

IMPLEMENTATION OF SYSTEM APPROACH WITHIN SOLVING OF MODERN PROBLEMS IN FINANCIAL FLOWS MANAGEMENT OF ENTERPRISES

Financial flows management efficiency of enterprises is the basis of significant influence on the general state of economy of the country. Economic instability leads to the quality decrease of management on microeconomic level, that negatively influences on the organizational process of financial flows management. So, it can be considered the appearance of synergetic effect in the general management structure, which is integrated as a result of cooperation of elements of different systems.

In the circumstances of crisis processes, the system of financial management in financial institutes, as well as in enterprises was limited by indexes, which might be influenced and predicted – capital and liquidity. Ukrainian scientists consider the financial indexes method as the most effective one of analysis of financial flows.

However, today there is the question about increasing role of market and strategic decisions. Therefore, the process of financial flows management may involve not only the capital and liquidity as basic components for providing financial stability, but also quality of management, market risk and counterparty risk.

As banks are main creditors of real economy, credit managers should focus attention on the process of financial flows management of enterprises. There are several problems in the companies, which are common for the process of decision-making [1]:

Analysis is built based on retrospective data, which is outdated because of high speed of changes in the environment.

Tendency to use of universal models of solvency analysis with further forming of short reports (e.g., without mentioning main counterparties, their financial states etc.)

Irregularly and seldom monitor of methods of financial flow management according to the changes in terms of cooperation with counterparties, time frames of product cycle etc.

Low diversification of methods of management of different financial resource types.

Above-mentioned problems were caused by the unwilling of changing approaches to achieving the main aim of running a business. Thus, the special emphasis of economists and government has been placed on problems of capital raising since the end of XX century. The capital was the mean for declining the risk – first, credit risk, then market and operational risks. However, leading financial institutes all over the world don't place

the special attention on compliance with economic regulation, which consider raising the capital.

Commonly used in European companies is the method, which provides income and loss analysis of each primary activity, of each product, service, for financial flows analysis. This method is called Funds Transfer Pricing – FTP. The essence of this method is individual estimation of influence of changes in financial resources value on profitability, and individual estimation of value of each activity and each process elements of an enterprise [2].

Using both methods (capital standards and FTP), financial institutes and enterprises can analyze unbiased amount of financial resources, which are needed for companies functioning and for choosing strategy, risks level and their minimizing etc.

In the second half of 2016 there was held the survey by International Association of Credit Portfolio Managers among 48 of world banking representatives from Asia, Europe, North America and other continents. One of the tasks was to choose 3 the most important characteristics, which describes the quality of the financial flows management system. The survey results are evidence of the fact, that main characteristics of financial flows management quality is in accordance to widen capital standards, according to Basel committee, liquidity level and stress-testing results. The conclusions are nearly the same for all countries. But these factors are the results of separate changes, which consequences may allow banks to make right credit decisions.

The process of adaptation to changes in each factor may be different within countries, fields, enterprises etc. Top-management must analyze particular situations that appear in the process of enterprise functioning and may influence on financial flows management of enterprise. However, it is important to find out the causes instead of moving beyond with symptoms.

In order to discover inconsistency between options in building financial flows of banks and enterprises in Ukraine it was analyzed main characteristics of in- and out- cash flows (fig.1) [3; 4].

According to the analysis of results, we may affirm that till 2016 deposit portfolio was higher than amounts of credit, but in recent years the situation has changed significantly – the credit portfolio is larger than banks' liabilities three times, but the weight of credits in assets is more than 100%. Credit policy of banks has been always considered as active; in 2014–2015 it may be considered as aggressive, but in 2016–2017 amount of credits is larger than the total amount of assets. That

may be explained by increasing of assets provisions, which are included in credit portfolio and are built according to the credit class.

Based on the results of structural analysis of financial flows of Ukrainian banks, the conclusion was drawn that top-management of bank focuses on aggressive credit policy and other banking services. But absolutely uncovered are administrative expenses and reserves. It proves low quality of financial flows management within frames of developing stable functioning of a bank.

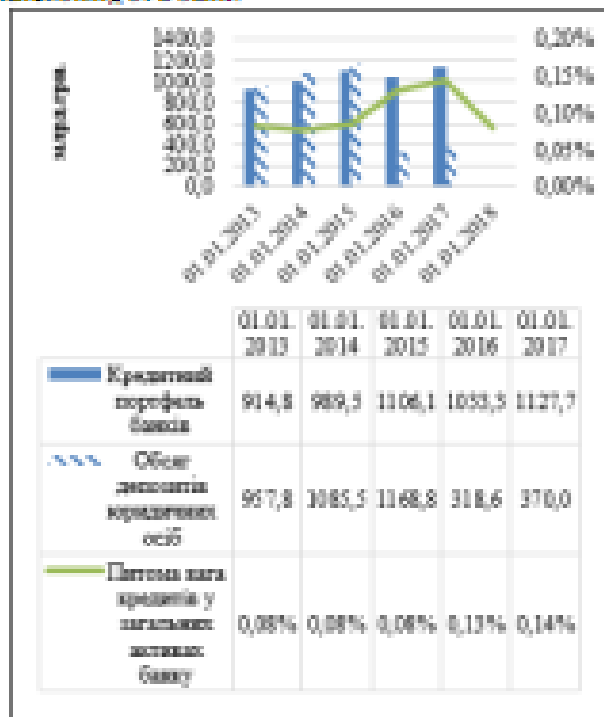


Fig. 1. Comparing characteristics of credit and deposit portfolios of Ukrainian banks for 01.01.2013–01.01.2017 pp.

According to the analysis of financial flows management efficiency of enterprises, it was drawn a conclusion, that operational activity has not been profitable yet. Therefore, other necessary expenses (e.g. financial or tax expenses) leads to high losses.

According to the comparing analysis of amount of credit portfolio and EBITDA of Ukrainian enterprises (other words, their capability to pay a loan and interests), there was drawn a conclusion about low level of capability to pay out their liabilities. It leads to increasing level of low-quality credits (fig. 2).

At the same time banking sphere is characterized by high volatility of credit interests, which is evidence of focusing attention mainly on high income for banks, but not for their clients. This situation causes transgression in financial system during the crisis and draws financial resources away from other financial institutes, such as insurance companies, non-governmental pension funds etc. According to the results of credit rates compare of banks of Ukraine and EU, it may be drawn a conclusion, that volatility of this index abroad is higher.



Fig. 2. Comparative analysis of EBITDA and credits to legal persons

The system approach is important in financial flows management of both subjects: enterprises as well as banks. Firstly, companies should increase their operational incomes, using marketing tools and advertisement actively. Secondly, companies should focus attention on their solvency and ability to be a borrower. To use credit sources without having high profit is possible just in the first stages of setting up a business. However, it is still needed to analyze a business-plan for the nearest time. Thirdly, banks should cooperate with insurance and stock companies in order to increase investment incomes and decrease the amount of provisions.

This will increase the bank's resistance to changes in the legal field and ensure correspondence to market changes. This fact will have a great positive impact on the credit capacity of enterprises in the real economy.

Such an approach allows to provide systematic optimization of parameters of financial flows of business entities in the framework of the system of transparent economic relations of the country observing the requirement of the in time synchronization, as well as to develop the necessary methodology.

References

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