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DEVELOPMENT OF ENTERPRISE FINANCIAL ACTIVITIES AND INCREASING ECONOMIC GROWTH

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Abstract:

The development of enterprise financial activities is one of the important factors contributing to sustainable economic growth. Enterprises create employment, generate income, produce goods and services, attract investment, and contribute to public revenues. Therefore, the effectiveness of their financial activities has a direct impact on economic development at both the microeconomic and macroeconomic levels. This article examines the main directions for developing the financial activities of enterprises and their role in increasing economic growth. The research analyzes financial planning, investment management, access to financing, working capital management, profitability, financial risk management, and digitalization as key factors affecting enterprise performance. The study applies systematic, comparative, analytical, and statistical approaches to identify the relationship between financial performance and economic growth. The results indicate that improving financial management, expanding access to financial resources, increasing investment efficiency, and introducing digital financial technologies can strengthen enterprise competitiveness and contribute to higher economic growth. The article proposes several measures aimed at improving the financial activities of enterprises, including diversification of financing sources, optimization of capital structure, strengthening financial control, development of investment activities, and improvement of financial literacy and management competencies.

Keywords: *enterprise, financial activity, economic growth, financial management, investment, profitability, financing, capital structure, digitalization, financial sustainability.*

1. INTRODUCTION

Enterprises constitute one of the fundamental elements of a modern market economy. Their activities determine the volume of production, employment, investment, innovation, and income generation within an economy. The financial condition of enterprises is therefore closely connected with the overall economic development of a country.

Financial activity represents a broad range of processes related to the formation, allocation, and utilization of financial resources. It includes financing operations, investment decisions, revenue and expenditure management, profit distribution, credit management, taxation, cash flow management, and financial risk management.

In developing economies, the financial development of enterprises is particularly important. Many enterprises face difficulties related to limited access to long-term financing, high borrowing costs, insufficient investment resources, inefficient working capital management, and inadequate financial planning. These problems may limit their ability to expand production and introduce modern technologies.

Economic growth depends not only on the expansion of production but also on the efficient allocation of financial resources. When enterprises have access to adequate financial resources and manage them effectively, they are more likely to increase investment, improve productivity, expand production, and create additional employment.

The relationship between enterprise financial activity and economic growth can therefore be considered bidirectional. On the one hand, economic growth creates favorable conditions for enterprise development by increasing demand and investment opportunities. On the other hand, financially strong and competitive enterprises contribute to economic growth through production, employment, innovation, taxation, and investment.

The purpose of this study is to examine the main directions for developing enterprise financial activities and to determine how improvements in financial management can contribute to increasing economic growth.

The main objectives of the research are:

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- to analyze the role of enterprise financial activities in economic development;
- to identify major factors affecting enterprise financial performance;
- to examine the importance of investment and financing in enterprise development;
- to evaluate the role of digitalization in financial management;
- to develop recommendations for improving enterprise financial activities and supporting economic growth.

2. METHODS

The study is based on theoretical and analytical approaches to financial management and economic development. A systematic approach is used to examine enterprise financial activity as an interconnected system involving financing, investment, profitability, liquidity, risk management, and resource allocation.

The comparative analysis method is used to distinguish between traditional and modern approaches to enterprise financial management. The analytical method is applied to examine the relationship between financial indicators and enterprise development.

Several financial indicators can be used to assess the effectiveness of enterprise financial activities.

The profitability of sales can be calculated as:

ROS = Net Profit / Revenue × 100%

This indicator demonstrates how much net profit an enterprise generates from each unit of revenue.

Financial leverage can be assessed through the debt-to-equity ratio:

Debt-to-Equity Ratio = Total Debt / Shareholders' Equity

This indicator helps determine the degree to which enterprise activities depend on borrowed capital.

Investment efficiency can also be evaluated through return on investment:

ROI = (Investment Return – Investment Cost) / Investment Cost × 100%

In addition, the study considers qualitative factors such as the quality of financial management, access to credit, investment climate, digital infrastructure, management competencies, and financial transparency.

The research also uses information from international financial and economic organizations and academic literature on corporate finance, financial development, investment, and economic growth.

3. RESULTS

3.1. The Role of Enterprise Financial Activities in Economic Growth

The analysis demonstrates that financially stable enterprises make a significant contribution to economic growth. When enterprises increase their financial capacity, they can expand production, purchase modern equipment, enter new markets, and increase employment.

The contribution of enterprises to economic growth occurs through several channels. First, enterprises produce goods and services that contribute to gross domestic product. Second, they create jobs and generate household income. Third, enterprises make tax payments that contribute to government revenues. Finally, enterprises invest in innovation and technological development.

Therefore, strengthening enterprise financial activity should be considered an important element of economic development policy.

3.2. Improvement of Enterprise Financing

Access to financial resources is one of the most important conditions for enterprise development. Enterprises require financing for both short-term operational needs and long-term investment projects.

The analysis shows that excessive dependence on short-term bank loans can create financial risks. Enterprises should therefore diversify their financing sources.

Possible financing sources include:

- retained earnings;
- bank loans;
- equity financing;
- investment funds;
- leasing;
- venture capital;
- corporate bonds;
- government-supported financing programs.

The diversification of financing sources allows enterprises to reduce dependence on a single source of capital and improve financial stability.

3.3. Development of Investment Activities

Investment activity is a major driver of enterprise growth. Investments in modern technologies, equipment, human capital, research and development, and digital infrastructure can increase productivity and competitiveness.

Enterprises should prioritize investments that generate long-term economic returns. Investment projects should be evaluated using indicators such as net present value, internal rate of return, payback period, and return on investment.

An effective investment policy enables enterprises to increase production capacity and improve the quality of goods and services.

3.4. Increasing Profitability and Operational Efficiency

Profitability is one of the main indicators of enterprise financial performance. Higher profitability increases

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internal financing opportunities and reduces dependence on external sources of capital.

To increase profitability, enterprises should focus on:

- reducing unnecessary operating costs;
- increasing labor productivity;
- improving resource utilization;
- optimizing production processes;
- increasing product quality;
- developing new products and services;
- improving marketing and sales management.

Cost optimization should not simply mean reducing expenditures. It should focus on eliminating inefficient costs while maintaining or improving productivity and quality.

3.5. Working Capital Management

Efficient working capital management is essential for maintaining enterprise liquidity and operational continuity.

Poor management of inventories and receivables can lead to cash shortages. At the same time, excessive inventories can result in inefficient use of financial resources.

Enterprises should establish an optimal balance between liquidity and profitability. This requires continuous monitoring of inventory turnover, accounts receivable, accounts payable, and operating cash flows.

Improving the cash conversion cycle can release additional financial resources that can subsequently be used for investment and business expansion.

3.6. Digital Transformation of Financial Activities

Digitalization has become an increasingly important factor in modern financial management. Digital accounting, automated budgeting, financial analytics, enterprise resource planning systems, and electronic payment systems can improve the efficiency and transparency of financial operations.

The use of digital technologies allows managers to obtain financial information more quickly and make evidence-based decisions. Automated systems can also reduce human errors and improve internal financial control.

Artificial intelligence and advanced data analytics can further improve financial forecasting, risk assessment, fraud detection, and investment analysis.

3.7. Financial Risk Management

Financial risks can significantly affect enterprise development. Currency fluctuations, inflation, changes in interest rates, declining demand, credit risks, and supply chain disruptions can negatively influence financial results.

An effective risk management system should include four major stages:

Risk identification → Risk assessment → Risk mitigation → Continuous monitoring.

Enterprises should also develop financial reserves and contingency plans to reduce the consequences of unexpected financial shocks.

4. DISCUSSION

The results indicate that the development of enterprise financial activities has a substantial influence on economic growth. Financially efficient enterprises are better able to invest, innovate, increase production, create employment, and enter international markets.

One of the most important factors is access to financing. Small and medium-sized enterprises often have fewer financing opportunities than large corporations. Improving financial accessibility can therefore contribute to broader economic participation and stimulate entrepreneurial activity.

Another important factor is investment efficiency. Simply increasing the volume of investment does not necessarily guarantee economic growth. The quality and productivity of investment are equally important. Enterprises should therefore focus on projects that increase productivity, reduce production costs, improve product quality, or introduce innovative technologies.

Financial management competencies also have an important role. Modern financial managers must understand not only accounting but also investment analysis, financial modeling, risk management, digital technologies, and strategic planning.

Digital transformation provides additional opportunities for improving financial performance. However, successful digitalization requires adequate infrastructure, qualified employees, reliable data, and appropriate cybersecurity measures.

The relationship between enterprise financial development and economic growth can be represented as follows:

Improved financial management → Higher financial efficiency → Increased investment → Higher productivity → Enterprise expansion → Employment and income growth → Increased economic activity.

This demonstrates that enterprise financial development can generate a multiplier effect throughout the economy.

At the macroeconomic level, governments can support enterprise financial development by improving the business environment, expanding access to financing, supporting innovation, developing capital markets, improving financial infrastructure, and reducing unnecessary administrative barriers.

5. CONCLUSION

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The development of enterprise financial activities is an important prerequisite for sustainable economic growth. Financially stable and efficiently managed enterprises have greater opportunities to invest, expand production, create jobs, innovate, and contribute to public revenues.

The research demonstrates that the most important directions for improving enterprise financial activities include diversification of financing sources, effective capital structure management, development of investment activities, optimization of working capital, improvement of profitability, digitalization, and strengthening of financial risk management.

Enterprises should develop long-term financial strategies that are closely connected with their operational and investment objectives. Financial decisions should be based on reliable information, quantitative analysis, and systematic risk assessment.

At the same time, government institutions have an important role in creating favorable conditions for enterprise financial development. Improving access to financing, strengthening financial markets, supporting innovation, and developing digital infrastructure can create additional opportunities for enterprises.

Ultimately, the development of enterprise financial activities should be considered not only as an internal management issue but also as an important component of national economic policy. Stronger enterprise finances can contribute to higher investment, productivity, employment, innovation, and, consequently, sustainable economic growth.

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