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## **MECHANISM FOR MANAGEMENT OF FINANCIAL FLOWS OF AGRICULTURAL ENTERPRISES**

**Annotation.** *The actual problem of management of financial flows is an integral part of economic activity. The economic substance of financial flows reflects the targeted economic relations that accompany the movement of financial resources through business operations. The scope of financial flows, their isolation from the cash flow and dependence on financial resources are investigated. The classification features and characteristics of financial flows that enable companies to coordinate circulation of financial resources for the financial and economic activity are stated. It is proved that determined direction of financial flows and timely management decisions to their size, speed and duration of economic activities will provide the necessary financial resources and maximize profits from their use.*

*It is noted that at present the efficient operation and further development of farms is only possible through the development and implementation of mechanism for managing cash flow, which has a specific orientation, controls the action of appropriate financial and administrative systems and management of the monetary flows. The proposed function sequencing of mechanism for managing cash flow opportunities will combine all functional areas and rational use of financial resources of enterprises.*

**Keywords:** *financial flows, mechanism, management, optimization, financial resources, financial activities.*

**Problem in general view and its connection with important scientific and practical tasks.** In the current economic conditions and considering the intensive development of agricultural enterprises the successful solution of problems related to economic activity depends on the efficiency of financial flows, which is the part of the overall management system that existing at a particular enterprise, the stable development of industrial and economic activities of agricultural enterprises significantly affects the amount of working capital is insufficient and inefficient use, and this leads to a loss of sales markets, the risk of payments crisis and loss-making activities. Such exhibition of undesirable factors ultimately affects the competitiveness and contributing to the bankruptcy of some enterprises.

The information above gives the reason to believe that one of the

urgent and important aspects of successful solution of these problems is to create an effective mechanism of financial flows management, which allows to optimize the circulation of financial resources and ensure their required level within a specified period of time. The contents of this mechanism should be determined by economic laws, the practical activities of employees and management system of each specific company. Upon the timely development and introduction of effective mechanism of financial flows management the rhythm and ensuring production efficiency of financial resources, increasing the level of investment and innovation activity and achieving the strategic goals of agricultural enterprises will depend.

**Analysis of recent research and publications concerning the solution of this problem.** Theoretical and practical aspects of financial flows management found their coverage in the scientific works of foreign (A. King, E. Jones, J. Van Horn, A. Taylor. B. Kolassa, G. Richard, S. Ross, G. Westerfeld, B. Jordan E. J. Dolan, E. Helfert) and domestic (G. Azarenkova, I. Blanka, A. Vasylenko, L. Goncharenko, L. Drobozina, A. Kovaleva, G. Kireytseva, O. Stoyanova, V. Rodionova, L. Pavlova, V. Popova, G. Polyak, M. Samsonova) and other scientists. The majority of scientific works of the scientists are devoted to the problems of motion control of financial resources in the system of financial relations between economic entities and modern technologies of management of enterprises.

However, some theoretical, methodological and practical questions associated with the definition of economic content, construction and operation of structural funds remain unsolved. Research findings are the basis for management of financial flows, which is aimed at improving financial sustainability, competitiveness and profitability of agricultural enterprises.

In this connection, the mechanism of management of financial flows implementation deserves special attention, as the basis of production and financial relations arising during the formation of financial resources is the optimal process of their turn over maximizing the financial and economic performance of enterprises due to it.

**Definition of the problem.** The aim of this research is a theoretical foundation and developing suggestions for the operation of an effective

mechanism and improving the existing system of management of financial flows of agricultural enterprises for enhancing the efficiency of formation of their financial resources.

**Presenting the basic information.** The research showed that in recent years, the agricultural production in Khmelnytsky region has undergone radical socio-economic transformations that led to the realization of the need to change the basic principles and approaches to economic management, financial resources and the conducting of business by agricultural enterprises. At the same time it is very important for the company to use all available domestic financial resources reserves, do rationalize their distribution to improve processes, ensure the workers interest in the results of their labor, do improve competitiveness and increase production efficiency.

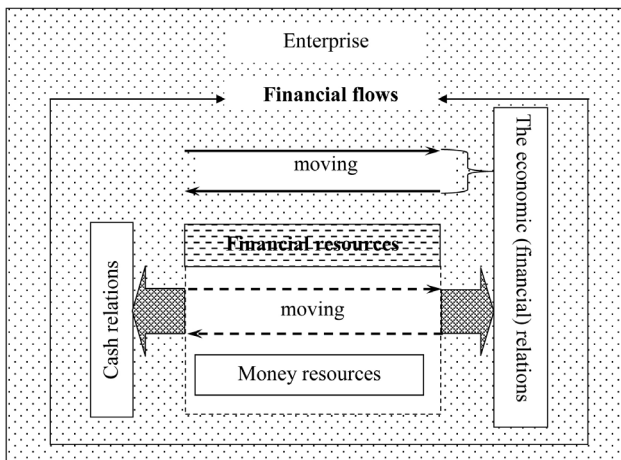
Usually the constant lack of financial resources, in terms of continuous changing of production technologies and coagulation volumes of agricultural production, leads to the transformation of the sources of their formation and requires more in-depth studies which are important because scientific literature shows a steady interest in the financial flows management of enterprises although the unambiguous interpretation of the term “cash flow” is missing.

Some aspects of financial flows (economic meaning, nature of their origin and the field of activity) find their coverage works at scientific. In particular, similarity of financial and cash flow is alleged [3], their dynamic nature is recorded and that the identification of the concepts of “cash flow” and “cash flow” complicates the construction of adequate financial management [2]. It is also considered that the concept of “flow” reflects “the totality of economic relations” [1].

According to opinion of other scientists the cash flows are macroeconomic mechanism that perform the function of redistribution of budgetary and extra-budgetary funds in order to balance the state financial resources in sectors of the economy [9, 11]. The relations connected with financial resources turnover are taken into account, but the possibility of existence financial flows at a particular company, which is the basic unit of agricultural production, since it provides the formation of large masses of goods, services and works is not taken into account [4].

A number of experts believe that financial flows operate only at the micro level, including the financial resources of the company, managed with the help of logistic approach [5, 6]. The specialists also emphasise the important role of the commodity flow. Otherwise, within this approach the cash flow is treated as the direction of financial resources [7]. It is alleged that this movement occurs when the corresponding conditions for the functioning of commodity flow appear it and identifies the flow of financial resources from the cash flow for the goods delivered and services performed. Thus the gap between these flows in the time period can be quite significant. It should be noted that almost all financial activities, which is reflected in the income statement [8], are not related to trade flows (debt cancellation, forfeit, penalty, various fines, non-repayable financial assistance).

Basing on these interpretations the cash flows can be allocated to financial resources (basis) and Economic Relations (add-on). This efficient movement of cash and other financial resources and appropriate economic relations that accompany this movement, together provide a flow of financial performance of the company (Picture 1).



*Picture 1. Process the functioning of financial flows*

Note that monetary relations (resulting from the movement of the cash only cash between accounts) are an important element of economic

relations. It should also be emphasized that the funds do not cover all the financial resources, and reflect only the funds accumulated at bank accounts of a particular company.

Consequently, the cash flow among the existing economic relations is the purposeful movement of financial resources for the implementation of various business transactions. However, the mechanism of management of financial flows of a particular company refers to a set of methods and management tools that allow you to form economic relations and on their basis to ensure the movement of financial flows to enhance effective development of production. Therefore there is a need to ensure the effective management of financial flows, implement systematization of species distribution using classification, which enables them to determine the characteristics. In particular, the distribution of the movement directions can focus on minimizing the output streams, or convert them into liquidation process. So the incoming cash flow is the source of working capital and investment resources it is necessary to maximize opportunities for certain mandatory consideration of prospective changes in the production activities of a particular company.

Unilateral (incoming and outgoing) financial flows can occur due to replenishment (proceeds from the sale of agricultural products) or decreasing (the cost of production of goods, services, works and taxes paid) the financial resources. Internal financial flows are formed under the influence of economic relations which accompany the movement of resources among businesses and between its departments, while external are beyond the company and cover other economic entities.

An important place should be given do information about the frequency of the movement of financial flows, including single (random) financial flows (non-repayable financial assistance, charity, earmarking). Meanwhile the financial flows with permanent short (indefinite) period of existence can include the relationships that promote the systematic transfer of financial resources that are not limited by a certain deadline (incentives for staff quality work). In determining the permanent financial flows it is possible to predict improvements of financial and economic activity of agricultural enterprises, do balance revenues and expenditures of financial resources in order to identify provisions that

are necessary for sustainable and profitable development of agricultural production.

In most cases the movement of financial resources is carried out during the period the defined by the applicable law or a labor agreement and this allows to monitor the implementation of the economic operations connected with the violation of the timing of payments. These flows are payments to budget and off-budget funds and credit operations.

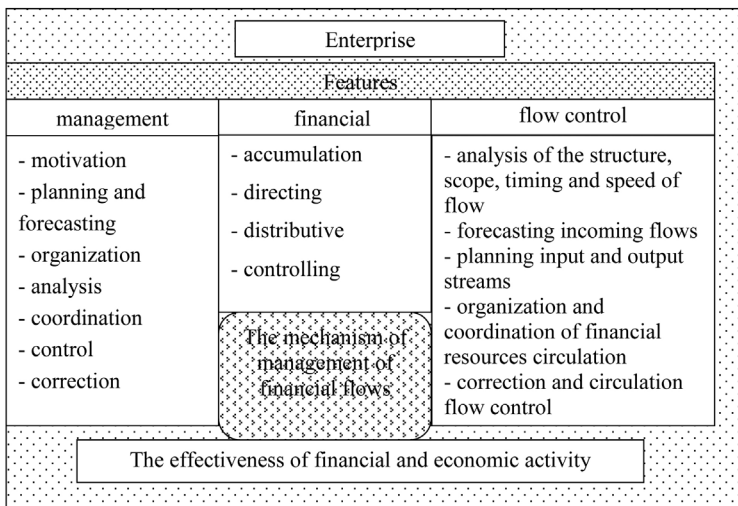
As for the separation of financial flows by the type of activity, the operating (associated with the provision of reproductive rhythmic production process) that characterize the accumulation (or decrease) of financial resources (costs of production, revenue from sales), financial and investment flows are very important. While carrying out financial activities and making financial flows (revenues from the sale of shares Income (loss) from equity receipt (repayment) of long-term loans, and others.) the movement of financial resources is aimed at improving the efficiency of companies' assets. The economic relations which accompany movement of resources within the investment activity of agrarian enterprises include links between entities to generate income (expenses) from sale (purchase) of fixed and intangible assets.

Typically, the amount of investment flows depend on the profitability of investments, interest or dividends and payback period of investment and innovative project. It is established that the size of the credit facility significantly affects the object of credit. If the loan is directed to the production growth due to seasonal consumption, its rate of return will depend on the period of high demand. So the, modernization of production requires a longer payback period, which depends on the growth of productivity of the employees. However, the duration of repayment from the development of new products, in turn, depends on the volume of production, profitability and the existing degree of demand for its consumption.

The above classification of cash flows provides an opportunity to conduct their grouping and on this basis to develop functional components of an effective mechanism for management (Picture 2). Considering that the cash flows reflect the state of economic activity, the creating of the effective mechanism needs to identify the common characteristics (speed and duration of movement and financial resources)

that do not depend on the nature of the resource and economic relations.

This process allows do direct the efforts of companies basic units do improve the efficiency of business transactions in individual groups of flows. In particular, for the part of financial flows that characterize receivables or stocks of finished goods is the time period for which financial resources are returned to business enterprises.



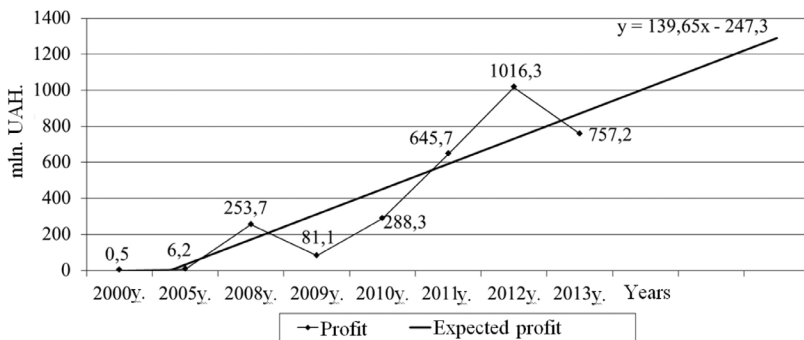
*Picture 2 Mechanism of financial flows*

Functioning of the process is performed by the functional components and their basic elements for implementation to improve efficiency of management decisions not only at the implementation stages of management, but also during the sequential execution of certain functions. In this case, the characteristics of the financial and administrative functions based on general management functions, were taken into account and therefore they play an important role in the mechanism of financial flows management.

The volume of financial flow means the amount of financial resources which may change during the period of implementation of financial and economic operations. This characteristic concerns the positive input of financial flows (production and sales). At the same time the reduction of financial flows occurs due to tax payments and

mandatory fees. [12] It also should be emphasized that the initial rapid growth of financial flows compared with the input has a negative impact on the speed of their rotation. Research have shown that an increase in receivables with decreasing volumes of sales reduces the available volume of financial flows and reduces the financial stability and business activity of a particular company. However, growth in production volumes affects the growth of value added tax, excise taxes and profit.

It was established that the profit is one of the main financial flows as it is directed to innovative renewal of production process or other costs associated with marketing activities and maintenance of social sphere. In addition, profit is the simulating factor and a financial resource of agricultural enterprises, and therefore an important source of financing expanded reproduction of manufacturing. Consider the change in the total amount of profit in agricultural enterprises Khmelnytsky region (Picture 3).



Picture 3. Dynamics of profits from the sale of agricultural products  
Source: [10, p. 54]

You can see that in recent years the total revenue of enterprises from sales characterizes an unstable process of its formation, as it varies much but tends to increase, and therefore we estimate in 2016. it will make 1135,8 mln., which is 1,5 times increase over the 2013 year. Further efficient management of financial flows will provide



optimal proportions of their distribution throughout the implementation of various financial and economic operations. To achieve a balanced circulation of financial resources it is necessary to determine cash flows with help of classification group them by their main features, speed and time of their movement, to identify through a detailed analysis of the trajectory of financial resources and direct them in the most profitable areas.

**Conclusions.** We believe that the management and optimization of financial flows must be based on the objectives that contribute to maximum profitability while minimizing initial cash flows and ensuring financial and economic activities with necessary sufficient financial flows and in due time.

Formation of the main elements of the mechanism of financial flows management at enterprises should be considered as one of the important factors increasing the efficiency of any financial and economic activity. At almost every enterprise the content and structure of the mechanism will be different, that's why the company is able to carry out their adjustments according to available financial resources and the current specific production. In unforeseen circumstances (especially risk) operation of a particular company and its financial system should apply situational approach, which requires the use of various financial flows according to particular work situations. That's why the results of this research are necessary for creating and implementing a mechanism for financial flows management in financial and economic activity, which is aimed at improving financial stability, solvency and profitability of agricultural enterprises.

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## **МЕХАНІЗМ УПРАВЛІННЯ ФІНАНСОВИМИ ПОТОКАМИ АГРАРНИХ ПІДПРИЄМСТВ**

*Розглядаються проблемні питання щодо сучасного стану управління фінансовими потоками, що дозволяє підприємствам координувати обіг та оптимізувати склад фінансових ресурсів з метою досягнення максимальної віддачі від їх використання. Вказується, що розробка механізму управління фінансовими потоками забезпечує оптимізацію кількісного і вартісного складу фінансових ресурсів, підвищення інтенсивності та збалансованості їхнього руху. Виявлено і обгрунтовано найбільш важливі чинники організації фінансових процесів та розроблено основні напрями удосконалення формування фінансових потоків, які сприяють ефективному розвитку аграрних підприємств.*

**Ключові слова:** фінансові потоки, механізм, управління, оптимізація, фінансові ресурси, фінансова діяльність.

**Аннотация.** Рассматриваются проблемные вопросы современного состояния управления финансовыми потоками, позволяющими предприятиям координировать оборот и оптимизировать состав финансовых ресурсов с целью достижения максимальной отдачи от их использования. Указывается, что разработка механизма управления финансовыми потоками обеспечивает оптимизацию количественного и стоимостного состава финансовых ресурсов, повышение интенсивности и сбалансированности их движения. Выявлено и обосновано наиболее важные факторы организации финансовых процессов и разработаны основные направления совершенствования формирования финансовых потоков, которые способствуют эффективному развитию аграрных предприятий.

**Ключевые слова:** финансовые потоки, механизм, управление, оптимизация, финансовые ресурсы, финансовая деятельность.