INTERNATIONAL JOURNAL ON ECONOMICS, FINANCE AND SUSTAINABLE DEVELOPMENT

IJEFSD

Available online at www.researchparks.org

RESEARCH PARK

Journal homepage: www.researchparks.org/

FINANCIAL STABILITY OF THE COMPANY IN MODERN CONDITIONS: PROBLEMS AND SOLUTIONS

**** Mikhailova Svetlana Gennad'evna***

**** Russia, Ulyanovsk***
Ulyanovsk State University
E-mai: *mikhaylova.sveta.98@mail.ru*

A B S T R A C T

The article deals with the issues related to the study of the concept of financial stability, the identification of problems due to which there is an imbalance of the financial system and the coefficients of financial stability assessment. After analyzing all these factors, it is worth considering ways to solve the problems so that the company becomes financially stable and develops its financial strategy.

Click here and insert your abstract text.

A R T I C L E I N F O

Article history:
Received 18 January 2018
Received in revised form 19 February 2019
Accepted 22 February 2019

Keywords:
financial stability, efficiency, financial state, solvency, profitability, financial stability, analysis and evaluation, indicators.

1. Introduction

In modern conditions, the actual problem and task of companies is to ensure financial stability, taking into account environmental factors. Financial stability is the stability of the financial position of the company, the ability to successfully operate and develop, maintaining a constant balance between own and borrowed funds. A stable financial position is the result of effective work of the company under the skilful management of the whole set of production and economic factors. The company is considered financially stable if it is characterized by such features as: high solvency and creditworthiness; high profitability, profitability, which allows the company to develop normally and steadily.

In market conditions, financial stability is the key to survival and the basis of a strong position in the market. After all, by assessing the financial condition, determining the level of stability, investors, suppliers, partners can determine the financial capabilities of the company for the future and further development. The higher the firm's stability, the more it is independent of changes in market conditions, hence the risk of bankruptcy is reduced.

E-mail address: info@researchparks.org
Peer review under responsibility of Emil Kaburuan.
ISSN (electronic): 2620-6269/ ISSN (printed): 2615-4021

2. Main part

It is important to maintain the stability of the enterprise, as currently long-term economic activity depends on a number of negative factors. For example, competition, which increases every year, leads to a decrease in the level of income, which ultimately affects the amount of profit, which leads to the impossibility of the company's development. The level of financial stability largely depends on the rational ratio of equity and debt capital. If the organization has an imbalance in this aspect, with a shift towards increasing debt capital in the overall structure of financial resources, it will lead to a decrease in liquidity and solvency of the enterprise.

In the presence of a huge share of borrowed funds, we must not forget that the company is obliged to pay interest on them, which will reduce profits, instead of increasing its working capital. But on the other hand, borrowed funds can increase the volume and develop new activities, or enter new markets, which will contribute to the growth of profits. Therefore, owners of companies allow a reasonable share of borrowed capital, and lenders attract firms with a high share of their own sources, as this reduces their risks. As a result, companies are trying to solve the problem associated with the optimization of the capital structure by achieving the optimal amount of borrowed funds and their effective use.

However, it is worth noting that competition and illiterate financial policy are not the only problems that have an impact on the overall financial stability of the company. These factors also include:

– position of the company in the commodity market, its relationship with customers;
– its economic potential;
– the level of consumer demand for products;
– structure, differentiation and product quality;
– degree of dependence on investors;
– state of financial resources of the enterprise;
– the degree of government intervention in the firm, etc.

Allocate internal and external financial stability. Internal financial stability is the General condition of the company, which achieves a high performance result. External financial stability is the stability of the environment in which the activity is carried out.

Therefore, it is necessary to find out how and by what means to assess the financial stability of the company. To do this, various coefficients are used, which give an objective picture of its financial condition. There are many opinions in the definition of financial stability and sustainability, and most of the authors came to the General conclusion that it is necessary to use a system of indicators, as one particular group is not enough to characterize the level of sustainability. For example, the following system was proposed:

– absolute figure;
– indicators of the state of fixed and working capital;
– capital structure indicators;
– profitability index;
– solvency indicators.

The coefficients that determine financial stability, describe the state of financial resources of the organization, the dynamics and degree of security of own funds, and are the basis for management decisions. The whole analysis is reduced to the calculation of the coefficients according to the balance sheet.

Also, when calculating the coefficient, it is necessary to take into account the individual characteristics of the company in question, as well as the industry affiliation of the organization. If the results of the system of indicators of financial stability of the company are unsatisfactory, the company is financially unstable. The negative consequences of financial instability is the crisis, and in the worst case, the bankruptcy of the organization. The most common cause that leads to bankruptcy is the inability of the firm to meet its obligations, i.e. the failure of the firm to meet its obligations. own sources of financing are simply not enough. As a result, there is a violation of financial stability, and the company cannot work and develop in an unstable environment.

Analysis of the stable financial situation on a certain date allows us to understand how well the company managed its financial resources during the period preceding this date. It is necessary to match the financial resources to the market requirements and the needs of the enterprise development.

To increase financial stability it is necessary to:

1. Increase own funds by revaluation of investments by assessing the results of their investments, namely to monitor the effectiveness of investments in various projects of the company. As a result, it will not only help to solve the problem of improving financial stability, but also increase the income from the main activities of the company;
2. Rational management of profit. The goal is to increase working capital for the development of activities, and not for their own benefit;
3. Limit loans to ensure stable growth of the company and avoid inability to pay its obligations in the required period.

To maintain financial stability in a constantly changing environment, the company must have a strategy. Most often, the problems of improving and managing the financial stability of the company are associated with the lack of these strategies in the firm, as a result of which the company cannot competently manage its resources and effectively manage cash flows. Therefore, the financial strategy is a lever in the development of the company, through which the company can find solutions to problems and problems for further development, as well as to minimize the risks of deterioration of the company's stability.

Conclusion

Summing up, we can say that the financial stability of the company is a key indicator that reflects the level of development of the company. For each company, a competent balance sheet and control of the structure of their assets, development of strategies and validity of plans for which management decisions are made are important. After all, if the company is financially stable and solvent, it has a number of advantages in the market, among other companies in the selection of qualified personnel, in obtaining loans, in attracting investments and in choosing suppliers.

References

- *Financial stability of the company and ways of its strengthening / O. R. Garaeva // Problems of modern science and education. – 2015. – № 7. – Pp. 95–96.*

- *Ushakov A. S. the Problems of improving the financial stability of the organization in modern conditions / A. S. Ushakov // business Strategy. – 2017. – № 8 (40). – P. 22–24.*
- *Guminsky V. V. Modern problems of ensuring financial stability of the enterprise / V. Guminsky / / Symbol of science. – 2016. – № 1. – Pp. 89–91.*
- *Gutkowska E. I. Assessment of financial stability of commercial organizations and measures for its improvement / E. I. Gudowska // Vestnik of Samara state University. – 2015. – № 2. – Pp. 35–46.*