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FINANCIAL STATUS OF AN ENTERPRISE: FACTORS AFFECTING IT
ФІНАНСОВИЙ СТАН ПІДПРИЄМСТВА: ФАКТОРИ, ЩО ВПЛИВАЮТЬ НА НЬОГО

Анотація. У статті узагальнено підходи до визначення сутності фінансового стану підприємства в наукових роботах вітчизняних та іноземних фахівців. Доведено, що фінансовий стан підприємства не можна розглядати як незалежний стан, а навпаки, як положення суб’єкта господарювання, де його діяльність залежить від значної кількості чинників і факторів.

Встановлено важливість оцінки фінансового стану підприємства в часи пандемії COVID 19, так як існуючий інструментарій оцінки фінансового стану дозволяє прослідковувати основні прояви позитивних та негативних тенденцій, фінансових показників з метою раннього попередження можливої кризи. Здійснено детальну класифікацію та охарактеризовано фактори впливу на фінансовий стан підприємства. Встановлено відсутність єдиного підходу до класифікації факторів та побудови цілісної системи. При класифікації факторів найдоцільніше здійснювати поділ залежно від можливості впливу на них підприємства, а саме на: внутрішні, що включають операційні, інвестиційні, фінансові та зовнішні.

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Визначено основні фактори внутрішнього середовища. Це допоможе виокремити фактори, на які підприємство має вплив та розробити заходи щодо нивелювання негативного впливу, й фактори на які підприємство вплинути ніяк не зможе, але має враховувати при розробці фінансової та інвестиційної стратегії. Доведено, що з точки зору управління факторами, суттєвий вплив на фінансовий стан підприємства мають фактори внутрішнього та зовнішнього середовища. Це допоможе виокремити ризики на які підприємство не впливає, проте може хеджувати.

**Abstract.** The article summarizes the approaches on definition of the essence of the financial status of the enterprise in the scientific works of national and foreign experts. A detailed classification is made as well as influencing factors on the financial condition of the enterprise are described. The absence of an unified approach to the classification of factors and building of holistic system are established. It is proved that from the point of view of factor management, factors of internal and external environment have a significant impact on the financial condition of the enterprise. Which will help to identify risks that the company does not affect, but can hedge.

**Key words:** financial condition, commission agents (influences), factors, market environment, internal environment, external environment.

1. **Introduction**

In the conditions of market economy in general and at the present stage of development of market relations in Ukraine, in particular, the requirements for making effective management decisions by enterprises are increasing. And their effectiveness depends on an objective, timely and comprehensive assessment of the financial condition of the enterprise.

The importance of assessing the financial condition of the company during the COVID 19 pandemic is difficult to overestimate, as the tools for assessing the financial condition allows you to track the main manifestations of positive and negative trends in financial indicators in order to consider anti-crises programs in terms of their effectiveness.

The study of financial condition, first of all, allows to assess the property status of the enterprise, the ability to repay liabilities to lenders, the adequacy of working capital for operating activities and long-term investments, the need for additional funding, ability to increase capital, rationality of raising and using borrowed funds, justification of profit management policy.

It is important that the financial condition of the enterprise characterizes not only the degree of its vital activity, but also reveals the power of factors of its development, allows to identify reserves in order to improve the current situation. Companies must constantly diagnose internal and external factors in order to maintain
market position, form a competitive strategy and prevent crises.

The study of most publications in the scientific literature is devoted to the consideration of methods and models of analysis and evaluation of financial condition and the formation on their basis of the essence of the category of financial condition of the enterprise. Therefore, when analyzing the financial condition of the enterprise it is extremely important to identify and take into account existing and potential factors that affect it.

2. Literature Review


3. Research Objectives

The aim of the article is a critical review of approaches to the essence of the concept of "financial condition of the enterprise", identification of the basic approaches to defining this category and taking into account existing and potential factors that affect it.

4. Results and Discussions

The financial condition of the enterprise indicates the level of rhythmic production, sustainability of demand for goods / services of the entity, the strength of the enterprise in the market, material and technological equipment, the establishment of relationship with partners, the use of innovative technologies, risk in the process of activity, efficiency of financial and economic activity. In general, the financial condition of the company is of interest to various categories of entities whose activities are directly or indirectly related to the company's activities. In particular, such entities include: owners (shareholders), top management, employees, trade unions, suppliers, financial institutions (banks, insurance companies, leasing companies, investment funds, etc.), public authorities, charities organizations.

Paying due attention to the scientific works of scientists who have studied the essence of the financial condition of the enterprise, it should be noted the lack of a single interpretation of this concept (Table 1).

<table>
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<tr>
<th>Author</th>
<th>Definition</th>
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<tr>
<td>O.Starch, M.Demyanenko,</td>
<td>The financial condition of the enterprise is a complex concept that reflects the qualitative side of its production and financial activities, characterized</td>
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A more detailed analysis of different approaches of scientists to determine the essence of the financial condition of the enterprise, was covered by us in the article "Financial condition of the enterprise: theoretical foundations" and given the following definition of the concept of "financial condition of the enterprise" it is a system of financial relations characterized by a set of indicators that reflect the availability, efficiency of placement and use of financial resources of the entity, as well as its competitiveness and ability of the enterprise to finance its activities (Chepka V., Sviderskaya I., Gavrilenko Y., 2020, p.99).

The impact on the financial condition of the enterprise has a significant number of different factors which is a consequence of the variety of business activities and the dynamism of the external environment. The classification of factors allows a deeper understanding of the causes of changes in the studied facts, more accurately assess the place and importance of each factor in the enterprise, allows more clearly identify existing / potential risks and threats and respond to them effectively. However, there is currently no single approach to the classification of these factors and the construction of a holistic system in the scientific literature. The classification of factors studied in the analysis of the financial condition of economic entities on various grounds is shown in Table 2.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Types of factors</th>
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<tr>
<td>By the level of influence</td>
<td>microeconomic factors, macroeconomic factors</td>
</tr>
<tr>
<td>By the environment of influence</td>
<td>factors of the internal environment of the organization, factors of the external environment of the organization</td>
</tr>
<tr>
<td>By the possibility of managing and influencing the factors</td>
<td>objective, subjective</td>
</tr>
<tr>
<td>By breadth / degree of coverage</td>
<td>common, specific</td>
</tr>
<tr>
<td>By degree of significance</td>
<td>Level I factors (basic)</td>
</tr>
<tr>
<td>Level II factors (derivatives)</td>
<td>Level III factors (detailing)</td>
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<tr>
<td>By the direction of influencing the analyzed indicator</td>
<td>directly proportional</td>
</tr>
<tr>
<td></td>
<td>inversely proportional</td>
</tr>
<tr>
<td>By the time of impact</td>
<td>permanent</td>
</tr>
<tr>
<td></td>
<td>temporary</td>
</tr>
<tr>
<td>By the degree of influence on the results of the enterprise</td>
<td>primary</td>
</tr>
<tr>
<td></td>
<td>secondary</td>
</tr>
<tr>
<td>By the nature of the impact</td>
<td>intense</td>
</tr>
<tr>
<td></td>
<td>extensive</td>
</tr>
<tr>
<td>By the method of determination</td>
<td>direct</td>
</tr>
<tr>
<td></td>
<td>estimated</td>
</tr>
<tr>
<td>By the properties of the phenomena and processes displayed</td>
<td>quantitative</td>
</tr>
<tr>
<td></td>
<td>qualitative</td>
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</table>

*Source: compiled by the author according to Khachatryan.(2011)*

In our opinion, from the point of factors of influence management, strengthening / weakening their influence on a financial condition of the enterprise it is expedient to analyze groups of factors regarding a classification criteria "by the market environment": factors of internal and external environment of the enterprise (fig. 1). Factors of external and internal influence, depending on the characteristics of financial and economic activities of the enterprise can have different effects, both positive or negative.
Fig. 1. Factors influencing the internal and external environment on the financial condition of the enterprise

The main factors of the internal environment, dependent on the activities of the enterprise, can be defined, namely:
operating:
- irrational organizational structure of enterprise management (does not ensure rapid effective decision-making);
- ineffective marketing;
- inefficient structure of current costs (high share of fixed costs);
- low level of use of fixed assets; high size of insurance and seasonal stocks;
- qualification of the company's staff; investment:
- inefficient stock portfolio;
- high duration of construction and installation works;

- significant overspending of investment resources;
- failure to achieve the planned amount of profit on implemented real projects;
financial:
- ineffective financial strategy;
- inefficient structure of assets (low liquidity);
- excessive share of borrowed capital;
- high share of short-term sources of borrowed capital;
- increase in receivables;
- high cost of capital;
- exceeding the allowable levels of financial risks (Obelnytska H., 2012, p.5).

Among the environmental factors that are independent from the enterprise next can be distinguished:
1) legal (compliance with economic requirements, licensing of activities, restrictions on certain activities, ensuring proper working conditions);
2) economic (per capita income, tax policy, inflation, competition, investment climate, the state of the economy);
3) socio-political (socio-political stability, foreign economic policy of the state, the effectiveness of economic relations, changes in export and import conditions, antitrust policy);
4) financial (interest rate, credit policy, monetary policy, enterprise insurance);
5) demographic (population size and composition, standard of living, population preferences);
6) scientific and technological progress (international competition, innovation process) (Obelnytska H., 2012, p.4).

It is obvious, that the factors of the external environment can not actually be influenced by the enterprise, but the entity can minimize their impact on operations and be prepared for their occurrence. This requires continuous identification of existing/potential environmental risks, their assessment, development and implementation of measures to help reduce the negative impact. At the same time, when identifying and evaluating these factors, it is necessary to take into account such characteristics of the external environment as: the speed of change, the interdependence of factors, limited information, etc. (Fig. 2).

<table>
<thead>
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<th>When identifying and assessing environmental factors it is necessary to take into account:</th>
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<tr>
<td>interdependence of all environmental factors</td>
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<tr>
<td>the complexity of the external environment</td>
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<tr>
<td>dynamism of the external environment</td>
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<tr>
<td>mobility of the external environment</td>
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<tr>
<td>versatility of the external environment</td>
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<tr>
<td>uncertainty of the external environment</td>
</tr>
<tr>
<td>interdependence of factors of internal and external environments</td>
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*Fig. 2 Characteristics of the external environment of the enterprise*
Source: compiled according to Dziuba S. (2012), p.148

5. **Conclusions**
In summary, it can be noted that the financial condition of the enterprise in any case can not be considered as an independent state, it is the position of the entity, where its activities depend on a significant number of factors and commission agents that must be able to
identify, investigate, analyze and correctly predict.

In our opinion, when classifying factors, it is most appropriate to make a division depending on the possibility of influencing them by enterprises, namely: internal, including operational, investment, financial and external. This will help to identify the factors that the company has an impact on and develop measures for such an impact, and factors that the company will not be able to influence, but will be able to prematurely hedge these risks and be prepared for them.

References


Obelnytska H. (2012), Teoretychni osnovy analizu finansovoї stanu pidpryiemstv yak element upravlinnia korporatyvnymy finansamy [Theoretical foundations


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