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MANAGEMENT OF ENTERPRISE'S FINANCIAL SUSTAINABILITY AND IMPROVEMENT OF ITS METHODS

Mukhitdinova Dilnozakhon
Tashkent State University of Economics
d.mukhitdinova@tsue.uz

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Abstract:

The article is dedicated to the solution of the relevant issue, concerning management of enterprise`s financial sustainability. Financial sustainability assessment is one of the most important principles of enterprise`s activity, which provides information about financial capabilities of the company at the time of its evaluation and for the future. It is a requirement for the enterprise activity, which provides a high level of competitiveness, efficiency and intensity. Thus, the restoration and strengthening of financial sustainability is a priority task for the enterprise, a basic precondition for its effective functioning.

Keywords: financial sustainability, assessment, mathematical modeling, management, financial conditions

INTRODUCTION

In market conditions the basis of survival and stable position of the enterprise is its financial stability. Functioning as a business entity, each enterprise must provide such a state of its financial resources, which will maintain the ability to continuously fulfill its financial obligations before business partners, state, owners, employees, etc. It is the financial stability that represents a certain state of the entity, which allows freely maneuvering cash and ensuring the continuity of its activities achieved by a certain ratio of own and borrowed working capital and guarantee the solvency, economic independence and investment attractiveness within the permitted level of risk. Sustainable finance is an approach to finance that integrates environmental, social, and governance (ESG) criteria into investment decisions. It refers to considering the impact of economic activity on the environment and society when making investment decisions. In other words, it entails investing in activities that positively impact the environment and society while avoiding those that have a negative impact.

Sustainable finance is a critical component of sustainable development and a key driver of transitioning to a low-carbon economy. It enables companies to align their financial activities with their sustainability goals while providing a platform for investors to support sustainable projects. The Role of Sustainable Finance in Advancing Sustainable Development

Sustainable finance plays a critical role in advancing sustainable development. It provides companies with the necessary financial resources to implement sustainable practices, thereby supporting the achievement of the United Nations' Sustainable Development Goals (SDGs). The SDGs are a blueprint for a better and more sustainable future, aiming to end poverty, protect the planet, and ensure peace and prosperity for all.

Sustainable finance supports the achievement of the SDGs by:

- Providing financing for sustainable projects and activities that positively impact the environment and society.
- Encouraging companies to adopt sustainable practices by making sustainable finance a prerequisite for funding.
- Promoting sustainable investing by enabling investors to support companies committed to Sustainability.

Why Sustainable Finance is Essential for Companies Going Green

Companies that are serious about going green must adopt sustainable finance. Sustainable finance ensures that companies' financial activities are aligned with their sustainability goals. It enables companies to invest in sustainable activities that positively impact the environment and society while avoiding those that have a negative impact.

Sustainable finance is also crucial for companies that want to attract investment from environmentally conscious investors. Investors are becoming more aware of the impact of their investments on the environment and society. They are more likely to invest in companies committed to Sustainability and have a clear sustainability strategy.

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Benefits of Sustainable Finance for Companies

Sustainable finance has become an important aspect of business operations, and companies are increasingly adopting sustainable finance strategies to achieve their sustainability goals. Here are some of the benefits that companies can derive from sustainable finance:

1. Reduced financial risks

Incorporating sustainable finance into a company's operations can reduce financial risks associated with environmental, social, and governance (ESG) factors. Companies not managing these risks appropriately may face reputational damage, regulatory fines, and legal liabilities. With sustainable finance, companies can minimize exposure to such risks and ensure long-term financial stability.

2. Improved access to capital

Sustainable finance can also improve a company's access to capital. Investors are increasingly looking for companies committed to sustainable business practices and willing to invest in such companies. By incorporating sustainable finance into their operations, companies can attract a wider pool of investors and secure financing at better rates.

3. Enhanced brand reputation

Customers, employees, and other stakeholders view companies that adopt sustainable finance strategies positively. This can enhance their brand reputation and attract new customers. Additionally, sustainable finance can help companies attract and retain talented employees committed to working for socially responsible organizations.

4. Cost savings

Sustainable finance can help companies achieve cost savings by improving their operational efficiency. For example, investing in renewable energy can reduce a company's energy costs over the long term. Similarly, sustainable supply chain practices can reduce waste and improve efficiency, resulting in cost savings.

5. Competitive advantage

Companies incorporating sustainable finance strategies can gain a competitive advantage over their peers. They can differentiate themselves in the market by demonstrating their commitment to Sustainability, which can attract new customers and investors. Moreover, companies that adopt sustainable finance practices are better positioned to comply with future regulatory requirements, which can give them a competitive edge.

Finance Departments, champions of Sustainability:

Finance departments play a critical role in supporting sustainability efforts within companies. Adopting sustainable finance practices can help companies achieve their sustainability goals while providing financial benefits. Sustainable finance involves considering environmental, social, and governance (ESG) factors when making investment decisions, and it is rapidly gaining traction in the financial industry.

LITERATURE REVIEW

Important contribution to the study of financial sustainability was made by well-known scholars, such as Blank I. O., Brigham E. F., Dolan E. J., Sheremet A. D., Helfert E. and others. The solution of this problem was also reflected in works of Belikova T. V., Vaschenko L. O., Zabrodsky V. A., Kizim M. O., Kolesnikova V. M., Savitskaya G. V., Tereshchenko O. O., Miroshnik O. Yu., Azarenka G .M., Golovko O. G., Guryanova L. S., etc. The financial stability of the enterprise is influenced by many external (socio-economic and political stability in the country, the level of effective demand, tax, credit and finance, accounting, investment policy, the market situation of suppliers, industry characteristics, type of market) and internal factors (size of enterprise, the level of control system flexibility; the level of conformity of products to consumer inquiries in quality and price, material and technological base of the enterprise, technologies, state of property and financial resources, dependence on foreign creditors and investors, the effectiveness of economic and financial operations, the level of management and supply of highly qualified personnel, corporate culture, business reputation of the company, the balance of internal capacity with the influence of external threats, etc.) (Gapak & Kapteshan, 2014). A significant number of factors that affect the financial sustainability of the enterprise cause the lack of a single approach to its definition and assessment in the economic literature (Yalovy & Bakerenko, 2011). The traditional methods of financial sustainability assessment can be divided into three groups. The first group includes the qualitative assessment of financial stability, the second one contains the quantitative assessment of financial stability, and the third group includes the assessment of financial insolvency of enterprises. Among methods of enterprise`s financial state analysis and its` financial sustainability the following methods can be outlined: time series models, regression models, models of systems of interrelated variables, recursive systems, etc. (Zakharova, 2013). 2.

METHODS

There are economic and mathematical methods, which can help to study the connections and influences

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between objects and phenomena, determine the homogeneous features in aggregates of objects and data, create models of behavior of individual enterprises based on the influence of various factors, determine the development trends for the forecasting. Therefore, the use of economic and mathematical methods is the key to accurate and detailed assessment of financial sustainability of the enterprise, which provides the basis for optimizing managerial decisions and achieving the planned level of financial state. Thus, financial sustainability of the enterprise is a key feature of its financial status, its strategic development. Timely analysis of financial sustainability creates new opportunities for the enterprise to identify reserves in order to enhance its competitive position, increase market share and fulfill other tactical and strategic goals.

RESULTS

For a deeper understanding of the mechanism of financial sustainability management using the above-mentioned methods, the Public Joint Stock Company "Turboatom" (hereinafter referred to as PJSC "Turboatom") was selected as the research base for carrying the practical calculations. It is one of the largest turbo-building enterprises in the world with a full cycle of production: design, manufacturing, supply, adjustment, firm maintenance of turbine equipment of all types of power plants. The activity of the enterprise can be characterized by following characteristics: the degree of physical depreciation of fixed assets – 60.4%; the degree of moral deprivation – 38%; the degree of mechanization and automation of production – 66.8%; coefficient of utilization of production capacity – 64.5%.

CONCLUSION

Although fnancial sustainability is currently inadequately operationalised, it remains a latent construct that is important for risk and sustainability management (the TBL). However, a closed theory of fnancial sustainability does not exist so far. Measuring fnancial sustainability makes it possible to specify a secondary condition that is relevant to investment decisions: if a frm's fnancial sustainability is questioned, investors will not invest in it. From the company's viewpoint, high fnancial sustainability is a management control parameter that complements shareholder value and acts as a success factor because it ensures the companies' fnancing scope and reduces risks of refnancing and, therefore, insolvency. In an imperfect capital market with fnancing restrictions and insolvency costs, this will foster fnancial performance. Based on the assumption of risk-averse economic subjects, their understanding of the term "sustainability" and assumptions about the capital market, we identifed the key features of a theory from which the formative measurement concept for FS and the hypothesis about the relationship between FS and stock market return were derived. Based on this understanding, we developed a measurement approach to fnancial sustainability. Based on the literature, we derived four central conditions of fnancial sustainability from the general understanding of the term sustainability and the understanding of the term fnancial sustainability. The four conditions are also in line with traditional principles of accounting theory on capital maintenance. We also proposed conditions to measure fnancial sustainability: (1) a real growth of the frm that prevents its shrinkage or liquidation over time, (2) a signifcant probability of frm survival, (3) an adequate level of risk exposure by the frm and (4) an attractive risk–return profle for the owners.

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