactions.

The company's ability to balance cash flows suggests that it is in a stable position, able to operate for a long period of time. If there is a constant decrease in cash due to net outflow, it will create some risks.

Managing financial resources is a complex process, as it requires a significant amount of information. The management system of financial resources of the enterprise is reduced to a continuous process of collecting and monitoring financial information, its analysis and further development and management decisions based on the results of the analysis. The parties who directly apply financial management methods are the CFO and the finance department. That is, the subject is the financial management. In the process of managing financial resources, a large number of different financial methods, tools, levers are used (Fig. 4).

The mechanism of management of financial resources of the enterprise			
Financial methods: - planning; - forecasting; - investing; - lending; - taxation; - self-financing; - system of calculations; - material incentives; - insurance; - rent; - leasing; - factoring; – relations with the founders.	Financial levers: - income; - profit; - price; - interest; - tax rates; - discount rate; - limits; - depreciation deductions; - forms of calculations; - types of loans; - financial sanctions; - interest.	Normative - rights software: - Laws of Ukraine; - resolutions The Verkhovna Rada; - decrees the president Ukraine; - orders and letters ministries and departments; - charter of the enterprise; - instructions; - standards; - norms; - orders; - tariff rates; - methodical instructions	Information support: - various kinds and types of economic, commercial, financial, accounting and other information.

Figure 4. The mechanism of management of financial resources of the enterprise
Source: own research

Figure 4. details the financial methods that can be used in the process of direct current management of financial resources. The financial mechanism of financial resources management includes such methods as planning and forecasting, investing, lending, taxation, self-financing, settlements, financial incentives for employees, risk insurance and others.

The financial levers of such a mechanism, ie what regulates the methods, are income, profit, price, interest on borrowed funds, tax and discount rates, limits, for example, when providing commercial loans, depreciation, etc. That is, in general, the financial mechanism includes a whole arsenal of methods by which the financial manager can leverage to influence the end result of enterprises.

Abilova MG and Savchuk OV agree with this approach and also refer to the methods of insurance, self-financing and lending [1]. One of the most important is financial leverage. Financial leverage characterizes the use of borrowed funds, which affect the change in the rate of return on equity. In other words, financial leverage is an objective factor that arises with the advent of borrowed funds in the amount of capital used by the enterprise [16].

It should be noted that the capital structure is influenced not only by the value and other qualitative characteristics of equity itself, but also the qualitative characteristics of liabilities. For example, it is impossible to say unequivocally whether to reduce the share of retained earnings and pay dividends. But if the fact is confirmed that the value of borrowed funds is lower than the value of retained earnings, the company should reduce the share of retained earnings. This will reduce the total cost of the company's capital. Therefore, we argue that improving the structure of equity is possible only if the value and structure of borrowed capital are taken into account.

It is important that there is no unambiguous approach to the interpretation of the concept of optimal structure of financial resources, and different authors use different methods to improve the financial potential of the enterprise.

For example, authors such as E. Stoyanova and M. Kreinina define the optimal capital structure as a certain ratio of equity and debt capital, which leads to maximizing the value of shares in enterprises. That is, the criterion of optimal capital structure, these authors determine the maximum share price of enterprises [8; 13].

The second group of authors as a criterion for optimizing the ratio of equity and borrowed capital allocates funds to the enterprise as a whole. This group includes Shima JK, Siegel JG and others [15]. Thus, according to these authors, the purpose of optimizing the capital structure of the enterprise is to form the optimal ratio of different sources of funding for the enterprise, which maximizes the value of the enterprise itself.

The analysis of the scientific literature showed that the most common formula for determining the weighted average cost of capital is:

$$WACC = E/V*Re + D/V*Rd * (1 - S) \quad (1)$$

where E is the cost of equity,

V - total cost of capital,

Re - rate of return,

D - the cost of borrowed capital,

Rd - average interest rate on bank loans;

S - corporate income tax rate.

O calculate E, there is a formula according to the model of pricing of long-term assets, here is what it looks like:

$$E = SDB + \beta \times (SDR - SDB), \quad (2)$$

where (SDR - SDB) - risk premium,% per year;

SDB - risk-free rate of return,% per year;

SDR - market return on equity,% per year;

β - beta coefficient, which characterizes the risk of investment in the company, units [7].

In the theory of determining the optimal capital structure of the enterprise, some authors emphasize the allocation of another criterion aspect, which maximizes the value of the enterprise. This is the ratio of return on equity and financial stability of the enterprise. This criterion is highlighted by such authors as Blanc I. and others [2]. Thus, Blank I. notes that the optimal capital structure is the ratio of the use of own and borrowed funds, which provides the most effective proportionality between the coefficient of financial profitability and the coefficient of financial stability of the enterprise.

According to the following approaches, the following methods of optimizing the capital structure are distinguished:

1) the method of optimizing the capital structure by the criterion of maximizing the level of projected financial return.
2) the method of optimizing the capital structure by the criterion of minimizing value.
3) the method of optimizing the capital structure by the criterion of financial risks.

All three approaches should be used to determine the optimal equity structure, namely:

1. According to the first approach, the optimal structure is one that minimizes the cost of all capital of the enterprise

2. According to the second approach, the optimal structure is one that allows you to maximize the return on equity of the enterprise

3. According to the third approach, the optimal structure is one that allows to keep financial risks at a stable level. An indicator that indicates an acceptable level of risk is the ratio of financial autonomy, ie the ratio of equity to the amount of liabilities. Its value should be in the range of 40-60% under normal conditions.

4. CONCLUSIONS

We summarize that in the process of studying the theoretical foundations of financial resources management of business structures, the following conclusions are formulated:

- the specified economic maintenance and value of financial resources of the enterprise. It is found that there is no single approach to the interpretation of this concept, and therefore the author proposed his own definition. The financial resources of the enterprise are a set of resources that can be used to finance the company's activities and the creation of current and non-current assets. The capital of the enterprise is a set of funds used to accumulate their value and belong to the enterprise itself.

- the characteristic of sources of formation and directions of use of financial resources of the enterprises is given. It is indicated that most often financial resources are divided into internal and external, which differ significantly in terms of payment, fixed accrued interest for their use, permanence. The company can direct financial resources to the formation of current and non-current assets, make important expenses to ensure continuous operating, financial, investment activities.

- systematized methodological approaches to the management of financial resources of business structures. The process of managing financial resources is cyclical. It includes such methods as planning, forecasting, investing, lending, taxation, self-financing, etc. It is stated that the most important issue is to determine the optimal ratio between borrowed and own financial resources. For this purpose, the WACC criteria, the coefficient of financial autonomy and return on equity are used.

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