

Inna I. Neskorođeva¹, Svitlana A. Pustovgar²

THE ESSENCE OF ENTERPRISE FINANCIAL POTENTIAL WITHIN THE FRAMEWORK OF FINANCIAL INSOLVENCY PREVENTION

The article specifies the notion "enterprise financial potential" regarding its composition of elements and functional purpose. Based on specified category and research results of economic and juridical literature on the scope of bailout and anticrisis potential of an enterprise, the given types of potential were distinguished according to Ukrainian legislation and economic essence of stated categories. As a result of distinguishing financial, bailout and anticrisis potential of an enterprise it was discovered that the reserve for preventing and overcoming enterprise insolvency is the financial potential, sufficient level of which ensures the current and future enterprise solvency.

Keywords: enterprise insolvency; enterprise financial potential; anticrisis potential of an enterprise; bailout potential of an enterprise; crisis at an enterprise.

Інна І. Нескородева, Світлана А. Пуствовгар

СУТНІСТЬ ФІНАНСОВОГО ПОТЕНЦІАЛУ ПІДПРИЄМСТВА В КОНТЕКСТІ ЗАПОБІГАННЯ ЙОГО НЕПЛАТОСПРОМОЖНОСТІ

У статті уточнено поняття «фінансовий потенціал підприємства» з огляду на його елементний склад та функціональне призначення. На основі уточненої категорії й результатів дослідження економічної та юридичної літератури щодо змісту понять «саніційний потенціал підприємства» та «антикризовий потенціал підприємства», розмежовано дані види потенціалу підприємства відповідно до українського законодавства та економічної сутності зазначених категорій. У результаті розмежування фінансового, саніційного та антикризового потенціалу підприємства виявлено, що резервом запобігання та подолання неплатоспроможності підприємства є фінансовий потенціал, достатній рівень якого забезпечує поточну та перспективну платоспроможність підприємства.

Ключові слова: неплатоспроможність підприємства; фінансовий потенціал підприємства; антикризовий потенціал підприємства; саніційний потенціал підприємства; криза на підприємстві.

Табл. 1. Рис. 2. Літ. 16.

Інна І. Нескородева, Светлана А. Пуствовгар

СУЩНОСТЬ ФИНАНСОВОГО ПОТЕНЦИАЛА ПРЕДПРИЯТИЯ В КОНТЕКСТЕ ПРЕДУПРЕЖДЕНИЯ ЕГО НЕПЛАТЕЖЕСПОСОБНОСТИ

В статье уточнено понятие «финансовый потенциал предприятия», учитывая его элементный состав и функциональное назначение. На основе уточненной категории и результатов исследования экономической и юридической литературы по содержанию понятий «санационный потенциал предприятия» и «антикризисный потенциал предприятия», разграничены данные виды потенциала предприятия в соответствии с украинским законодательством и экономической сущностью указанных категорий. В результате разграничения финансового, санационного и антикризисного потенциала предприятия выявлено, что резервом предотвращения и преодоления неплатежеспособности предприятия является финансовый потенциал, достаточный уровень которого обеспечивает текущую и перспективную платежеспособность предприятия.

Ключевые слова: неплатежеспособность предприятия; финансовый потенциал предприятия; антикризисный потенциал предприятия; санационный потенциал предприятия; кризис на предприятии.

¹ Simon Kuznets Kharkiv National University of Economics, Ukraine.

² Simon Kuznets Kharkiv National University of Economics, Ukraine.

Problem setting. Due to unstable economic situation, characterized by deployment of crisis phenomena at micro- and macrolevels, and deterioration of financial situation of economic entities, the problem of diagnosing enterprise insolvency and searching for the sources of restoring and maintenance of enterprise solvency has become urgent.

Recent research and publications analysis. To prevent or overcome insolvencies, an enterprise needs particular reserves available for timely response to negative influence of the factors of external and internal environment. The detection of these reserves has become task of such scientists: N. Brehin (2004), L. Lihonenko (2005), K. Solomyanova-Kyrylchuk (2009), O. Tereshchenko (2006). Yet, despite numerous studies in this field, there is no agreement of opinions concerning the sources of restoring enterprise solvency.

The research objective is to study the essence of bailout, anti-crisis and financial potential as the factors of preventing enterprise insolvency in Ukraine.

Key research findings. As a result of a research it has been proved that the majority of authors consider bailout potential as the reserve of restoring enterprise solvency, others prefer anti-crisis potential. However, it is important to remember another type of potential – the financial one. The opinions of scientists concerning the definition of its essence are given in Table 1.

Table 1. The results of the synthesis of scientists' views regarding the concept "financial potential", authors' grouping

Source	Scope of notion	Functionality
V. Boronos (2013)	Financial resources which become a cause for relations at an enterprise	Achieving its efficient and cost-effective operation
I. Brytchenko (2005)	Amount of all available financial resources of an enterprise	Operation of an enterprise
N. Brehin (2004)	Category, which includes separate constituents of financial resources of an enterprise, and in particular – statutory, additional and reserve capital, special purpose funding, accumulation fund etc.	
K. Ilyina (2009)	Scope of enterprise opportunities, which are determined by the availability and organization of financial resources	
K. Ionenko (2007)	Combination of financial resources and opportunities for their involvement and employment	
F. Yevdokimov and O. Mizina (2004)	Scope of all available financial resources of an enterprise and opportunities of their effective distribution	
T. Paentko (2013)	Multitude of financial resources	Realization and increase of economic potential with the purpose of profit maximization
P. Fomin and M. Starovoytov (2008)	Relationship, occurring at the enterprise	Achieving the maximum financial result

After reviewing the essence of category "financial potential", 3 approaches were discriminated. The representatives of the first approach, the most common approach

to explaining the essence of financial potential, consider this category from the perspective of its composition. However, V. Boronos (2013), I. Brytchenko (2005), N. Brehin (2004), T. Paentko (2013) identify the financial potential of the enterprise as the amount of financial resources. Some authors present the composition of these resources more specifically. They discriminate: own, borrowed and involved resources. The more specific definition of the financial potential category gives N. Brehin (2004): as the amount of financial resources, to which the author refers statutory, additional and reserve capitals, special purpose funding, accumulation funds, floating assets etc. The given definition does not provide an exhaustive list of financial resources, and moreover mentions floating assets, which relate to economic resources and characterize mostly production potential of an enterprise, rather than the financial one.

A disadvantage of these authors' representation of financial potential is considering the financial potential as the amount of financial resources, in other words, equation of these two categories. Nevertheless, in the light of financial potential representation as the amount of resources and the opportunity to use them for achieving particular goals, financial potential implicates financial resources, but is a much wider notion and comprises also the opportunity of their efficient employment. The following specification finds validation in the works of the representatives of the first approach. They explain the financial potential of an enterprise as not only the amount of financial resources, but also, on the basis of the notion "potential", as the amount of particular resources and opportunities for their involvement (Ionenko, 2007), employment (Iliyina, 2009; Ionenko, 2007), distribution (Yevdokimov and Mizina, 2004). From the given list of operations with financial resources mobilization, disposition and employment were chosen as the ones that represent the whole turnover of financial resources.

The followers of the second approach (Fomin and Staroviytov, 2008) define financial potential as the relations, directed at the achievement of maximum financial result, thereby, highly efficient and profitable enterprise operation. The given approach somewhat dissolves the boundaries of financial potential, approaching closer the industrial potential, whereas highly efficient and profitable enterprise operation is secured by effective employment of collective enterprise potential, and contribution of financial potential to achievement of the stated objective can be non-determining. That is why, if financial potential is considered as the relations, directed on securing profitability of enterprise activity, it is necessary to mention the source of securing – by means of effective employment of enterprise financial resources.

Opinions of scientists concerning the purpose of employment of enterprise financial resources, when considering financial potential, also differ. Proceeding from the definition of potential, the purpose of its employment is achieving the stated objectives of an enterprise. In its turn, the purpose of enterprise activity is the maximization of its market value. That is why the strategic objective of financial potential employment is the maximization of enterprise market value at the expense of employment of available and mobilized financial resources. However, at different stages of its existence, the enterprise can set different objectives, which are supposed to be secured by financial potential. That is why, the more specific objective of financial potential employment is achieving the goal and set objectives which are unique for each enterprise.

Thus, taking into account the disadvantages in the existing definition of the essence of financial potential by Ukrainian scientists, it is proposed to understand the notion of financial potential as the amount of financial resources of an enterprise, opportunity of their mobilization, effective distribution and employment for achieving the enterprise goals.

The key purpose of an enterprise that secures achieving the strategic objective is maintenance or restoring of solvency depending on the current financial situation of an enterprise, because enterprise insolvency leads to a breach in relations with contractors, loss of market position, reduction of opportunities for involvement of labor, financial and productive resources, which, without the corresponding response system, leads to bankruptcy and enterprise liquidation. Therefore, the main goal of using financial potential is ensuring enterprise solvency. Thus, regarding the subject matter of the research, financial potential is an amount of financial resources of an enterprise, an opportunity of their mobilization, effective distribution and employment for preventing and overcoming enterprise insolvency.

Given this, financial potential must be considered as the factor of maintenance and restoring enterprise solvency. However, K. Solomyanova-Kyrylchyuk (2009), O. Tereshchenko (2006) define bailout and anti-crisis potential as the reserve for restoring enterprise solvency, the types of enterprise potential which are employed under unstable financial condition of an enterprise and at crisis. Financial potential, in its turn, is considered within the framework of providing enterprise competitiveness and development (Iliyina, 2009; Serduk-Kopchekchi, 2008). The given inconsistency between opinions of scientists and the consequence coming from the notion "financial potential" stipulated the need for a more detailed study of such notions as "bailout potential" and "anti-crisis potential" in the perspective of enterprise insolvency. Therefore, the essence of these categories will be defined on the basis of their morphological constituents: the terms "bailout" and "anti-crisis management".

The Law of Ukraine "On Restoring Debtor Solvency or Declaring a Debtor Bankrupt" states that bailout and pre-trial bailout is the system of measures, taken for the sake of a debtor in order to avoid declaration of its bankruptcy and liquidation (The Law, #2343-XII, 14.05.1992). Based on the Law of Ukraine, the bailout procedure is carried out in respect of the debtor – the economic entity that during 3 months does not prove able to fulfil held by a court financial liabilities, in other words, in respect of an enterprise with a breach of solvency and is directed at its restoring. That is why, the goal of using the bailout potential, similarly to bailout procedure, is restoring the solvency of a debtor.

In order to understand the term "anti-crisis potential" one needs to consider the notion of "anti-crisis management".

Scientific literature offers the two contradictory approaches to define the essence of anti-crisis management: "narrow" and "broad". The representatives of the former one (Sytnyk, 2002; Vasilenko, 2005) under anti-crisis management understand the system of measures, employed under conditions of financial hardship, real threat of enterprise bankruptcy, directed at overcoming the crisis with a goal to avoid enterprise bankruptcy. According to this approach, anti-crisis potential is an amount of enterprise resources and opportunities to overcome the consequences of crisis and restore solvency.

Considering the anti-crisis potential from the perspective of anti-crisis management within the framework of the "narrow" approach, bailout and anti-crisis potential in Ukraine have a common goal – restoring the enterprise solvency, and similar conditions of employment – occurrence of the crisis at enterprise. The existence of a crisis while employing the anti-crisis potential is evident from the name "anti-crisis", and the condition of employment of bailout potential, as mentioned before, is declaring an enterprise a debtor, which is possible when there is a crisis at the enterprise. These two potentials are distinguished by the severeness of crisis, which implicates the necessity of potential activation, and the presence of legal constituent. Thereby, bailout potential is employed while carrying out a trial procedure, which is the consequence of a more severe crisis, compared to the employment of anti-crisis potential, for which a trial procedure is not obligatory.

Consequently, anti-crisis potential in Ukrainian economy is a broader notion than bailout, and includes bailout potential because it is employed with the goal to restore enterprise solvency not only during severe crisis and under trial, like bailout potential, but also at early stages of crisis occurring.

The second approach of considering the essence of anti-crisis management is "broad". Its representatives are (Lihonenko, 2005; Shtanhret and Kopylyuk, 2007). According to this approach, anti-crisis management is a management system, directed at detecting the signs of enterprise crisis and creating corresponding conditions to avoid and overcome them in order to secure stable operation and avoid bankruptcy.

Within the framework of this approach, anti-crisis potential is the amount of corresponding resources of an enterprise, opportunities for their mobilization, effective distribution and employment in order to maintain and restore enterprise solvency by means of detecting and overcoming the signs of a crisis.

The results of defining the essence of bailout, anti-crisis and financial potential as the forms of reducing enterprise insolvency in Ukraine are represented in Figure 1.

Thus, the ways of preventing enterprise insolvency are the financial, bailout and anti-crisis potential, considered from the perspective of "narrow" and "broad" approaches.

Regarding the composition of elements of the stated types of potential, the financial one is a constituent part of anti-crisis and bailout potential. However, within the problem of insolvency in Ukraine, financial potential of an enterprise is considered a more complex notion than the financial potential as a constituent of anti-crisis and bailout potential, which can be seen through the purpose of potential employment. Then, financial potential of an enterprise as a constituent of anti-crisis and bailout potential should be understood as the amount of financial resources of an enterprise, opportunity of their mobilization, effective distribution and employment with the goal of restoring solvency of a debtor. The purpose of employing financial potential as a constituent of enterprise anti-crisis potential is preventing and overcoming crisis, and given the fact that crisis and insolvency are not identical notions, some specifications must be made regarding the subject matter: financial potential as a constituent of anti-crisis potential is the amount of financial resources of an enterprise, opportunity for their mobilization, effective distribution and employment with the goal of preventing and overcoming insolvency of a debtor, caused by enterprise crisis.

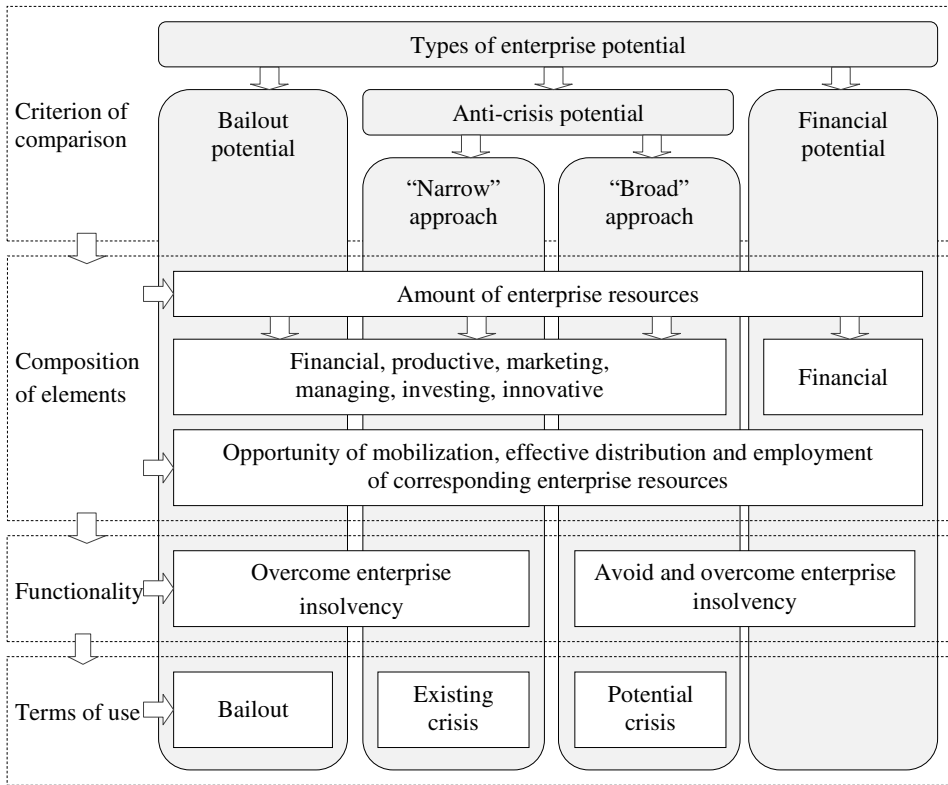


Figure 1. The comparison of bailout, anti-crisis and financial potential as the way of reducing enterprise insolvency, authors' development

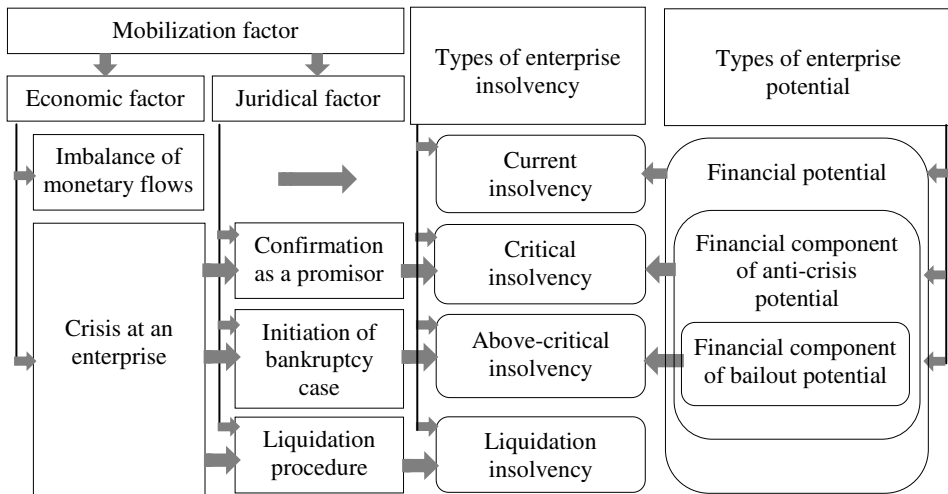


Figure 2. The interrelation between insolvency and financial component of enterprise potential in Ukraine, authors' development

Figure 2 represents the interrelation between the type of insolvency and potential of maintaining and restoring enterprise solvency at the expense of financial resources employment, in other words, at the expense of a financial constituent of a corresponding potential.

Current insolvency is caused by a temporary imbalance of financial flows, is not a cause of a crisis at an enterprise and does not provides for the participation of court in confirming this situation at an enterprise, therefore, financial potential becomes a means of preventing and overcoming the current enterprise insolvency.

Critical insolvency is a financial situation at an enterprise, which equals potential bankruptcy and is characterized by the signs of current solvency at the beginning and at the end of a financial quarter – incapability to fulfil stated by the court financial liabilities during 3 months. Such an enterprise situation is caused by a crisis and provides for court intervention, which is the confirmation of the enterprise as the debtor. Under these terms, anti-crisis and financial potential are employed as the ways of restoring enterprise solvency. They are aimed at prevention and overcoming enterprise insolvency.

Above-critical insolvency is characterized through the initiation of a bankruptcy case as a result of failing to comply with enterprise liquidity ratios and the absence of profit during one year, which is the consequence of enterprise crisis. The source of preventing and restoring above-critical enterprise insolvency can be bailout, anti-crisis and financial potential.

Given that the initiation of bankruptcy case is not the evidence of its liquidation and provides for the opportunity of restoring debtor's solvency by means of carrying out a bailout procedure, the above-critical insolvency is not a final type of enterprise insolvency. Considering this point, it is better to agree with the opinion of (Shtanhret and Kopylyuk, 2007), who also discriminate liquidation insolvency, which makes the compliance of creditors' requirements possible only at the expense of running the liquidation procedure. Under such financial situation at an enterprise, mobilization of bailout, anti-crisis and financial potential will not be effective in restoring enterprise solvency.

Conclusions. Based on the morphological analysis, the economic essence of the definition "enterprise financial potential" was specified from the perspective of elements composition and functional purposes. Notion specification and literary sources analysis made it possible to distinguish the notions of financial, bailout and anti-crisis potential according to Ukrainian legislation and the economic essence of the given categories. Whereas enterprise insolvency can be caused either by a crisis, or by temporary imbalance of monetary flows, the reserve for preventing and overcoming enterprise insolvency in native economic environment is their financial potential.

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