

DEVELOPMENT AND PROBLEMS OF FINANCIAL MANAGEMENT IN ENTERPRISES IN UKRAINE

Nowadays efficient business activity of national enterprises is a key factor in the success of Economy of each country. The innovative development and integration of the economy of Ukraine into the global economy require a revision of financial management of national enterprises. Effective performance of any enterprise depends on the development and quality management of its finances. To respond to changes both internal and external environment, the company needs to have a well-developed financial management system. Therefore, the investigation of development and determination of problems of financial management in enterprises are very important and relevant.

First of all, we need to clarify the definition of financial management. After analyzing the many studies about financial activity and management of enterprise, we can say that the financial management is a system of principals, tools and methods for developing and implementing management decisions related to the formation, distribution and use of financial resources of the enterprise and the rational organization of its money turnover.

In order to assess the overall state of development of financial management in Ukrainian enterprises, we made an analysis of net income (loss) of companies in 2010-2015 years. Table 1 shows us the percentage of all enterprises in Ukraine that received either profit or loss. We see that the quantity of companies which got net income increase form 57,3% in 2010 to 73,3% in 2015 and quantity of companies which got loss decrease from 42,7% in 2010 to 26,7% in 2015. This situation means that the level of development of financial management in enterprises is still low, because management of the companies doesn't create the effective way of distribution and using all financial potential.

Table1

Net income (loss) of companies¹

Years	Enterprises, which got net income, %	Enterprises, which got loss, %
2010	57,3	42,7
2011	63,5	36,5
2012	63	37
2013	65	25
2014	65,5	34,5
2015	73,3	26,7

In Diagram1 we can see the trends line show us than in 2016 and 2017 years the tendency of increasing net income and decreasing loss will continue. It means that financial management in company will improved in near future.

Today one of the biggest problems of modern Ukrainian enterprises is that they do not correctly identify the main goal of its own financial management. They believe that the main aim of effective financial management is to maximize profits, but in the modern economic environment the main purpose of financial management is to maximize the well-being of the owners of the enterprise in the current and long-term period that is provided by maximizing its market value. This means that companies need to develop the effective system of decision making related to financial resources and activities.

Another main problem is that insufficient development of the legal framework also affects the features of financial management at Ukrainian enterprises. In modern conditions of management companies to the fore often puts tax management and optimization of taxation, not increase market value and profitability.

¹ Table are made by author on information from The State Statistics Service of Ukraine

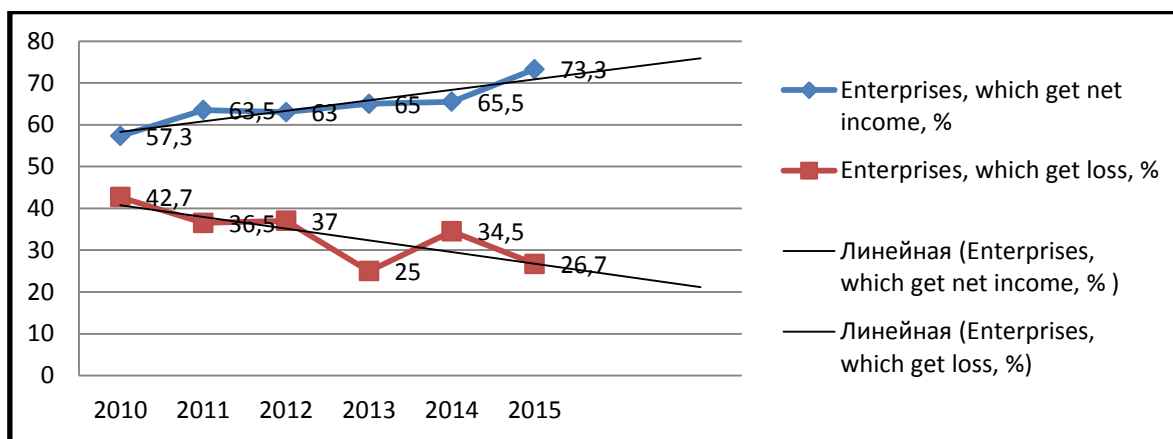


Diagram1. The trends of net income (loss) of companies

The development of Ukrainian financial management also affects an absence of qualified managers and specialists in financial management of companies.

Also problems are the lack of significant accounting, discrepancy of the data included in the financial statements of reality. The latter factor is very important because the financial statements are the basis for information about competitors and counterparties. The analysis of financial data is untrue, gives a false picture of the functioning of competitive businesses that create a certain sector of the market. This, in turn, contributes to the formation of the wrong informative indicators of external risks - economic, financial and others.

Another problem of modern Ukrainian companies in implementing effective financial management is imperfect financial services organization. During the period of the command economy, all financial transactions at Ukrainian enterprises engaged in accounting.

The lack of financial responsibility centers and financial controlling are also modern problem of developed of financial management. Financial controlling is effectively used by Western companies. The main task of controlling - prevent deviations and errors in financial activity, financial controlling is directed to the future. Ukrainian enterprises have a greater propensity to financial control, i.e. check transactions that have taken place, and eliminate mistakes that are committed, that is through control can analyze past activities. The monitoring system, on which control is based, should be directed not at the permanent removal of permitted deviations, and to prevent their occurrence.

In Ukrainian enterprises actively used such controlling tools as financial budgeting. However, most businesses in the budgeting uses fixed budgets, which complicates the process of amending the plan costs in the implementation of financial strategies now in response to external stimuli.

According to the identified problems, the ways of improving financial management in the Ukraine can be:

- ✓ Clearly define the basic goal of financial management, which must meet the general development strategy as in the current period and in the future;
- ✓ Improvement of financial services on businesses considering the scale of the company and its legal form;
- ✓ Development and implementation of financial strategy in general strategy of the company;
- ✓ Automation using modern computer technology and software processes of financial services; accounting, including the implementation of management accounting and reporting; the movement of information flows;
- ✓ Introduction of Financial Controlling a progressive concept of financial management, including budgeting exercise based on flexible budgets, which allows the company more responsive to changing internal and external environment;
- ✓ Activation process of implementation responsibility centers in enterprises by main activities and others.

Thus, the introduction of financial management at the enterprise in modern conditions is necessary and due to the instability of the environment in which it operates, the inability to detect immediately the risks and opportunities of company's activities, and most importantly - financial management allows to adopt and implement the most optimal management decisions related to the maximization of income owners with minimal economic risk. It is an effective tool that provides early detection and prevention of problems in any business.

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