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ALTERNATIVE METHODS FOR EVALUATING FINANCIAL SUSTAINABILITY OF AN ENTERPRISE

Problem definition in general and its relation to important scientific and practical tasks. At the present stage of economic development, it becomes evident that the financial security of a country can be achieved only by ensuring financial stability of such its components as industries, industrial complexes, enterprises, and organizations.

The financial stability of each separate enterprise allows the whole country's economic system not only to keep its potential, but also ensure further economic growth.

That is why economic stability, at the time of economic transformation and development of economic relations, becomes a prerequisite for company security and competitiveness. The importance of financial stability for building a competitive economy gave rise to this study and made it urgent.

Analysis of latest studies in which the solution of the problem is initiated. Today's problems of ensuring financially stable development of industrial enterprises were examined in works by V. Astakhov [1], S. Baranenko [2], A. Grachov [3], L. Kostyrko [4], L. Ligotenko [5], N. Mamontova [6], M. Kyzym [7], A. Folomev [8], J. Chinasi [9], A. Kroquet [10], F. Myshkin [11] et al. in which its scientific justification was made and approaches to solution of the problem were developed.

As domestic and foreign experience shows, the formation of scientific-methodological approaches to the improvement of means and mechanisms of the influence of standardization and certification on the competitiveness of an economy in the situation of globalization and integration became highly necessary, it will ensure efficient process implementation in future.

Objective of the article: to determine components of company's financially stable development, to develop a methodological approach to financial stability assessment based on a complex combination of qualitative and quantitative indices.

Description of the main research material and justification of scientific results obtained. Various approaches to defining the essence and meaning of economic stability have one thing in common: company's stability is affected by both internal and external operational factors and its achievement is the result of the implementation of a number of managerial actions aimed at reducing or stopping the negative influence of destabilizing factors; as a result, the company regains the state of equilibrium due to its own or attracted resources, which ensures further progressive development by maintaining the profitability of its activities.

After analyzing the literature, it is suggested to consider company's financial stability as a result of its capability of maintaining the main parameters of its production and financial activities at a preset level under constant influence of internal and external factors.

It is pointed out that the company as an integral economic system comprises a great number of structural elements. Of the components the isolation of the components of financial stability should be based on the principles of balance and ensuring future growth of the production system itself. As company's financial stability is formed in the course of its production and financial activities and is maintained and reproduced at the stages of product realization and distribution, it is expedient, in our opinion, to isolate such functional components as production, management, innovation, marketing, financial and business (market) ones. Special attention here should be given to financial and business stability as the main indicators of company's effectiveness, quality and development prospects.

They serve as control sections in the system of economic stability control. The components of the financially stable development of an industrial enterprise are presented in Fig. 1.

The indices characterizing the degree of company's financial stability and development capability are, first of all, quantitative indices to which financial stability, solvency, liquidity, business activity, profitability indices should be attributed.

However, maintaining financial stability requires not only quantitative but also qualitative assessment. The efficiency of company's development and improvement of its financial stability is described by the following relation: $100\% < TA < TO3iHMA < TBK < T\text{ЧП} < < T\text{ДВ} < T\text{ЧП}$ (Fig. 1).

The analysis of the main procedures of the assessment of company's financial stability revealed the necessity of using fundamental analysis tools in addition to express-diagnostics methods, which allows to predict the emergence and evolution of destabilizing processes in a company and develop managerial decisions aimed at the restoration of disturbed equilibrium and ensuring steady development in future.

Financial stability acts as a complex characteristic of company's activity and is in functional dependence on a number of definite factors.
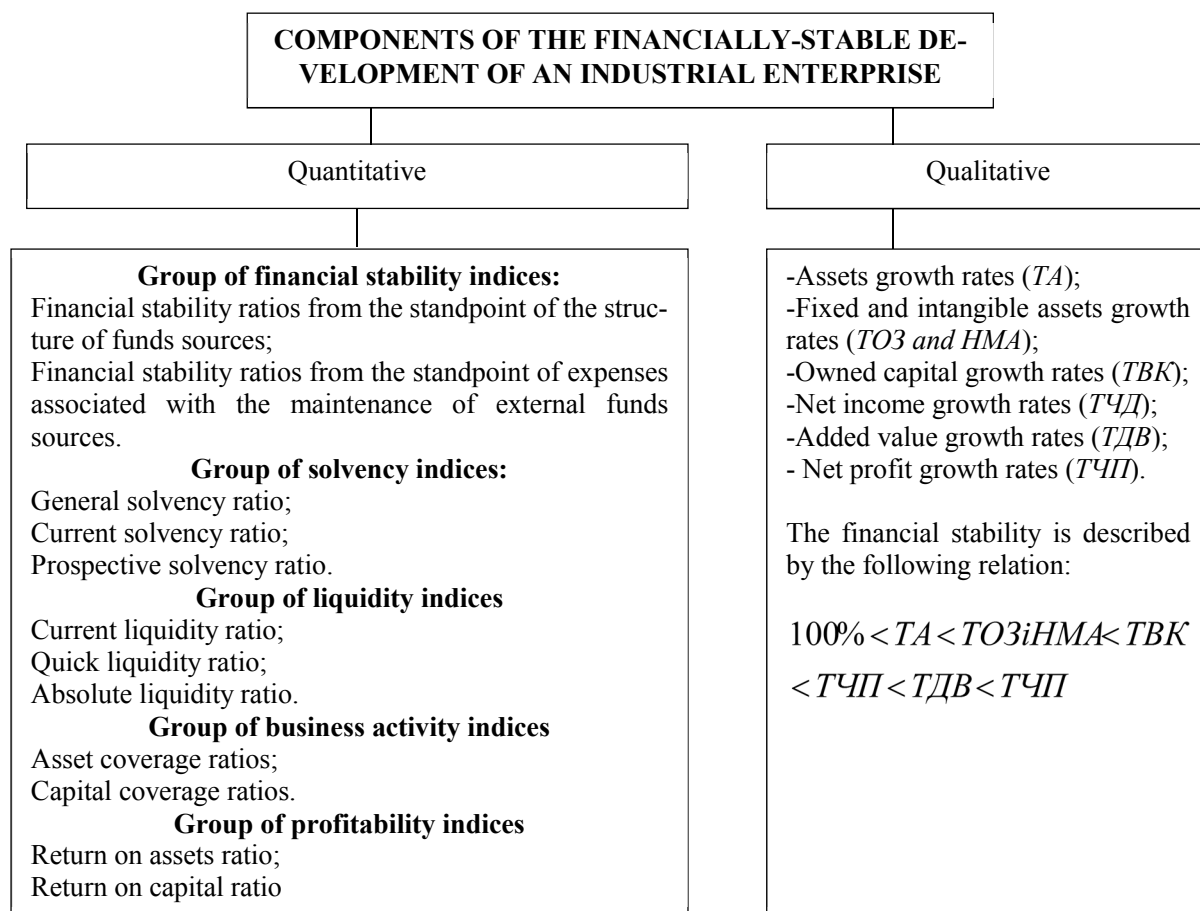
| COMPONENTS OF THE FINANCIALLY-STABLE DE-VELOPMENT OF AN INDUSTRIAL ENTERPRISE |

Quantitative

Group of financial stability indices:
Financial stability ratios from the standpoint of the structure of funds sources;
Financial stability ratios from the standpoint of expenses associated with the maintenance of external funds sources.
Group of solvency indices:
General solvency ratio;
Current solvency ratio;
Prospective solvency ratio.
Group of liquidity indices
Current liquidity ratio;
Quick liquidity ratio;
Absolute liquidity ratio.
Group of business activity indices
Asset coverage ratios;
Capital coverage ratios.
Group of profitability indices
Return on assets ratio;
Return on capital ratio

Qualitative

-Assets growth rates (*TA*);
-Fixed and intangible assets growth rates (*ТОЗ and НМА*);
-Owned capital growth rates (*ТВК*);
-Net income growth rates (*ТЧД*);
-Added value growth rates (*ТДВ*);
- Net profit growth rates (*ТЧП*).

The financial stability is described by the following relation:

$$100\% < TA < TO3iHMA < TBK < TЧП < TДB < TЧП$$

Fig. 1. Components of the financially-stable development of an industrial enterprise (elaborated by the author)

As indices determining the degree of company's economic stability have different orientation and effect on the general results of its activity, it is expedient to perform the quantitative assessment of the economic stability of an industrial enterprise using the weighted average sum of chosen criteria according to the following formula:

$$K_{FSi} = \sum_{i=1}^{m} A_i \left(\sum_{j=1}^{n} B_{ij} * G_{ij} \right), \quad (1)$$

where $K_{ФCi}$ – integral index of company's financial stability;

m – number of financial stability components;

j – number of the group of the indices that characterize individual components of financial stability;

n – number of the criteria of the assessment of company's financial stability in the i-th group of indices;

i – unit index of financial stability assessment of the i-th group;

A_i – weighting coefficient which allows for the degree of significance of the i-th component in the structure of company's economic stability;

B_{ij} – weighting coefficient which allows for the significance of the j-th index in the i-th component of economic stability;

G_{ij} – standardized unit index of company's economic stability, which reduces chosen assessment criteria to the united system of measurements.

The analysis of the components of company's financial stability allows to assess its inner potential and reveal opportunities and development prospects in future, as well as define company's strong and weak sides compared with competitors.

Financial stability is a prerequisite of company's further development as it ensures timely and complete fulfillment of company's obligations to the staff, creditors, stockholders, founders, and the budget. Today financial stability is the main index of the assessment of economic stability and the degree of the balance of all company's subsystems.

The method of the calculation of company's financial stability was applied in practice using a financial ratios system taking nine material mining equipment companies of Donetsk region, Ukraine, as an example. The results are presented in Table 1.

As seen from the results of analytical calculations obtained during the assessment of the financial stability of the material mining equipment companies, virtually all ratios do not match standard values. This is associated directly with problems in product sale on the domestic market, increasing costs, production unprofitability, the absence of real possibilities of replenishing owned circulating assets, as well as

smaller stock of orders. However, it should be noted that the positive factor is the emergence of a weak tendency towards an increase of values in all the groups of financial condition indices.

A previous generalization of the results gives grounds to say that companies face such a situation when, on the one hand, reasonable assets management policy furthers the stabilization of cash flows (this results in a considerable reduction of bills payable and improvement of financial activity results) and, on the other hand, there is a systemic reduction in the financing of major activities, which leads to a loss of competitive positions.

That is, despite general improvement of activity indices one can say about the existence of hidden destabilizing factors which can provoke a crisis. Such a situation requires radical actions to determine, assess and neutralize such factors.

In the course of the analysis of factors ensuring the financial stability of material mining equipment companies and the field of their emergence, a method of the integral estimate of company's stability has been proposed, which allows not only to take into account actual values of its activities but also to assess its role in ensuring company's stable development, provides for an estimate of functional dependencies of the set of factors inherent in the particular production.

This approach makes it possible to get analytical information on business development dynamics, reveal problems in company operation and existing untapped reserves for overcoming external threats.

During testing integral estimate techniques, the status of financial stability, as concerns the companies in question, was found to be a short-lived phenomenon which is too sensitive to changes in operation environment.

Table 1

Analysis of the condition and dynamics of the change of financial stability indices for material mining equipment companies in 2015-2016

No.	Indices	At the beginning of the period	At the end of the period	index change dynamics over the period	Value at which company's financial security is attained
1	**1.Group of financial stability ratios**				
1.1	Absolute autonomy ratio	0,1021	0,0999	-0,0022	>0,5
1.2	Long-term financial independence ratio	0,2746	0,4061	0,2746	>0,85-0,9
1.3	Financial stability ratio	0,1137	0,1176	0,0039	>1,0
1.4	Ratio of the coverage of attracted funds with owned capital	0,1137	0,1109	-0,0028	>=1,0
1.5	Circulating assets coverage ratio	1,0889	1,6053	0,5164	>1,0
1.6	Long-term investment structure ratio	2,0582	1,2824	-0,7758	>O,5-0,8
2	**2. Group of solvency ratios**				
2.1	General solvency ratio	1,0889	1,6054	0,5165	>1,0
2.2	Current solvency ratio	0,1602	0,0234	-0,1368	>1,0
2.3	Expected solvency ratio	5,9386	7,1355	1,1969	>1,0
3	**3. Group of liquidity ratios**				
3.1	Current liquidity ratio	1,0889	1,6054	0,5165	>1,0-1,5
3.2	Quick liquidity ratio	0,8354	1,3119	0,4754	>0,5-1,0
3.3	Absolute liquidity ratio	0,0225	0,0043	-0,0182	>0,2-0,35
4	**4. Group of business activity ratios**				
4.1	Assets coverage ratio	0,6681	0,8425	0,1744	increase
4.2	Non-circulating assets coverage ratio	3,1808	6,5785	3,3987	increase
4.3	Circulating assets coverage ratio	0,8458	0,9662	0,1204	increase
4.4	Owned capital coverage ratio	6,5468	8,4364	1,8897	increase
4.5	Permanent capital coverage ration	2,4334	2,0748	-0,3586	increase
4.6	Attracted capital coverage ratio	0,7441	0,9919	0,2478	increase
5	**5. Group of profitability ratios**				
5.1	Return on assets ratio	−0,0623	0,1185	0,1808	increase
5.2	Return on capital ratio	−0,6102	1,1862	1,7964	increase

The percentage of financially stable companies has a clearly descending trend, which denotes the strengthening of destabilizing processes in the production of material mining equipment.

A detailed analysis of the causes of the disturbance of the financial stability of the companies in question shoed that the loss of general balance occurred individually in each separate case, however, in general, they are variants of two totally different basic scenarios.

According to the first scenario, the loss of financial stability occurs suddenly, as a result of certain extraordinary events, and, as a rule, is accompanied by a loss of a considerable part of assets. The extent of the effect of destabilizing factors is such that the company cannot adapt to new conditions for a long time.

As s result, the consistency of cash flows is disturbed, production profitability decreases greatly, sales markets are lost, internal conflicts and relations with

business partners become more acute. The absence of a smooth system of corporate management leads to an increase in financial losses and bankruptcy risks in nearest future. According to the second scenario, the loss of financial stability occurs through a relatively slow increase of the deviations of the values of company's activity indices from their optimal values. This process is smooth and invisible at the beginning but, in case that no stabilization measures are taken in proper time, this may lead to an increase of uncontrollable yield reduction and even to direct losses from the main operational activity.

Under such circumstances the national producers can continue to work only by revising strategic objectives of activity and looking for new ways of growth.

Conclusions. In this way, the research and generalization of its results allow to state that the proposed method of the integral estimate of company's financial stability has considerable advantages, namely: capability of the complex assessment of company's financial stability; high flexibility which is demonstrated through the capability of taking into account the conditions and peculiarities of the operation of a specific company in the calculation of the integral index; allows not only to take absolute index values into consideration but also assess the direction and the degree of effect on the general economic results of company's activity.

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Єлецьких С. Я. Альтернативні методи оцінювання фінансової стійкості підприємства

Обґрунтовано значення фінансової стійкості для забезпечення фінансового потенціалу та економічного зростання усієї господарської системи країни, визначено складові фінансово стійкого розвитку підприємства, запропоновано альтернативні методи щодо оцінювання фінансово стійкого розвитку підприємства.

Ключові слова: фінансова стійкість; стійкий розвиток; кількісні та якісні складові; комплексний методичний підхід; інтегральний показник.

Елецких С. Я. Альтернативные методы оценки финансовой устойчивости предприятия

Обосновано значение финансовой устойчивости для обеспечения финансового потенциала и экономического роста всей хозяйственной системы страны, определены составляющие финансово устойчивого развития предприятия, предложены альтернативные методы оценки финансово устойчивого развития предприятия.

Ключевые слова: финансовая устойчивость; устойчивое развитие; количественные и качественные составляющие; комплексный методический подход; интегральный показатель.

Yeletskykh S. Alternative methods for evaluating financial sustainability of an enterprise

The importance of financial stability for maintaining the financial potential and economic growth of the whole national economic system has been substantiated, the indices of company's financially stable development have been defined, a complex methodological approach to the assessment of company's financially stable development has been proposed.

Keywords: financial stability; steady development; quantitative and qualitative components; complex methodological approach; integral index.