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Mechanism for Managing Financial Resources of Industrial Complex

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ABSTRACT

The article deals with the work of the financial resources management mechanism of the Industrial Complex. The main mechanisms of its work, due to which there is a favorable development of the organization, its stability, and financial sustainability.

KEYWORDS: *Finance, financial mechanism, financial resources, sources of funding*

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INTRODUCTION

In any society, the state uses finances in carrying out its functions and tasks, as well as in achieving its goals. Financial policy plays an important role in achieving the goals. Financial policy is understood as the implementation of measures to attract, concentrate, distribute and exploit financial resources by the state.

Agriculture is a sector that cannot exist and develop independently without state regulation and support, even under economically favorable economic conditions. It is characterized by the fact that agriculture is expressed in capital-intensive production, the slow turnover of funds, low rate of return, seasonality, and high dependence of results on natural and climatic conditions.

In modern conditions, there is a need for adequate approaches to the management of financial resources of agricultural enterprises. For this purpose, it is necessary to carry out a comprehensive study at the enterprise level to find new ways to improve the financial and economic sustainability of agriculture.

RESEARCH AND METHODS

Financial resources are cash at the disposal of the enterprise and necessary for the implementation of current costs to expand reproduction, to meet financial obligations and economic incentives for employees, i.e. the totality of funds used strictly targeted, with the potential possibility of mobilization or immobilization [1].

The formation of financial resources is carried out with the help of sources of both own and borrowed funds. The sources of financial resources are all monetary income and receipts available to the enterprise or other economic entity in a given period, which are aimed at carrying out cash costs and deductions necessary for production and social development.

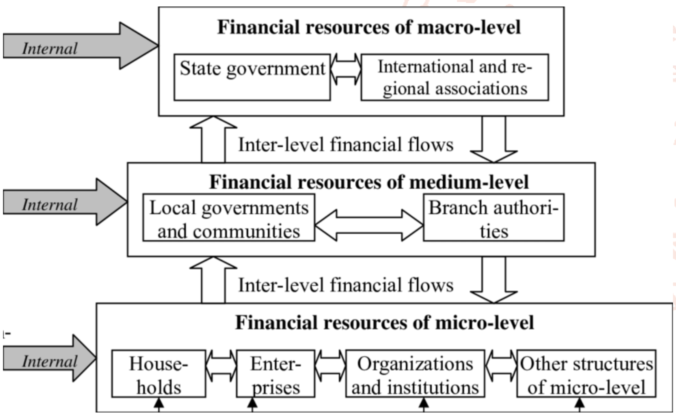
The financial resources of the enterprise include fixed and working capital. The main source of the formation of financial resources is profit.

The mechanism for managing the financial resources of the Industrial Complex is not unimportant in the development of the enterprise. The financial mechanism is a set of organizational forms of financial relations in the national economy, the order of formation and use of centralized and decentralized funds of money, methods of financial planning, forms of financial management and financial system, financial legislation.

The current financial mechanism does not practically contribute to the financial sustainability of agricultural producers. In this connection, the majority of agricultural organizations have great difficulties with the formation of both own and attracted financial resources, which leads to non-payment bankruptcy. Therefore, the most important issue is the management of financial resources.

The basis of the mechanism of management of financial resources of the Industrial Complex is the formation of financial resources, which as material carriers of financial relations are at the disposal of agricultural organizations and are intended to meet social needs.

Financial mechanism of enterprises - is a system of financial management, a set of forms and methods by which the company provides itself with the necessary funds, achieves the normal level of stability and liquidity, provides cost-effective operation, and maximizes profits.



Picture-1.Financial resources and financial flows by levels of economy and influence of the institutional factors[1]

Above the picture-1 given levels of financial resources and its influence to institutional factors.

The financial mechanism is an instrument of the financial impact on the economic process, which is understood as a set of production, investment and financial activities of the economic entity. But at the same time the mechanism of financial resources management has its specific functions, namely:

- organization of financial relations;
- management of cash flow, movement of financial resources and appropriate organization of financial relations.

The first function is to create a coherent system of monetary relations, taking into account the specifics of the economic process in a particular area of business or non-profit activities. The second function is expressed through the functioning of financial management. The mechanism of management of financial resources of the Industrial Complex has its structure of subsystems: - controlling; - managed.

The management subsystem includes the financial service of the organizations and its subdivisions,

Thus, the subject of management of the financial mechanism is the financial service and its departments, as well as the financial manager.

The managed subsystem includes:
- financial relationships;
- Sources of financial resources; - financial resources of the enterprise; - money turnover of the enterprise.

The main object of management in the financial mechanism is the money turnover of organizations as a continuous flow of money payments and receipts that pass through the settlement and other accounts of organizations. Cash flow management means forecasting and planning its possible state in perspective, defining volumes and intensity of cash inflows and outflows, both for the nearest date and for a long-term outlook. The mechanism of management of financial resources of the Industrial Complex represents the financial levers that plan and stimulate the use of financial resources.

LITERATURE

Domestic economists have made a significant contribution to the development of the problem of financial resources management, such as I.T. Balabanov, I.A. Blank, P.A. Levchaev and others.

The organization of financial resources management mechanism of the Industrial Complex is a certain system of measures, which is aimed at rational use of labor, means of production and technologies in the process of financial management. Of all the fundamental blocks, the organization is the main one. If the organization is bad, the financial resources management mechanism will not function efficiently even to the detriment of economic relations.

Organizational procedures include the establishment of financial management bodies, construction of the management apparatus structure, development of methodologies, instructions, etc.

[1]https://www.researchgate.net/figure/Financial-resources-and-financial-flows-by-levels-of-economy-and-influence-of-the_fig1_258218076 [accessed 23 Aug, 2021]

There is a relationship between the system of financial leverage and financial resources, which is expressed through the coordination of regulation. Coordination - in the mechanism of financial resources management means coherence of work of all parts of the system, management apparatus and specialists. Coordination provides unity of relations of the financial mechanism and financial resources. Regulation means the impact of this mechanism on financial resources, through which the state of stability of the financial system is achieved in the event of deviations from set parameters.

In this management mechanism, planning is the development of planned tasks, scheduling their implementation, development of financial plans and financial programs, providing them with the necessary resources and manpower, and control over their use. The incentive is also important. An incentive is an inducement to action. Financial incentives include prices, loans, profits used, depreciation for self-financing, taxes, bonuses, dividends, etc.

Financial incentives have a favorable effect on the work performance of the individual employee as well as on the efficiency of the production and sales process. The mechanism of enterprise financial resources management is a set of basic elements of influence on the process of development and implementation of managerial decisions in the field of their formation, distribution and use [3, p. 70].

Management of financial resources of Industrial Complex is a process, the main content of which is the preparation, adoption and implementation of management decisions on all aspects of their formation, distribution and use. This process is the implementation of the main goal and objectives of agribusiness financial resources management, which operates in the main stages:

1. Formation of the information base of financial resources management. The use of this information base reflects the effectiveness of financial resources management.
2. Analysis of the state of formation, distribution and use of financial resources. This analysis provides an opportunity to assess the potential for the formation of financial resources and the identification of reserves to improve the efficiency of their use.
3. Study and evaluation of factors that determine the possibility of formation and use of financial resources.
4. Determination of the necessary amount of financial resources, which are sufficient to ensure the development of the enterprise.
5. Formation of the structure of financial resources to minimize the cost of their attraction and the necessary level of financial stability of the enterprise in the process of its economic development.
6. Planning the allocation of financial resources to the main areas of economic activity of the enterprise.
7. Ensuring effective use of financial resources in the process of real investment.
8. Assessment and neutralization of risks of formation and use of financial resources. At this stage of management of financial resources of the Industrial Complex should, first of all, identify and assess the risks that are necessary for the process of formation and use.
9. Control over the implementation of management decisions on the formation, distribution and use of financial resources.

one of the methods of financial mechanism - financial analysis, improvement of which will allow reduce the expenditure side of the enterprise's budget and increase the revenue side.

One of the most important conditions for the successful management of an enterprise is the analysis of its financial condition. The financial position of an enterprise is characterized by a set of indicators reflecting the process of formation and use of its financial resources. In a market economy, the financial condition of the enterprise reflects the final results of its activities. In this case, the final results of the enterprise are of interest not only to its employees but also to its partners in economic activities, government, financial and tax authorities.

Accordingly, financial analysis is an essential element of enterprise management. Virtually all users of enterprise financial statements use financial analysis techniques to make decisions to optimize their interests.

Owners review the financial statements to improve return on capital and ensure the stability of the company. Lenders and investors review the financial statements to minimize their risk on deposits and loans.

The subjects of the analysis are both, directly and indirectly, interested in the activities of the enterprise users of information.

The first group of users includes:
- owners of the company's funds, including shareholders;
- creditors and investors;
- suppliers;
- customers (buyers);
- tax authorities; company personnel;
- business executives.[6]

And each subject of analysis examines information based on its interests. The second group of subjects of financial analysis:
- audit firms;
- consultants;
- exchanges;
- lawyers;
- unions;
- press, etc.[7]

The most common source of analysis of the financial condition of an entrepreneurial firm is its annual and quarterly financial statements. First and foremost, these are the balance sheet and the appendices to the balance sheet.

The main functions of the analysis of financial condition:
- objective assessment of the financial condition of the object of analysis;
- identifying the factors and causes of the condition reached;
- preparation and justification of financial management decisions;
- identification and mobilization of reserves to improve the financial condition and increase the efficiency of all business activities.

The analysis of financial condition is a part of the complete analysis of the economic activity of the firm, which consists of two closely interrelated sections:
1. Financial analysis;
2. Production management analysis.

The division of analysis into financial and management analysis is due in practice to the division of the enterprise-wide accounting system into financial accounting and management accounting. This also gives rise to a division of analysis into external and internal. This division of analysis for the enterprise itself is quite conditional because the internal analysis can be seen as a continuation of external analysis and vice versa.[2]

The main purpose of financial analysis is to obtain the largest number of sufficiently informative parameters that provide an objective and accurate picture of the financial condition of the enterprise, its profits and losses, changes in the structure of assets and liabilities, in settlements with debtors and creditors. In this case, the analyst may be interested both in the current financial position of the enterprise and its forecast for the near or more distant future, i.e. expected parameters of financial position.

The improvement of the financial mechanism is closely linked to the transition of enterprises to full self-financing and self-supporting based on the requirements of the Law on State Enterprise (Association). The increased role of profit and, on this basis, profitability as a criterion of economic efficiency should be accompanied by a simplification of profit distribution systems, especially between the enterprise and the budget, and a reduction in the number of payments to the budget. The role of long-term financial standards, including profit distribution standards, is increasing, as well as the requirements for their validity, stability and their sectoral nature.

The financial mechanism is aimed at achieving high final results by the enterprises, at balancing all plans, as well as material, labor and financial resources, at the rational use of funds of enterprises and the state.

The role of the financial mechanism in accelerating scientific and technological progress is great. These are various incentives, bonuses depending on the additional profit received, benefits for payments to the budget about this profit, as well as the turnover tax, the creation and improvement of special monetary funds at the enterprises. Credit and prices play an important role in this matter.

Thus, the mechanism of management of financial resources of the Industrial Complex has an important role in the financial sustainability of the organization. This requires the development of forms, methods that will fully contribute to the achievement of the goal of the enterprise.

It is important to maintain an effective management mechanism to minimize the risks that lead to non-payment and bankruptcy. Also, it is necessary to implement a clear regulation in the allocation and use of funds of industrial organizations for its effective functioning.[8]

A prosperous financial condition of an enterprise is an important condition for its continuous and effective functioning. To achieve it, it is necessary to ensure constant solvency of the subject, high liquidity of its balance sheet, financial independence and high economic performance.

For effective management of the enterprise, getting the maximum profit it is necessary to use all levers and above-mentioned methods in combination both from the short-term and long-term perspectives [4].

Modern financial mechanisms help to minimize working capital, to guide in the choice of the company's market behavior strategy, to evenly distribute financial responsibility between the departments, to avoid problems with stocks, payables and receivables, to build an adequate investment strategy and analyze the possible sources of short- and long-term financing, etc.

Each sphere and separate elements of the financial mechanism is an integral part of the whole. They are interrelated and interdependent. At the same time, the spheres and links function relatively independently, which causes the necessity to constantly coordinate the components of the financial mechanism. The internal coordination of the components of the financial mechanism is an important condition for its effectiveness.

CONCLUSION

The financial mechanism plays a special role in the implementation of the financial policy of the state. The modern financial mechanism is designed not only to create a real financial basis for the economic independence of the state but also to provide economic regulation under the conditions of market functioning and a multiform economy. The development of new forms of financial relations entails the complication of the financial mechanism.

Based on the above, it can be concluded that the financial mechanism - a set of forms and methods, tools and levers of formation and use of funds of financial resources to meet the diverse needs of the state, economic entities and the population.

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