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Article

Methods Of Managing Financial Resources Of Business Entities And Their Effective Use

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Abstract: . This article describes in detail the principles and strategies of managing the financial resources of economic entities and their efficient use, as well as the opinions of economists on this matter. An analysis of the importance of financial resources in the activities of enterprises, economic potential, and the process of improving the effectiveness of resource use is conducted.

Keywords: Industry, Financial Resources, Efficiency, Economic Potential.

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1. Introduction

Today, the issue of improving the administration of the company's financial resources is highly urgent and draws the attention of managers and specialists in the field of financial and economic sciences, because the growth of the company depends on its availability and efficient utilization of financial resources.

Analyzing the effectiveness of utilizing the company's financial resources is an essential component for making administrative decisions. The quality of decisions regarding the future use of financial resources in the enterprise depends on the thoroughness and precision of the analysis.

Currently, in the unstable market economy, the matter of efficient utilization of financial resources is one of the most significant concerns for both the state and economic entities.

The successful development of various sectors of the economy and society as a whole directly depends on the mobilization of financial resources and their prudent use by economic entities. Therefore, it is vital to efficiently organize the management of financial resources, to enhance the production potential of the enterprise through their application, as well as to fund ongoing economic activities.

Literature analysis

There is ambiguity and occasionally conflicting interpretations of this concept in studies related to the essence of financial resources of economic entities. A precise and well-founded understanding of the nature of financial resources is crucial not only for the theory but also for the practice of financial resource management.

Economist M.V. Romanovsky defines the financial resources of an enterprise as "all sources of funds mobilized for the creation of assets required for carrying out all types of enterprise activities, as well as its own income, reserves, and capital."

Pavlova L.N. views financial resources as "personal sources of financing for extended reproduction that remain at the enterprise's disposal after fulfilling current obligations for payments and settlements."

Economist I.A. Blank describes the financial resources of an enterprise as "additionally attracted and reinvested cash, intended to finance its future growth, formation, and utilization within the specified planning period, independently controlled by the enterprise.".

2. Materials and Methods

This article reviews various foreign literature on this subject. Official statistical data and methods such as statistical observation, comparative analysis, logical reasoning, statistical tables and graphs, and benchmarking were employed in the practical analysis.

3. Results

Financial resources are created by the state, legal entities, and individuals through the accumulation and attraction of funds. These resources serve to increase productivity, provide material incentives to employees, meet social needs, ensure defense, and facilitate state administration, representing monetary income.

The analysis of the effectiveness of financial resource utilization in enterprises is a critical component of analytical reasoning and management decision-making. The success of decisions related to managing financial resources and the quality of their implementation directly impact the enterprise's performance.

Managing an organization's financial resources involves applying principles and methods to develop and execute decisions for their efficient formation, allocation, and utilization during economic activities.

Effective financial resource management in an enterprise is achieved through adherence to key principles, including:

- **Systematic formation:** Financial resource management should operate as an interconnected system of elements that supports efficient decision-making and execution.
- **Alignment with strategic goals:** Projects related to the formation and use of financial resources must align with the organization's long-term financial objectives. Any project conflicting with these goals should be rejected, regardless of its perceived short-term benefits.
- **Prioritizing internal sources:** Organizations should prioritize maximizing financial resources from internal sources before seeking external ones.
- **Dynamic management:** Past management decisions may not yield the same results in future stages due to evolving external and internal financial environments. Management must be flexible and responsive to changing conditions.
- **Legality:** All decisions must comply with current legislation and regulations, ensuring transparency and adherence to legal standards.

The primary purpose of analyzing the state of financial resource formation and utilization during the reporting period is to evaluate their generation potential and uncover opportunities to enhance efficiency. Key elements of the analysis include assessing risks associated with financial resource formation and use and evaluating the effectiveness of risk mitigation measures.

Determining an organization's total financial resource requirements involves analyzing anticipated needs during the planning period. If financial resource formation is constrained by low profitability or limited creditworthiness, their volume is dictated by existing capacity. Conversely, if formation potential is high, resource allocation should focus on strategic areas of use.

The final phase of financial resource management is financial control. This involves monitoring the results of management decisions regarding resource formation and use. Based on these results, adjustments can be made to achieve organizational goals more effectively.

A significant challenge in financial resource management is the limited adaptation of foreign management methods to the local economic environment. This often hampers the practical application of international models due to differences in accounting standards and financial indicators. Additionally, inadequate training in international financial reporting standards (IFRS) limits the ability of local specialists to adopt foreign practices effectively.

The ultimate goal of evaluating financial resource efficiency is to enhance enterprise performance by implementing advanced methods for resource use and management.

The main objectives of evaluating financial resource efficiency include:

1. Analyzing the financial situation of the enterprise to identify problems and their causes.
2. Identifying opportunities to improve financial health, stability, and solvency.
3. Developing and implementing measures to optimize financial resource utilization and stabilize the enterprise's financial condition.

Forecasting potential financial outcomes and modeling scenarios for alternative resource utilization strategies

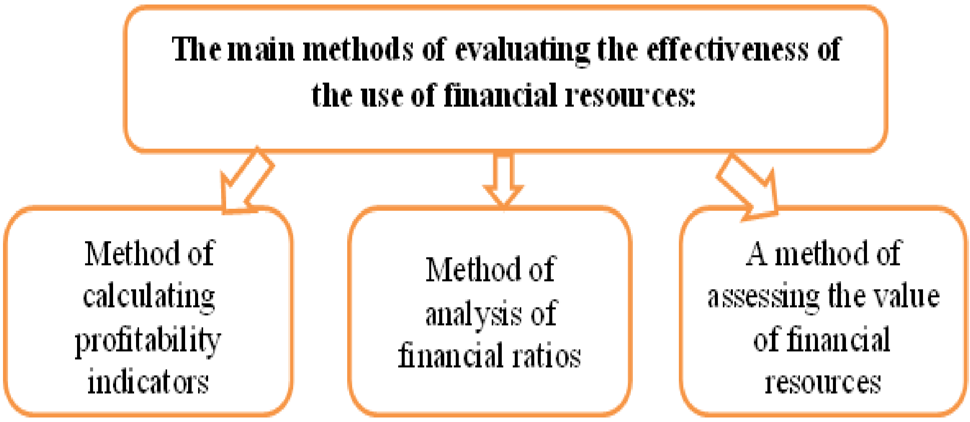

Figure 1. The main methods of evaluating the effectiveness of the use of financial resources

The calculation of profitability indicators enables a comprehensive description of the enterprise's activities and its profitability. Profitability indicators provide a more detailed view of the enterprise's performance than profit alone, as they illustrate the relationship between efficiency and the resources consumed. This allows for an assessment of management effectiveness rather than merely evaluating outcomes.

4. Discussion

When applying this method, various profitability indicators are considered, such as:

- Profitability of the economic entity's assets.
- Profitability of production and sales processes.
- Profitability of long-term and short-term assets.
- Profitability of investments.

The **financial ratio analysis method** involves calculating ratios between various financial activity indicators of the enterprise. These ratios are then compared with industry standards, multi-year trends, or the average performance metrics of other enterprises in the same sector.

Key financial ratios frequently utilized in financial management include:

- **Ratios for assessing financial stability, solvency, and liquidity:** These evaluate the enterprise's capacity to meet obligations and maintain stability in varying financial conditions.
- **Asset and capital turnover ratios:** These measure the efficiency of asset utilization and capital employed in generating revenue.

The **cost estimation method for financial resources** is focused on determining the value of the company's assets as an indicator of operational profitability. It calculates the profit necessary to compensate for the use of produced goods, services, and newly acquired facilities.

When employing this method, the following components are considered to achieve maximum efficiency:

- Value of the company’s total assets and authorized capital.
- Cost of bank credit.
- Cost of short-term payments and debt capital raised through bond issuance.
- Cost of financial leasing.

These methods collectively provide a structured approach to evaluating and improving the financial performance and management efficiency of an enterprise.

5. Conclusion

Thus, the combined application of all the aforementioned methods ensures the most precise evaluation of the efficiency of utilizing the company's financial resources. Consequently, it guides decision-making in the field of financial policy in the right direction. It is important to emphasize that the effective utilization of financial resources is a critical task for the enterprise. Successfully achieving this allows the enterprise to maintain solvency, financial stability, and a high level of competitiveness.

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