

**Financial and Banking Services Market**

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**SYSTEM FACTORS ANALYSIS  
OF BUSINESS ENTITIES FINANCIAL  
PROTECTION IN UKRAINE****Abstract**

In modern conditions the radical changes of management of economic processes, that caused by development of market economy, rapid changes of internal and external factors of economic entities environment functioning, cause a threat to its financial interests, high level of financial risk, which leads to the need of improvement the concept of ensuring effective enterprise and management. The company's ability to withstand external threats in the market environment that can lead to violations of balance in security depends on many factors, quantitative and qualitative parameters. Determination of basic classification signs of system factor: effects scale, intensity rate, impact time, scope of use, exposure time, the complexity of development, perspectives and effectiveness of influence makes possible to analyze and determine the impact of each factor on economic security of enterprise, identify the reserves of financial protection increase for proper management. Therefore, taking steps to reduce their impact is the key to successful operation of subjects on the market. The existence of effective system of financial security that will protect enterprises from threats is one of the most important conditions for smooth growth of the company and formation of positive results of its financial operation in a long- term period.

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### Key words:

Financial security, economic security management, classification characteristics, strategic factors, rational use, solvency, competitiveness, economic potential.

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**Formulation of the problem.** Deep transformations taking place in the state's economy and the world economy, contributes to the maximum mobilization of internal reserves at micro – and macro-level of business entities. The most important factor for their effective functioning in market conditions is the identification of reserves for production increase, lower costs and, consequently, the increase of sales and profits of enterprises. But, today, the economic conditions of the enterprises are characterized by financial instability, low level of current assets profitability, lack of capital, high degree of wear of fixed capital, a small number of innovative developments, inefficient use of material resources, decline of production, which together with rising inflation and corruption in the country causes the growth of the shadow economy and the reduction of financial security of enterprises of different ownership forms.

Thus, the economic management becomes actual in a long- term perspective in current unstable conditions, in ability to resist the influence of negative external and internal factors, in provision of financial protection and smooth process of economic activity, competitiveness, solvency and financial stability of subjects.

**Analysis of recent publications and research.** Problems of financial security and factors influencing the financial protection of the companies are researched by many domestic and foreign scientists. Among foreign scientists we can select W. Valitova, O. Williamson, D. Volkov, M. Jensen, G. Coase, V. Meckling, K. Murphy, Minzu, I. Oleinikova, and G. Pirogov. Also such national scientists have made a significant contribution to the study of this subject: A. Arefiev, A. Baranovsky, D. Baura, I. Blank, M. Butko, A. Wasylyk, M. Voinarenko, K. Goryachev, F. Evdokimov, T. Kuzenko, V. Lukyanov, L. Malyuta, V. Muntiyan, V. Nizhnik, N. Khrushchev, L. Shemala etc. Despite the diversity and depth of the conducted research, the questions regarding creating of financial safety of business entities remain uncertain.

**The article goals.** Analysis of modern scientific approaches to the concept of «financial security», studying and classification of the factors contribute the financial security of Ukrainian business entities.

**The main material.** At the present stage of development of Ukraine's economy, the vast majority of economic entities is characterized by weak position in the market, obsolescence of production technology and technical personnel, irrational use of available production capacities, an unstable financial condition. Continued losses of economic activity of business entities indicates the presence of the signs of the crisis, imbalances in the internal mechanism of self-regulation of companies and the need for their financial recovery.

In such circumstances, the most important tasks of business leaders are: change of the strategy, the raising of enterprise work to a qualitatively new level, the implementation of the diversification policy of products and activities, expansion of the products assortment and nomenclature. In the process of formation of effective management system of the enterprise it is necessary to implement these tasks in their interrelation and interdependence for the successful achievement of the main goal of management of the organization (Yakymchuk T. V., 2014). In these circumstances, the issue of financial security is one of the main tasks of enterprises financial management. In general sense the economic security is the totality of conditions and factors ensuring the independence of economic entities, their stability, sustainability and ability to innovate, self-improvement and survival against external and internal threats. V. F. Evdokimov stresses that the financial security of enterprise is influenced by economic conditions, condition of equipment and technology, effective demand and the level of consumers income, tax and credit policy of the government, legislative acts, which regulate the activity of the enterprise and external economic relations (Evdokimov V. F., 2002).

Improvement of the assessing system of the business entities safety level, which would allow identifying opportunities for revenue growth on the basis of development of innovative processes, processes for accumulation of financial capital necessitates, determines the necessity to study several aspects related to the increase of financial security. The problem of financial security of business entities, occupies a leading place in the modern economic science. Financial security in the scientific literature is considered: as a condition for protection of enterprises interests, as a condition of the efficient use of resources, as the process of achieving a certain state, and as a stable and dynamic system of providing financial resources.

In modern conditions, the ability of economic entities for self-development and progress is a very important component of economic security. The creation of favourable conditions for investment and innovation is becoming a prerequisite for survival. The formation of the system of assessing methods of enterprises security level, which would allow identifying opportunities for revenue growth, based

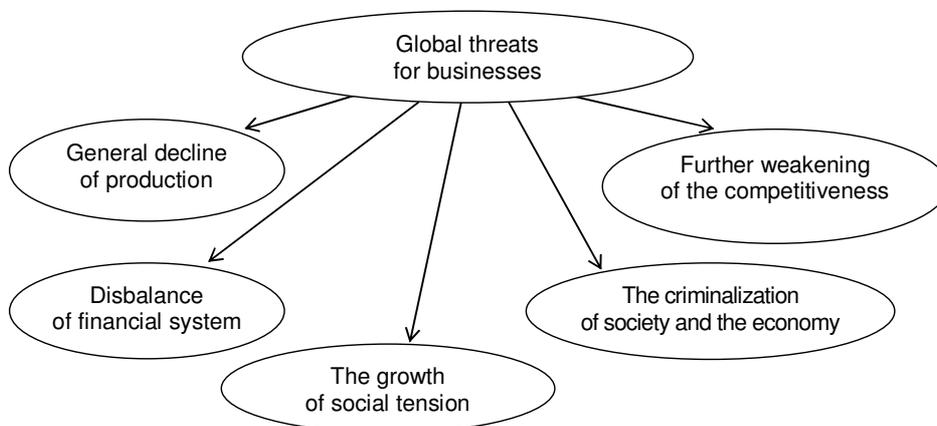
on the development of innovative processes, is one of the major contemporary problems of economic development of enterprises. Kushnir S. A. (Kushnir S. A., 2015) states that the adoption of a positive decision on investing in innovative development is possible only if the investor possesses information regarding forward-looking indicators in the future, a set of alternative investments; initial costs for implementing each alternative investment. The increase of financial security is closely connected with the development of capital accumulation processes for growth of economic entities revenue.

In the process of studying this problem, there has been found a set of factors (financial, economic, industrial, employment, innovation, social and other) that affect the economic security, both outside and inside. Financial factors provide distribution, use and consolidation of financial resources. They provide liquidity balance based on sustainable solvency; efficient use of funds, creating a perfect capital structure to preserve economic independence. Analysis of factors helps to identify strengths and weaknesses in the operation of enterprises, and by analyzing possible actions to develop a strategy that will ensure the stable development of economic entities and their economic security, which is the basis for the existence of the modern enterprise. The economic security of the enterprise – is an opportunity to achieve the objective of the activity in the present conditions of instability and financial crisis – obtaining profit and to remain competitive in the long term, through good management and the functions of the enterprise under the influence of internal and external threats. On how accurately and completely the factors are defined and level of their impact on achievement of the main goal of business entities depends the development of financial security enterprises. It is clear that between all the factors that affect the economic security on both micro and macro level, there is some interrelation and the balance must be achieved which at high dynamism of external environment is the key factor for the effective provision of financial security.

Taking into account the global threats of economic security (Fig. 1) of enterprises economic security, management should aim to counteract these threats. Under threat we understand the set of conditions, processes, factors that oppose the realization of economic interests of business entities or create a danger to them (Lysenko J. G., Mishchenko S. G., Rudensky R. A., Spiridonov A. A., 2002).

It is clear that the emergence of threats is caused by many factors, which affect the economic security of enterprises. Turning to the definition of the factors of the economic security, it is possible to note that under them we can understand the conditions, the circumstances, the driving forces of economic security. Litvinov O. S. proposed the following author's definition of economic safety factors (Litvinov O. S., 2013). Under the factors of economic security of any system it is necessary to understand the conditions, the circumstances, the driving forces allowing to preserve the resistance of the system towards internal and external threats and the ability to perform the tasks facing the system.

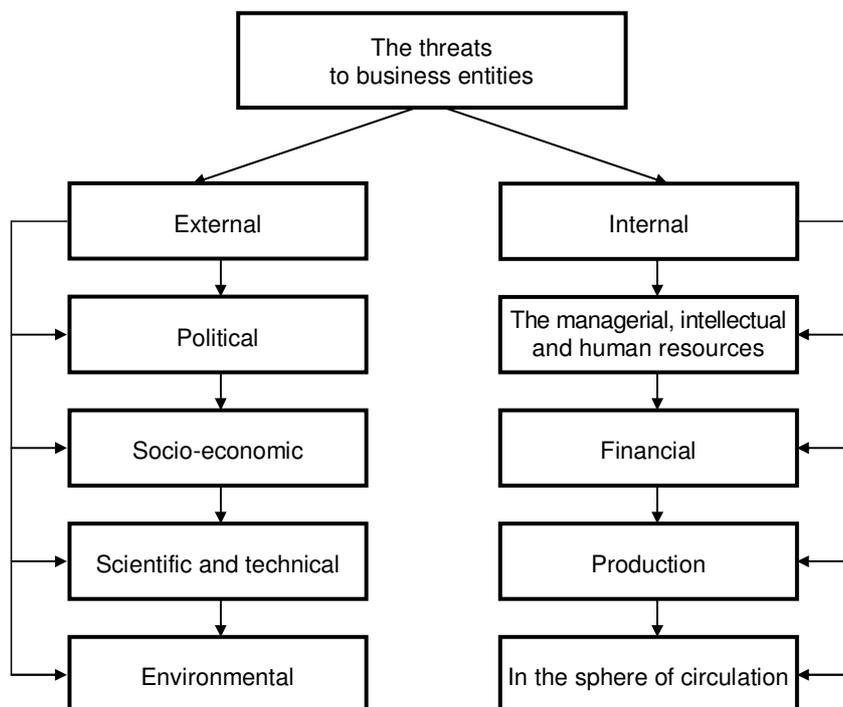
Figure 1

**Global threats to business entities**

Under the system you can understand any relatively separated economic unit. Classification of factors influencing financial security of enterprises was considered by many economists but there is still no consensus on their composition and classification. But, in general, they can be divided into two groups: **external and internal** (Fig. 2). **Internal factors** are related to business reputation of founders of economic entities, there are conflicts between founders, competence and qualification of a staff, level of staff motivation, state of the processes that support the activities of economic entities, namely: planning processes, procurement processes, production processes, processes of implementation, the processes associated with scientific development in enterprises, the processes associated with investing and the state of relationships between all the structural units of economic entities. Zagorelskaya T. Y. includes to the internal factors of financial security the following: industry characteristics of the enterprise; the structure of production (works, services), its share in total effective demand; the size of the paid authorized capital; the amount of costs, their dynamics compared to cash income; state property and financial resources, their composition and structure (Zagorelskaya N. U., 2006). Fomina M. V. separates the internal factors of financial safety on **major and minor**. In its turn, the scientist classifies the main factors of company financial security on production, which includes tools and objects of labor, and the work itself, and non-productive, particularly, factors of professional development of team, factors of conservation security and supply and sales factors. In its opinion the Minority Internal factors of financial security are structural changes, violations of economic and technological disciplines (Fomina M. V., 2005).

Figure 2

The classification of threat agents to business entities



Grinyuk N. A. considers that major internal factors that affect the financial security company are: sales, production, innovation, communication system, advertising, HR, his motivation, market infrastructure, quality of management and accounting, as well as the correct diagnosis of the financial and economic activity (Grinyuk, 2009). Kulpinsky C. states: the greater the rate of turnover of accounts receivable, sales and profitability of the share of working capital, the more secure financial position (Kulpinsky C., 2000). Papehyn R. S. stresses that financial security depends on the efficiency of marketing and production of the company and the level of its personnel capacities and organizational culture (Papehyn R. S., 2007). That is, analyzing the internal factors impact on the financial security of economic entities it may be noted that they reflect a state at the micro enterprise in which it is enough motivated, provided with qualified personnel, who have no conflicts between them and the owner and were able to organize an effective flow of processes and communications`relationship between all departments, in-

cluding the supply of financial resources and their effective use, which in turn leads to a stable income and the welfare of owners and employees.

In its turn, the external can be divided into three subgroups:

- **macroeconomic** (level and stage of development of economy, stable legislation, state tax, competition, investment, innovation, price, foreign economic policy, the rate of inflation, currency parity, purchasing power);
- **market** (prices of raw materials and finished products, the behavior of competitors, the solvency of contractors, production and consumer demand);
- **other** (socio-political, crime, demographics, climate, the pace of development of scientific-technical progress...).

Besedin A. L. considers that the external factors of financial security of enterprises reflect the economic situation in the country and abroad, in some regions and industry markets. The most important of these are the tax rates, the level of interest on loans, degree of monopolization of the industry, market conditions and investment activity of the enterprise (Besedin A. L., 2004).

Papehyn R. S. believes that the factors having direct influence on the financial stability of the company's are: the products, market conditions, consumers and competitors, it is the totality of internal factors which include (Papehyn R. S., 2007):

**Financial:** capital structure, asset liquidity, profitability, dividend policy, profitability of investment projects.

**Production:** the structure and condition of fixed assets of fixed and current assets, cost structure, quality control system;

**Sales:** product range, degree of diversification consumer portfolio for production, policy of settlements with customers, marketing policy;

Intellectual and personnel, personnel structure, staff motivation, qualification of staff, organizational structure management, social activities;

**Investment:** the availability of investment policy, the level of innovation, availability NIOKR.

**Material and technical support:** the degree of diversification of purchases, timing of deliveries, and the quality of supplied raw materials, resource conservation policy;

**Environmental:** new technologies, implementation of environmental measures.

Kulpinsky S. A. believes that the financial security of the enterprise is affected by economic, scientific, technical, natural, social, political, socio-cultural, environmental and demographic factors. He believes that economic factors include inflation, employment and incomes; scientific and technical include technological level of machinery, equipment and objects of labor, as well as intangible assets; natural includes the presence of extreme conditions (Kulpinsky S. A., 2000).

Thus, analyzing the different opinions, it should be noted that the effective provision of financial security of economic entities depends on a number of inter-related factors and sources of their nature and areas of influence. To activate internal and external factors it is necessary to identify the contents and features of their occurrence and spread risks in the zones of responsibility of leading managers and financiers of business entities. Increasing of responsibility of leading experts for procuring, rational distribution and use of all available resources for their intended purpose is significant for ensuring the financial security of economic entities.

**Conclusions.** Implementation of the goals of sustainable growth of economic entities envisages provision of their economic security, which is an ongoing process, which is a system of measures providing competitiveness, financial stability and economic stability of the enterprise, as well as increasing income of its owners and employees, not only in the current period, but in the long run. Therefore, setting the main classification features of system factors: the scale of impact, degree of intensity, the rate impact, the scope of application, the period of exposure, the complexity of development, perspectives influence the effectiveness of influence, makes possible to analyze and determine the impact of each factor on the financial security of the company, and identify the reserves to increase financial protection for successful management. Taking into account all factors impact on financial protection, and their relationship it should be noted that the position of a systematic approach to ensure financial security should be active, planned, smooth, universal, complex and reliable.

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