Ways to Assess and Improve the Financial Sustainability of Russian Organizations Development

Oksana Takhumova, Dmitry Ryakhovsky, Tatyana Satsuk, Rashid Kochkarov, Olga Mirgorodskaya

Abstract: In the implementation of production activities, the objective condition for the sustainable development of business entities is a comprehensive approach to the analysis of financial indicators of the organization. The problem of ensuring sustainable growth has been relevant for several decades and is the subject of close attention of Western and domestic scientists. The work clarifies the methodological tools relating to the assessment of competitive positions in the domestic market, provided that solvency is maintained. The essence of sustainable development at the macro and micro levels is revealed. The main focus is on the assessment of financial stability indicators as an information base for making effective management decisions. The paper discusses the theoretical foundations of the analysis of liquidity and solvency of companies. The types of the state of liquidity of the balance sheet of the company are clarified. The essence, as well as the relationship of solvency and liquidity, as one of the main areas of the financial condition of the organization is revealed. An algorithm for determining the potential solvency of an organization is presented; a mechanism for increasing the financial return on assets is considered. On the example of the organization of the building complex, the indicators of financial indicators were evaluated, critical values were determined for the studied indicators. A set of measures to improve financial performance is proposed. The presented material may be interesting for the development of public policy instruments for the implementation of the concept of sustainable development of the regional system.

Keywords: financial indicators, sustainable development, Russian region, assess.

I. INTRODUCTION

A lot of scientific research is devoted to sustainable development issues since during the period of financial instability and the search for ways out of their crisis, this task became relevant not only for business entities but also at the regional and international levels. Under the stability of the regional system is understood such a state of socio-ecological-economic system, which will ensure a high level of well-being of the population, provide a dynamic balance of the financial system with the environment and create the prerequisites for the purpose of modern movement forward, as well as to maintain the internal and external balance of the region as a whole. Under the financial stability at the company level, several authors, including V.V. Kovalev, R.S. Sayfulin, A.D. Sheremet, A.F. Ionova, understand the state of accounts, which allows us to judge the solvency of the organization. As a result of financial and economic activities, such a situation may improve or show negative results [15]. L. A. Kostirko clarifies that financial stability depends on the organization’s correct strategy and ways to achieve its goals [6]. V.I. Soldatkin and Yu. B. Rubin is examined based on the ratio of working capital and the value of the liability side of the balance sheet. In their opinion, the degree of provision with reserves is an objective condition for ensuring the sustainable development of the company [8].

As part of the economic analysis of any organization, an in-depth study of financial stability and liquidity is carried out based on building a solvency balance. The assessment of the solvency of the organization is based on liquidity indicators. The financial state of the organization is the ability of entities to finance their activities on time, to always fulfill debt obligations and maintain investment attractiveness [1, 11]. Solvency and liquidity, as interrelated financial categories, are considered an important criterion for the financial condition of the organization.

The main purpose of the analysis is the time finding and correction of errors in financial activities, as well as the search for reserves to improve the efficiency of economic activities [2].

The main sources of information are the data of financial statements [12]. To date, this information is not only a means of accounting and control but also a means of substantiating decisions. The development of the organization, as well as the effectiveness of its activities, directly depends on the quality of this information.

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II. MATERIALS AND METHODS

When considering indicators that provide an analysis of the financial stability of the organization, for a start it is necessary to consider the groups of assets and liabilities of the balance sheet that contribute to determining the liquidity of the organization.

Analysis of the liquidity of the balance sheet using absolute indicators is to some extent approximate, because absolute indicators are prone to inflation. The most detailed is the analysis of solvency using relative liquidity indicators [5, 13, 14].

When considering indicators that provide an analysis of the solvency of an organization, first you need to consider the groups of assets and liabilities of the balance sheet that contribute to determining the liquidity of an organization.

The meaning of the indicator of prospective liquidity indicates the solvency of the enterprise for the long term.

Consider the types of liquidity status of the balance sheet of the company in “Fig. 1”.

Fig. 1. Types of liquidity balance sheet company.

Solvency is the ability of an organization to timely repay its payment obligations in cash. Solvency and liquidity are very close in value, but the second is more capacious, because the solvency of an enterprise depends on the degree of liquidity of the balance sheet.

The determination of the potential solvency of the organization is presented in “Fig. 2”.

Fig. 2. The algorithm for determining the potential solvency of the organization.

Analysis and assessment of the balance sheet structure of the organization is based on indicators of current liquidity and provision with own working capital, the ability to restore or lose solvency [4]. At the same time, the recommended indicator of this coefficient should be greater than or equal to two. If the current liquidity ratio is below the recommended one, then this means that current debt obligations will be difficult to repay.

III. RESULT AND DISCUSSION

On the example of economic entities of the Krasnodar Territory - one of the developed territories of the country, we will evaluate the indicators of financial stability of business structures. In January 2018 household incomes amounted to 162.1 billion rubles and increased compared to January 2017 by 2.5%, household expenses increased by 5.1% and amounted to 177.2 billion rubles. Expenditures of the population exceeded revenues by 15.0 billion rubles. In January 2018 cash income on average per person amounted to 29,099 rubles per month. The average monthly salary of employees of organizations in the Kuban in January 2018 amounted to 30,617 rubles. Krasnodar Territory is a rapidly developing region. In 2018 The region’s GDP ranks sixth among Russian regions. In total, 4.5 million square meters were commissioned during the year, m of housing, created 18 thousand new jobs. Grain production increased by almost 60%, which made it possible to ensure the food security of the region. A lot has been achieved in the social sphere, although the parliament is trying not to identify priority goals, calling each task posed important. There is an increase in both industrial production and agricultural. Oil refining also occupies a high share in the structure of industrial production - 26.3%.

In the conditions of instability caused by the crisis of 2011, the issues of ensuring sustainable development of organizations by financial stability are an important indicator of maintaining the rapid turnover of current assets, the ability to pay on current obligations and maintaining the level of competitiveness of the Krai company.

For the practical implementation of this goal, we will analyze the financial stability of the organization of the construction industry of Beton-Terek LLC. In general, it should be noted that the development of this industry, in connection with changes in the regulatory framework, occurs in the face of a decrease in the return on assets and the volume of sales. The introduction of eco-accounts has led to an increase in the cost of the housing market and a partial decrease in solvent demand in the region. The main financial results of the organization are presented in Table 1.

Table-1: Brief analysis of the financial results of the organization

<table>
<thead>
<tr>
<th>Financial indicator</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>(504)</td>
<td>(72)</td>
<td>(82)</td>
<td>(780)</td>
</tr>
<tr>
<td>Return on sales (profit from sales in each ruble of revenue)</td>
<td>-17.1%</td>
<td>0%</td>
<td>1.9%</td>
<td>-26.6%</td>
</tr>
<tr>
<td>Return on Equity (ROE)</td>
<td>-9%</td>
<td>-1%</td>
<td>-3%</td>
<td>-17%</td>
</tr>
<tr>
<td>Return on Assets (ROA)</td>
<td>-7.7%</td>
<td>-1.4%</td>
<td>-2.9%</td>
<td>-16.9%</td>
</tr>
</tbody>
</table>
The presented results show a decrease in profitability ratios for profit, equity. This circumstance may be due to a decrease in production indicators, insufficient equity capital and an increase in production costs.

Table- II: Name of the Table that justify the values

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Performance comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>with industry, 446 companies with revenue of up to 10 million rubles)</td>
</tr>
<tr>
<td>1. Financial stability</td>
<td></td>
</tr>
<tr>
<td>1.1. Autonomy ratio</td>
<td>1</td>
</tr>
<tr>
<td>1.2. The ratio of own working capital</td>
<td>1</td>
</tr>
<tr>
<td>1.3. Investment coverage ratio</td>
<td>1</td>
</tr>
<tr>
<td>2. Solvency</td>
<td></td>
</tr>
<tr>
<td>2.1. Current ratio</td>
<td>30</td>
</tr>
<tr>
<td>2.2. Quick ratio</td>
<td>4.2</td>
</tr>
<tr>
<td>2.3. Absolute liquidity ratio</td>
<td>0</td>
</tr>
<tr>
<td>3. Performance</td>
<td></td>
</tr>
<tr>
<td>3.1. Return on sales</td>
<td>-26.6%</td>
</tr>
<tr>
<td>3.2. Net profit margin</td>
<td>1.4%</td>
</tr>
<tr>
<td>3.3. Return on assets</td>
<td>-11.1%</td>
</tr>
<tr>
<td>Total score</td>
<td>+0.2</td>
</tr>
</tbody>
</table>

Negative indicators characterize the effectiveness of the activity. To improve the situation, we can recommend an increase in the share of current assets in the general structure of the property.

IV. CONCLUSION

It is possible to increase the stability of the organization by means of efficient work with assets - increasing their turnover, and by competent work with receivables - optimizing its terms.

Having studied and analyzed the typical problems of the financial and industrial activities of the enterprise, the following solutions can be proposed:

1. Increasing the size of the services provided.
2. Lower costs.
3. Decrease in receivables.

It is very important to pay attention so that overdue payables are not allowed, which leads to the calculation of fines and to the deterioration of the financial condition of the organization.

Thus, we can conclude that the role of the analysis of solvency and liquidity is very significant, because these two criteria of financial condition take the main place in assessing financial risks in order to make rational decisions to eliminate them, and, therefore, in order to further the future development of the organization. Liquidity problems can lead to a decrease in the profitability of economic activity and lead to bankruptcy.

REFERENCES

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