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## **CONCEPTUAL FOUNDATIONS OF AGROPRODUCER'S FINANCIAL POTENTIAL**

The paper analyzes formation of the conceptual foundations of financial management capacity of domestic agro formations. It was determined that financial capacity of the enterprise is a system component of economic efficiency of its production and investment activities and should be the object of administrative influence. It is shown that in the domestic financial science general methodological foundations of financial potential of a company is not emphasized enough. The paper revealed that formation of conceptual approaches to building an integrated financial management system of small and medium-sized agricultural enterprises is not yet completed and requires further research. It was also established that resolution of these issues requires a scientific basis for the purpose, main objectives, principles and instruments of financial potential of agricultural enterprises. The author determined the content of each of these components, formulated directions for further researches on development of conceptual foundations of financial potential in the context of issues of formation mechanism and its economic use for these purposes, methodological and management tools.

**Key words:** conceptual framework, financial management, financial capacity, financial resources, target parameters, principles, methodological tools, management tools, enterprise.

**The problem.** With the move to the market mechanism of managing significant qualitative transformations are taking place in all spheres of economic life which are accompanied by the rapid development of international links and expansion of financial markets. These processes enhance practical interest of the whole gamut of available financial instruments and promote activation of scientific research in the sphere of financial management. *Financial potential* is one of major objects of company's financial management that provides its stable functioning. Therefore, it is increasingly attracting attention of local researchers in recent years.

**Analysis of recent researches and publications** indicates that the theoretical and methodological aspects and practical issues of the company's financial potential are constantly among the research interests of leading domestic scholars: V.G. Andriychuk, I.A. Blanca O.E. Gudz, H.M. Davydenko, M.Y. Demyanenko, I.M. Zelisko, N.S. Krasnokutsk, Y.O. Lupenko, O.O. Nepochatenko, P.A. Stetsiuk, N.S. Tanklevskoyi, N.V. Trusov to name a few. Scientific efforts of these scholars are related with the disclosure of content of economic and financial capacity and its relations with other economic categories. It can be stated that a scientific paradigm of the financial potential management of the company is now forming. Research results in financial capacity at regional and sectoral socio-economic systems are fairly well represented in the scientific literature.

However, there are not enough scientific papers on general methodological bases of formation and management of the financial potential at the enterprise level. This situation affects the definition of conceptual approaches to the evaluation and optimization of volume, structure of forming sources and ways of financial potential use of real economy specific subjects.

**Purpose of the article** is to conduct a critical analysis of modern theoretical basis of formation and use of company's financial potential and conceptual foundations substantiate management of these processes with specific economic activities of domestic agricultural enterprises.

**Presentation of the main results of the study.** Financial capacity of the enterprise is a complex, dynamic and multilevel category. Its economic meaning is defined by us as the maximum amount of financial resources in the specific organizational, economic and financial conditions, that are able to attract the company for implementation of its production and investment programs and reimburse in full by net cash flows that generate (provide) the programs. That's why, the processes of formation and use of financial potential of the company must have controlled and focused character, and become the object of administrative influence.

In our analysis of the financial practices of small and medium-sized agricultural enterprises, most of them have organized a financial management system which corresponds to modern conditions and requirements of the dynamic development of market economy. Usually, they don't develop a strategic economic development programs and don't perform forecasting, assessment of financial resources and production balance, investment programs with the possibilities of financial support. Above mentioned information indicates that in practice are missing identification and evaluation of company's financial potential which in our opinion is a system-forming component of economic efficiency of its production and investment activity.

This situation is associated not only with the human and financial capabilities of specific companies, but also with scientific and methodological support of their financial activity. Lack of development of general and applied aspects of the question restricts the use of modern methods and technologies for the financial potential of domestic agricultural enterprises. It is not only the study of rational volume and structure of financial potential and determining the most suitable sources of its formation but also the organization of rational management influence on the movement of its elements, focus on the efficiency of production and investment activities, balance of economic interests of all participants in the reproductive process of the company.

We share the opinion of those authors who believe that the system of financial potential represents a certain set of principles, methods and instruments of acceptance and implementation of management financial solutions to ensure the optimal formation and management of the financial potential of a socio-economic system (the economy, industry, territory, enterprises, etc.). Therefore, the logic of further scientific research about the solution of the problem of establishing the conceptual foundations of management formation and use of financial potential of agricultural enterprises causes necessity to justify its goals, main tasks, principles and complex of administrative tools of influence on these processes.

Analysis of literary sources shows that among scientists are spread different ideas about the purpose of the financial potential in the context of building a system of its formation and use. Most authors do not identify the purpose of the system. However, from the definitions of the economic nature of financial potential, which are in most research explorations on this issue, you can get an idea of objective function in this category.

Quite often as the target indication of the financial potential is the task of "increasing the market value of the company" which as you know is the target function of financial management within the neoclassical theory of finance. Such identification, in our view, is not quite justified, since the financial management has a wide range of tasks, including the financial potential of the company. For the same reason it is impossible to agree with the position of authors who delegate the financial potential "achievements of the totality of financial goals and objectives faced by the enterprise"<sup>61</sup>. Rightly notes on this occasion Z. E. Shershnev "target management discovers existence of its composition of several movements, from which not all are able to achieve the entire set of financial goals and objectives"<sup>62</sup>.

However, there are more concrete and pragmatic financial tasks that belong to the competence of the financial potential management. For example, "to maximize company's profits and ensuring their financial stability"<sup>63</sup>, or "financing of certain activities and future strategic directions of the company"<sup>64</sup>.

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<sup>61</sup>Пилипенко, А.А. (2005). *Менеджмент: Підручник для студ. вищих навч. закл.* – Харків: ВД «ІНЖЕК», 106-108.

<sup>62</sup>Шершньова, З.Є. (2004). *Стратегічне управління: підручник (2-ге вид., перероб. і доп.)*. Київ: КНЕУ.

<sup>63</sup>Підлісна, О.А. (2014). *Фінансовий потенціал будівельних підприємств: формування та управління. Ефективна економіка, № 5.*

We believe that the financial potential is categorized as qualitative economic performance of the enterprise, which is determined by certain conditions of its operations and changes dynamically. It definitely creates financial company's image and affect on the status and dynamic development of its economic relations with outside environment. Therefore, in our opinion, the purpose of the financial potential is the creation of conditions and opportunities for attracting financial resources in amounts sufficient to finance production and investment programs of the company, the best time of income and appropriate levels of costs and financial risks. However, is necessary to mean that "the financial resources act as the main component of the financial potential"<sup>65</sup>.

To achieve the goal of managing of our financial potential is a necessity for regular resolving certain range of economic problems that are related with the formation, development and effective use of financial potential. Considering this question we leave aside such aspects as overall external environment and its prospective dynamics, analysis of financial and economic situation of the company and a number of other regular administrative procedures that are mandatory in the management of not only financial potential, and carried out in other areas of financial management.

To the main objectives of the financial potential that have individual character, we refer such as prognostication of its amount and structure; diagnostics of individual elements of potential; quantitative and qualitative assessment of potential; formation of cost and quantitative proportions between financial capacity and other elements of resource and economic potential, optimization of financial potential based on its concentration in certain areas and fields of use; estimation of risks and the formation of the financial potential and the development of measures to control and minimization of negative consequences; identification of reserves efficiency potential.

An effective management system always takes into account specific requirements of specified objective economic laws formulated in the form of fundamental rules or principles. Finance academic science were grounded and offered a wide range of principles concerning the management of various aspects of financial activity, including financial potential. They include the classic principles of universal and functional (financial) management, as well as specific, which reflect the conceptual approaches of authors to solution of the problem of building financial management potential. Logical analysis of diversity of ideas and suggestions allowed conducting selective selection of the most significant among them. Next stop we will do on their short characteristics.

The principle *of science* means the construction of financial potential management system in accordance with advances of modern financial theory and methodology, as well as the requirements of objective economic laws.

*Systematical principle* involves forming an idea of the financial potential as a constitutive element of an integrated socio-economic system, which is administered in the context of subordination purpose and objectives of overall economic development of the company.

The principle of *comprehensiveness* requires that the financial potential was carried out on the basis of multivariate study of this phenomenon in relation to all economic processes related to business enterprises, using all available administrative tools implanted in a single organizational and economic management mechanism to achieve key parameters of the target functioning parameters of the company.

According to the principle of *balanced* development and the financial potential based on proportions ensure equilibrium between all its components proportional distribution of financial resources between the spheres and areas of use that achieve strategic goals and current tasks of the enterprise.

According to the principle of *continuity* of regular processes and actions provided the technology management of financial potential carried out cyclically and permanently as the necessary procedures and decision administrative decisions in the formation, development and use of all its components.

On the request of the principle of *specialization* the practical implementation of management system is carried out using an individual approach to the choice of technologies and tools of administrative influence on the formation and use of financial potential of a particular agricultural enterprise.

The principles of *dynamic and adaptability* formulate the request of periodic correction of technology and management tools, financial potential in accordance with changes in the overall management of the company and in case of significant changes in external conditions, regulatory and

<sup>64</sup>Бикова, В.Г. (2006). *Оцінка та планування фінансово-економічного потенціалу підприємств загальнодержавного значення*. Дніпропетровськ: Наука і освіта.

<sup>65</sup>Стецюк, П.А. (2009). *Стратегія і тактика управління фінансовими ресурсами сільськогосподарських підприємств*: монографія. Київ: ННЦ Ін-т аграрної економіки

economic environment. In addition, these principles determine necessity of continuing forecasting of potential threats, risks and opportunities that may arise due to significant changes in the environment.

The principle of *effectiveness* describes the demand of rational expenditure on the formation and use of financial potential, definition of criteria and methods for evaluating the effectiveness of these processes, conducting such regular evaluation and constant monitoring of the dynamics of efficiency of management.

Considered above conceptual foundations of the financial management potential of agricultural enterprises can visualize in their next logical-block diagram (Figure 1).

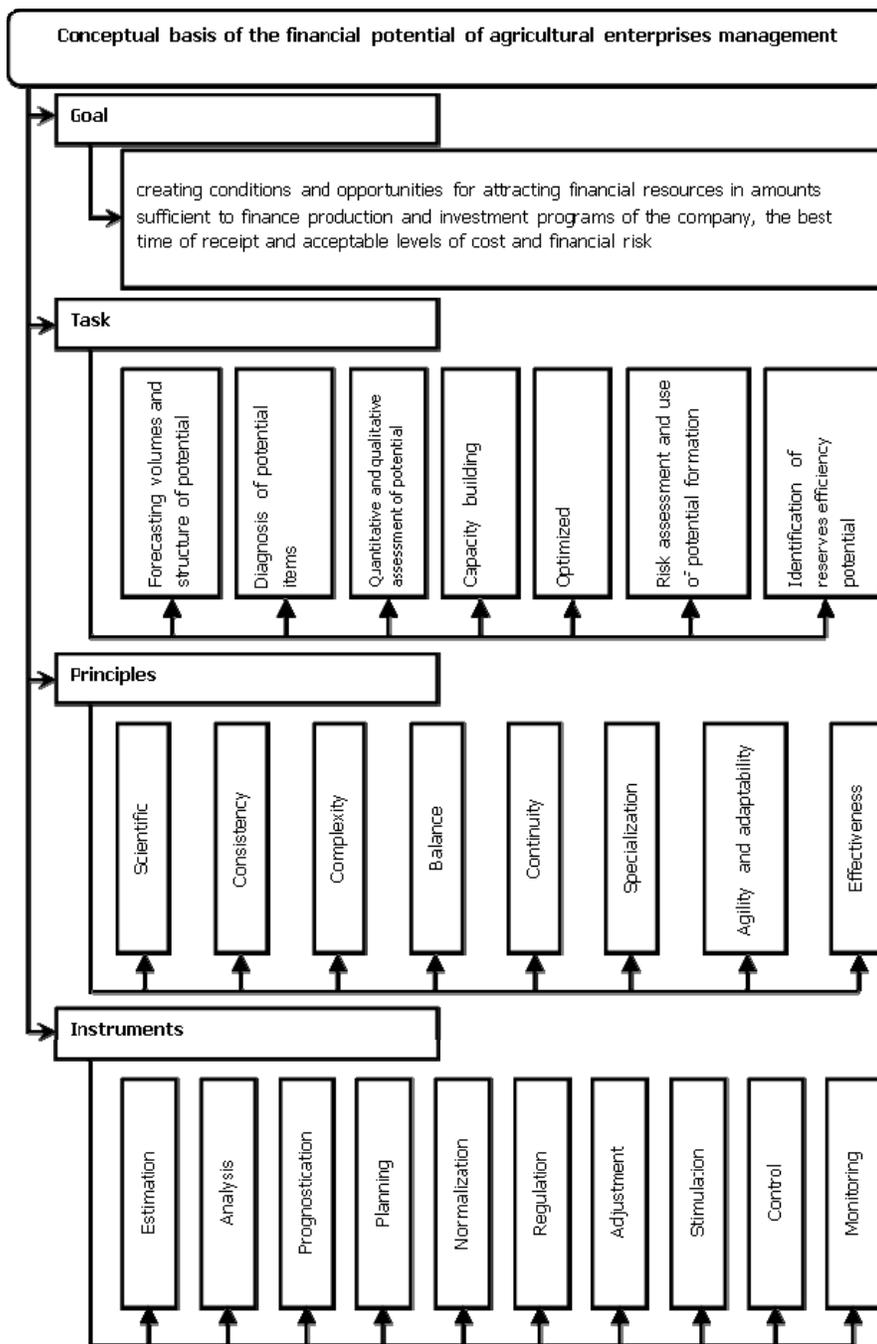


Figure 1. Logically, a block diagram of the conceptual bases of the financial potential of agricultural enterprises

Realization of goals, objectives and principles of formation process and financial potential of the company is carried out through specific management tools. Since the formation of the economic

mechanism of the financial capacity management and usage for the purpose of administrative tools require separate research, in this study we only will describe the most important of them, they are: assessment, analysis, forecasting, planning, regulation, promotion, monitoring, monitoring.

**Conclusions and recommendations for further researches.** It was established that in the domestic scientific literature is not enough attention is given to general methodological foundations of the financial potential of the company, what negatively affects the conceptual approaches to construction an integrated financial management system. Argued that the financial potential of the company is system creating component of formation the economic efficiency of its production and investment and should be the object of administrative influence. It was established that the formation of the conceptual foundations of the financial potential of agricultural enterprises causes necessity of definition of its objectives, main tasks, principles and tools of administrative influence on these processes. Each of these components was grounded. Further, researches of conceptual basis of the financial potential are advisable to focus on the issues of formation mechanism of economic governance and financial potential use for these purposes, methodological and management tools.

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