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Financial Resources of the Enterprise: Formation and Distribution

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Abstract: The constant growth of the economy formation pace largely depends on the correct application of sources of creation and formation of financial resources of the enterprise and their further distribution. The constant shortage of both centralized and decentralized finances hinders the stable operation of the enterprises, organizations, branches of the economy and the state as a whole. Determining the rational use of financial as well as other types of resources involves comparing the quantity and quality of resources spent to the quantitative and qualitative expression of the goals achieved (Kolpina *et al.*, 2010). In those conditions in which economic changes in the state take place, the most important issues are those concerning the financial resources, their essence, and application in the enterprise. The importance of this issue is determined by the fact that financial resources are a value category and have a direct impact on the stage of the production process in the enterprise and this influence becomes more noticeable in the analysis of the main economic activity. The scale and structure of financial resources depend on the total volume of production and its effectiveness. This paper examines the internal and external characteristics of financial resources, their formation, and distribution, the impact of these processes on the activities of enterprises, as well as legislative interaction with this category of indicators in the organization.

Keywords: finance, enterprise, economy, authorized capital, profit, loss

JEL Classification: G32, G30, C58

INTRODUCTION

Financial resources are funds available to the enterprise and designed to carry current costs and costs of expanded reproduction, to meet financial obligations and economic incentives for employees. Financial

resources are also directed to the maintenance and development of non-production facilities, consumption, accumulation, special reserve funds, etc.

The formation of financial resources is carried out through a number of sources. On the basis of ownership, two large groups of sources are distinguished: own and borrowed funds. A more detailed classification is possible: own and equivalent means; resources mobilized in the financial market; Cash receipts in the order of redistribution.

The initial formation of financial resources occurs at the time of establishment of the enterprise, when the authorized capital (joint-stock or reserve capital) is formed (Fridman, 2010). The authorized capital is the property of the enterprise created at the expense of the founders' contributions. The current legislation establishes the minimum amount of the authorized capital:

- for enterprises with foreign investments, joint-stock companies of open type, state and municipal enterprises - 1,000 times the minimum wage per month;
- for enterprises of other organizational and legal forms, including closed joint-stock companies, - a 100-fold minimum wage per month (Gavrilova *et al.*, 2010).

Financial resources are formed mainly from profit (from basic and other types of activities), as well as revenues from disposals, sustained liabilities, various targeted revenues, share and other contributions of members of the work collective. Stable liabilities include statutory, reserve and other capitals; long-term loans; the accounts payable permanently in the company's turnover (on wages due to the difference in the terms of calculation and payment, on deductions to off-budget funds, to the budget, on settlements with buyers and suppliers, etc.) (Kolchina *et al.*, 2009; Sergeevich & Vladimirovich, 2015).

Significant financial resources, especially in newly created and reconstructed enterprises, can be mobilized in the financial market through the sale of shares, bonds and other types of securities issued by this enterprise; Dividends and interest on securities of other issuers, income from financial transactions, loans.

Enterprises can receive financial resources: from associations and concerns, to which they are included; From higher organizations while preserving sectoral structures; From public administration in the form of budgetary subsidies; from insurance organizations (Balabanov, 1995).

In this group of financial resources, formed in the order of redistribution, payments of insurance compensation play an increasingly important role, and ever less - budgetary and branch financial sources, which are intended for a strictly limited list of costs.

Use of financial resources of the enterprise is carried out in the following directions:

- current costs for production and sale of products (works, services);
- investing in capital investments related to the expansion of production and its technical updating, use of intangible assets;
- investment of financial resources in securities;
- payments to financial, banking systems, contributions to extra-budgetary funds;
- formation of various monetary funds and reserves (for development, incentive and social character);
- charitable purposes, sponsorship, etc.

MATERIALS AND METHODS

The study of the theoretical basis for the management of financial resources of an enterprise must begin with a review of the concept of financial resources in the treatment of leading Russian economists.

The economic dictionary gives the following definition: “Financial resources are the money resources generated as a result of economic and financial activity, in the process of creation and distribution of the gross national product. They are accumulated by the state and economic entities and are used as a source of maintenance and development of production, meeting the social needs of the population, ensuring the functioning of the sphere of circulation.”

According to V. Leontiev, “financial resources express the real monetary turnover of an enterprise or corporation (cash flow). The source of their formation is money incomes, the proceeds of funds, both internal and external.”

According to V. Kovalev, “financial resources of a firm are a part of money resources in the form of incomes and external receipts intended for fulfillment of financial obligations and realization of expenses for providing extended reproduction”.

P. Vakhnin gave the following definition of financial resources: “the financial resources of the enterprise - is the totality of all funds and receipts available to the economic entity”. The well-known Russian economist I. Blank gave the following definition of the financial resources of the enterprise: “the financial resources of an enterprise are understood as the totality of accumulated own and borrowed money resources and their equivalents in the form of earmarked cash funds intended to ensure its economic activity in the forthcoming period”.

The study of economic literature on the formation of financial resources allows us to conclude that the category of financial resources of the enterprise is most fully reflected in the studies of I. Blank (Kobersy *et al.*, 2016).

DISCUSSION

The financial resources of an enterprise are a combination of own funds, incomes, savings, and capital, as well as receipts from outside organizations, all summed up by the organization to create the necessary assets for the purpose of realizing all types of production activities.

In the process of formation and application of financial resources of the enterprise, financial relations arise. These relations are characterized by the course of the circulation of funds for all activities of the organization. Methods of financing have different directions:

- self-financing;
- the flow of financial resources through the capital markets;
- the attraction of borrowed funds;
- financing and budgetary subsidies;
- investment by other economic entities.

Since recently, financial leasing, factoring, etc. have been increasingly used as a source of enterprises finance.

The process of self-financing is the financing of the main activity of the organization due to the profit generated. The profit got by the organization is applied in following directions:

- is excluded in the reporting year for use or investment;
- is sent in full for the operation of the enterprise;
- a set of previous trends for the distribution of net income.

Despite the attractive way of mobilizing financial resources, none of the enterprises is limited to self-financing but resorts to the help of the capital market (additional funds).

Therefore, we should note the two main options for mobilizing financial resources in the capital market: equity and debt financing of the enterprise.

For equity financing, an enterprise enters the market with its own securities (shares), that is, it generates profits from the additional sale of shares or through additional contributions from already existing owners.

Debt financing implies the issuance and sale of fixed-term debt securities (bonds) on the market that gives their holders the right to receive income and return the invested funds in accordance with the specified conditions of the enterprise.

Like any process, these methods of financing have their own negative aspects. So the first method limits the attractiveness of resources, and the second one has difficulties in implementation and is not available to a large number of small and medium-sized businesses.

Negative aspects of the methods presented are eliminated by applying the method of borrowing (bank lending), which is very attractive for many organizations. The point is that obtaining a loan does not depend on the scale of the borrower's production, the stability and regularity of obtaining income, the circulation of securities on the market, as is typical for mobilizing financial resources in financial markets (Belolipetsky, 2014).

The total number of borrowed capital with the use of bank lending can be quite large, that is, you can get a loan in the shortest time possible, and the cost of attracting it is much lower compared to the costs in the issuing activity.

But still, the main problem of modern times is not so much the receipt of short-term loans to finance the main activities of organizations, but rather the potential for obtaining investment funds, usually characterized by long-term periods. So, for small businesses, it is most important to get a "start-up" loan, which will be sent to finance business development.

Financing from the budget implies the use of different ways: state guarantees, budgetary credits, subsidies, adjustment of the terms of payment of taxes and fees. But due to recent events and the unstable situation in the country, access to these sources is narrowing and becoming laborious.

The process of mutual financing between entities occurs when enterprises send goods to each other on payment terms with a deferral. The main difference of this financing approach from previous ones is that it is an integral part of the system of financing the main activity of the enterprise, while other methods (except for short-term loans) are used to finance development, that is, they have a strategic focus.

According to the main sources of financial resources, they are divided into three groups:

1. Financial resources that are formed at the expense of own and equated to them funds (profit, depreciation, revenues from founders, additional contributions, sustainable liabilities, etc.);
2. Financial resources that are formed by borrowing (loans, financial leasing, loans, factoring, etc.);
3. Financial resources that come in the order of redistribution (insurance payments, budgetary funds, etc.)

At the same time, the financial resources that are owned are created through internal and external sources. Internal sources include profits that remain at the disposal of the organization and are shared by the decision of the governing body for consumption and accumulation purposes. Also important in these sources are depreciation charges, which are monetary expressions of the cost of depreciation of fixed assets and intangible assets. They do not affect the increase in the amount of equity but act as an instrument for its reinvestment.

External sources of own financial resources play the role of the additional share issue, due to which there is an increase in the share capital of organizations, as well as the attraction of additional funds (share contributions).

It is also worthwhile to include into external own financial resources funds of the organization that is related to sustainable liabilities. Stable liabilities are attracted funds that are not owned by the enterprise but are constantly involved in its turnover. These funds are used as a source of the company's working capital.

The funds raised from outside are means that are not owned by the enterprise, but unlike loans, they are not formalized by special agreements on the loan and are used for free. At its core, this is a stable liability expressed in the following types: wage arrears to off-budget funds, reserves for covering expenses and payments, to budgets for tax liabilities, etc. The formation of such funds is caused by the fact that between the time of receipt of cash funds that are intended for the above funds fixed (contract, law) on the day of making payments, there is a certain number of days during which these funds are already in circulation, but not spent as intended.

In today's market economy, the economic activities of organizations can not be carried out without borrowing. The attraction of these funds to the turnover of the enterprise, provided they are rationally applied, allows it to increase the volume of business operations, multiply revenues, and increase the return on equity since, under normal circumstances, the funds attracted are a cheaper channel in comparison with own financial resources.

Also, the attracted financial resources of the company allow owners and financial managers to significantly increase the controlled financial resources, that is, to expand the investment opportunities for the organization.

But in a situation where the amount of debt-servicing costs exceeds additional revenues from the use of borrowed funds, the financial situation in the business entity's activity is inevitably worsened.

RESULTS

The process of formation and attraction of financial resources in the activities of the enterprise is not yet the final process of efficient use of these resources. Effective use of financial resources will be observed only when the management of the enterprise carries out their correct distribution.

Distribution of financial resources is an action plan aimed at determining the proportions of the direction of financial resources to create additional assets and other purposes that will ensure the development of the enterprise in the future period.

Financial resources in their essence are a combination of monetary funds that are formed as a result of the activities of the entity and individuals. In the system of economy and society, they are represented as material holders of financial relations and work at all levels of management. An important role is assigned to the state, which not only forms, directs and controls the process of the formation and distribution of financial resources, but also is its direct participant.

Distribution of financial resources is the process of creating the main directions for application in various areas of the organization on the basis of development goals and objectives and an activity plan.

The nature of the division of resources is determined by many aspects of the enterprise while influencing its final result. This impact can be reflected in different forms of feedback of the distribution of financial resources from the processes of their creation in the forthcoming period since the sources of their formation are in most cases the target direction (Dugelny, 2014).

The importance of the distribution of these resources by the main types of economic activity of the organization is characterized by a number of key provisions:

1. This process realizes the main goal of financial management as a whole - increasing the income of owners in the current and future period;
2. The distribution of resources directly affects the market value of the enterprise. That is, the provision of capital gains, its net income and additional attracted financial resources from the external environment is manifested;
3. The proportions of the distribution of financial resources determine the pace of implementation of the organization's formation. This action plan is implemented in the course of investment activities, the total number of which is determined by the proportions of the distribution of financial resources for consumption, replacement, and accumulation.
4. The nature of the distribution of financial resources is an important indicator of the investment attractiveness of the organization. In the course of attracting own financial resources from outside sources, the level of dividends paid by the organization or other income on capital contributed by owners is one of the main evaluation criteria that determines the result of the additional issue (issue) of shares.
5. Distribution of financial resources is one of the effective ways of influencing the work activity of employees of the enterprise. The level and form of employee participation in profit are determined to a large extent by the proportions in the distribution of financial resources for consumption and economic purposes. These volumes characterize the degree of labor motivation of staff, which contributes to stabilization, as well as to productivity growth.
6. The distribution of financial resources creates additional social security for the personnel of the enterprise. In conditions of small activity of the state bodies of social protection of employed workers, this function of the financial resources distribution mechanism at the enterprise makes

it possible to supplement them minimally and to guarantee social protection on the part of the organization.

7. The nature of the distribution of financial resources affects the level of stability of the formation of the enterprise in the future period. The role of such a stabilizer is carried out on the one hand by financial resources, and on the other hand by some of the resources that are channeled into the course of distribution for internal insurance of risks in the main activity of the enterprise (reserve capital, forms of financial resources).

The distribution of financial resources by the main types of activity of the economic entity goes in accordance with the developed plan of action and policy, the formation of which is one of the most difficult tasks of financial management in essence.

This policy aims to show the requirements of the overall development strategy of the organization, to ensure the growth of its market price, to collect the necessary amount of investment resources, to supply the material interests of the owner and labor collective.

Given the course of actions for creating a policy for the allocation of financial resources, it is necessary to take into account the opposing motivations of the owners of the company (shareholders, participants) - that is, the achievement and receipt of high current revenues or a sufficient increase in their size in the future period.

The main direction of the distribution of the financial resources of the enterprise is the optimization of the proportions between the spheres of their future economic application, with consideration of the ensuring of the implementation of the strategy of its formation and the growth of its market price.

On the basis of this orientation, the following tasks are to be solved in the process of creating a policy for the allocation of financial resources:

- ensure that the holders of the enterprise receive the required rate of return on the invested capital;
- ensuring the main development goals according to the strategic plan of the enterprise by creating the necessary investment resources in the envisaged amount;
- providing stimulation of labor activity of the personnel of the enterprise and additional social protection;
- ensuring the creation of the required reserve capital and other financial reserves of the organization.

Taking into account the implementation of these main tasks, the created financial resources are directly distributed in the main areas of the organization's economic activities. This distribution process is based on the following stages:

- the relationship of character and distribution policy to the overall plan of enterprise development strategies. The main objectives and objectives of the scheme for the allocation of financial resources must comply with the system of strategic objectives of the establishment of the enterprise and implement them in the appropriate period of time of the strategic period;

- the main direction of accounting for the interests and mentality of the founder of the enterprise. The peculiarity of the owner's character can have a direct direction to achieve a high return on the contributed capital or to supply high rates of growth of equity capital, thereby explaining the main proportion of the division of own financial resources between the consumed and capitalized parts (Doronina *et al.*, 2016). These proportions may have changes in time in connection with interests, as well as on the basis of external and internal conditions for the realization of economic activities;
- accounting during the distribution of financial resources of the target orientation of the application of individual species by the source of creation. A large number of types of financial resources are based on a strict target basis, implying thereby their clear application in a particular area of the organization. This applies to those types of financial resources that were formed by depreciation of used fixed assets and intangible assets, long-term and short-term loans, financial leasing, commodity loans, etc.;
- a stable policy of allocation of financial resources. The initial proportions of the distribution of financial resources are sent to the basis for the development of the analyzed policy, and also must have a long-term character, which is determined by the period of the strategic period of the enterprise formation strategy. Following this principle is most important in the conditions of “dispersal of property”, that is, in the process of the enterprise, with a large number of shareholders;
- predictability of the distribution policy. If there is a special need to modify the proportions of the distribution of financial resources in the spheres of the main activities of enterprises due to a change in its development strategy or for other reasons, the working class and investors should be informed about it in time or in advance. Reporting to the workers will ensure the growth of labor motivation, and the information content of investors is one of the important moments of ensuring the “transparency” of the stock market, which allows creating a real value of securities.

Thus, while ensuring the effectiveness of the policy of allocating financial resources at the enterprise, there are no problems with their use and attraction. This distribution policy will allow correctly and competently, and most importantly, profitably conduct its economic activities in interaction with internal and external structures.

CONCLUSION

The purpose of the study was to examine the essence of the company's financial resources and ways to improve the management of financial resources.

As part of this work, it was found that the financial resources of the enterprise are a combination of its own cash income and external revenues (borrowed and borrowed funds) that are at the disposal of the business entity and are intended to meet the financial obligations of the enterprise, finance current costs associated with expansion of production and economic incentives.

Formation of financial resources is carried out on two levels:

- on a national scale;
- at every enterprise.

The structure of financial resources is determined by the sources of their receipt. Sources of education of financial resources of the enterprise are:

- a) own and equated to them funds (profit, depreciation, proceeds from the sale of retired property, sustainable liabilities);
- b) resources mobilized in the financial market (sale of own shares, bonds and other securities, credit investments);
- c) cash inflows from the financial and banking system in the order of redistribution (insurance reimbursements, receipts from concerns, associations, industry structures, share contributions, dividends and interest on securities, budget subsidies).

In the course of the analysis, the following proposals were made to improve the management of financial resources of the organization. The methodology for managing and evaluating the financial resources of the enterprise was examined using the system of market value indicators of the enterprise and measures were developed to improve the formation of the optimal structure of the sources of financial resources of the enterprise.

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