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BUSINESS ACTIVITY ANALYSIS AND FINANCIAL STABILITY
IN THE ENTERPRISE ECONOMIC SECURITY

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Abstract

Modern economic conditions, uncertainty, political risks, active competition, reduction of population payable demand, the need to comply the economic, social and environmental conditions of business development are associated not only with opportunities and prerequisites for breakthrough growth, but first of all, with threats. Decisions made quickly in response to internal or external influences characterize the reactive type of management, a significant disadvantage of which is the lack of coherence with the objectives and with the enterprise strategy. The same is true for ensuring the economic security of an economic entity. Rapid response to emerging threats is associated with high costs and risks of implementing these threats. A well-functioning system of economic security can create the conditions necessary for the long-term functioning of the business, the realization of its potential and increase competitiveness. According to foreign approaches ensuring economic security at a high level is not only a guarantee of survival of the economic entity, but also forms the prerequisites for its sustainable development. Business activity and financial stability are the most important characteristics of the financial condition of the organization, characterizing the intensity of the financial resources use, as well as the financial capacity to withstand potential negative impacts. In this context, it is fair to say that these characteristics of the enterprise reflect not only the quality of management decisions, but also they describe the entire process of enterprise management, the realization of its potential and approach to interaction with contractors.

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1. Introduction

The range of threats to the economic security of an economic entity is large and it is an object of research not only in Russian economic theories. It also develops in works of foreign authors. As for Ahmed (2016) for optimal work to protect significant assets and processes in the financial and economic activities of an economic entity, it is necessary to create a system of regularly identification of vulnerabilities in the activities of the organization (Ahmed, 2016) that carry an increased level of risk, to assess it, to develop and implement measures to prevent threats, to review the measures taken with the established periodicity in order to assess their effectiveness and efficiency in making and implementing management decisions (Soin & Collier, 2013). The most effective achievement of this goal becomes possible when a system of indicators that quantitatively describes the key parameters is formed (Ding, 2016).

2. Problem Statement

The formation of an effective system of the enterprise economic security requires a competent approach to the definition of key indicators necessary for its analysis and further management (Grote, 2015). The traditional set of indicators of economic security does not always take into account the specific relationship between the characteristics of the enterprise, which prevents the implementation of a systematic approach to ensuring the economic security of the enterprise. That is why the basis of the study was to identify the relationship of indicators of financial stability and business activity as key indicators of economic security of the enterprise.

3. Research Questions

As part of the study, the following questions were raised:

- What are the conceptual foundations of economic security of an economic entity and what are the key methodological aspects of obtaining a comprehensive assessment of economic security;
- What is the role of financial stability and business activity in the system of economic security of the enterprise;
- Is it possible to increase the level of economic security at the expense of financial stability and business activity of the economic entity.

4. Purpose of the Study

The aim of the study was to assess the synergetic impact of business activity and financial stability on the level of the enterprise economic security. At the same time, the individual contribution of each of these characteristics to the enterprise economic security was also considered. As a practical purpose of the study was considered the formation of recommendations to improve the level of economic security of the enterprise with the help of the reviewed parameters.

5. Research Methods

The methodological basis of the research were methods of scientific knowledge as:

- generalization and abstraction when considering the theoretical aspects of economic security with the help of indicators of business activity and financial stability;
- deduction and induction for consideration of individual and synergetic impact of indicators of business activity and financial stability on the system of economic security of the enterprise;
- mathematical methods for forming a model of dependence of key criteria of economic security on indicators of business activity and financial stability.

6. Findings

Business activity can be viewed through the prism of qualitative and quantitative criteria.

Qualitative assessment of business activity involves the study of the activities of enterprises on parameters that are not identifiable, but at the same time it contains important information about activities of the enterprise: the state of the market, reputation of organization, competitiveness of products, the rating of counterparties, the customer loyalty to the enterprise, and other parameters.

Business activity of the enterprise, as an economic characteristic, largely depends on a number of subjective, macroeconomic indicators:

- entrepreneurial activity;
- solvent demand;
- investment and business climate.

That is why a qualitative assessment of the business activity of the enterprise is important, including from the standpoint of economic security of the enterprise, as it can reveal a number of major threats and develop measures to minimize the damage from them.

Quantitative assessment of business activity involves the assessment of absolute values of business activity indicators, including dynamics (revenue, assets, etc.), as well as the calculation of relative indicators characterizing the turnover of assets. Quantitative assessment of business activity allows to draw conclusions about the intensity of the use of resources of the enterprise, including in the dynamics that characterizes the quality of management of the company on key parameters (Mitsel & Alimkhanova, 2019):

- immobilization of financial resources in inventories and receivables;
- duration of use of borrowed resources (in the context of impact on financial results and financial stability);
- intensity of asset use (labor productivity, capital productivity, material productivity, etc.).

Business activity in the context of ensuring the economic security of the enterprise plays an important role, as it is able to determine the main directions of potential threats in the framework of the enterprise's business activities (Rasid, Isa, & Ismail, 2014). Business activity is able to identify qualitative and quantitative, internal and external threats of the enterprise.

Among the factors affecting both the qualitative and quantitative assessment of business activity, it is necessary to highlight the following:

- the size of the enterprise and the scale of its activities (attribution of the enterprise to small, medium or large business);
- individual features of the business model of the enterprise, industry specifics;
- raw materials used, uniformity of their supply, seasonality of supply and demand;
- payment discipline and financial condition of buyers;
- the scale of increase in production and sales activities of the enterprise, the type of sales policy (conservative, moderate, aggressive);
- the marginality of the product, etc.

Potential threats identified through business activity analysis:

1. Affect the revenues of the enterprise:

- reduction of market share;
- activation of competing organizations with a similar product or substitute products;
- reduction of effective demand;
- reduction of competitiveness and demand for products.

2. Affecting financial results:

- increase in the period of immobilization of financial resources in stocks and receivables;
- increase in the duration of borrowing (in the context of increased debt service costs).

3. Affecting financial stability:

- increase in the duration of the use of borrowed funds (in the context of the growth of their share in the structure of liabilities).

Financial stability from the position of financial analysis is the ratio of own and borrowed financial resources. Thus, financial stability is a central, but not a complete characteristic of the enterprise financial security, which, is a key component of the economic security of the enterprise as a whole.

From the perspective of economic security, financial stability is a state of finance of the organization, when the company has the ability to:

- freely and independently (without taking into account the interests of creditors who may go against the company's goals) dispose of their own resources;
- organize a continuous and rhythmic process of production and sales;
- create conditions for sustainable development and improved financial performance by reducing the cost of servicing liabilities;
- develop operational and investment activities in the long-term (strategic) aspect.

Potential threats identified by the analysis of the financial stability of the enterprise:

1. Affect the economic security of the organization:

- high dependence on borrowed funds, which limits the independence of the organization in its management decisions;
- insufficiency of own sources of property formation (in the context of provision of obligations to creditors).

2. Affecting financial results:

- lack of own sources of property formation (in the context of costs of service of the attracted funds).

3. Affecting business activity:

- lack of own sources of property formation (in the context of shortage of means for implementation of production and marketing activity).

Financial stability of an enterprise is an indicator by which it is possible to assess the ability of an organization to withstand two key threats: the threat of bankruptcy and hostile takeover (Olson & Wu, 2017). The risk of bankruptcy is key in the system of economic security. The study of the relationship between financial stability and business activity with the probability of bankruptcy can be concluded that these features occupy a large proportion, especially in the framework of economic-mathematical models describing the risk of bankruptcy. Thus, the table 01 shows the share of indicators characterizing financial stability and business activity in models for assessing the probability of bankruptcy.

Table 01. Share of indicators characterizing financial stability and business activity in bankruptcy models

Model's name (author)	Share
Kazan State Technological University	33%
Zaitseva O.P	33%
Taffler and Teso	40%
Springate	50%
Altman	60%

As can be seen from the data presented in the table, the share of indicators reflecting the characteristics of business activity and financial stability in the models of assessing the risk of bankruptcy is quite high and varies from 33 to 60%. It is important to note that from the standpoint of this study, only a narrow interpretation of the concepts of "financial stability" and "business activity" was considered, i.e., as the ratio of own and borrowed sources of property formation and the intensity of the use of financial resources, respectively.

Thus, financial stability and business activity are closely related both to each other and to the economic security of the enterprise. These characteristics describe the most significant from the standpoint of economic security aspects of the enterprise: the relationship with debtors and creditors, the use of assets of the enterprise and the capital structure of the enterprise.

Based on the above, it is possible to create a factor model that assesses the relationship of key performance indicators of the enterprise, including its financial stability and business activity. Suppose that the economic security of the enterprise is expressed in terms of the coefficient of autonomy, which describes the ratio of equity and debt. This allows you to create the following model of dependence of indicators: $K_a = R_s \times Odc \times 1/Roe$, where: K_a - coefficient of autonomy; R_s - return on sales (ratio of net profit to revenue); Odc - debt capital turnover; Roe - return on equity.

Logical verification of the generated model revealed that it does not contradict the theoretical aspects considered in the study. The practical aspect of the model describes that the positive position of economic security is the situation characterized by the superiority of equity over the total debt. That is, the coefficient of autonomy should increase. Acceleration of the turnover of total debt capital in the presented model has a positive effect on the increase in the ratio of equity and debt capital. Thus, the

increase in business activity of the enterprise has a direct, positive functional impact on improving the financial stability of the enterprise.

7. Conclusion

Thus, the management of financial stability and business activity in the system of economic security, leveling of possible threats with their help becomes one of the most important components of strategic planning, on the implementation of which depends the successful functioning and development of each economic entity.

The main objective of economic security at the micro level is to ensure sustainable and efficient operation of the enterprise, the formation of prerequisites for the realization of its potential in the future through countering internal and external threats. It is important that the system of economic security is formed under the individual characteristics of the enterprise in question, which excludes the possibility of developing template systems of indicators and normative values of these indicators, the applied groups of indicators and their composition. In this regard, the set of indicators, as well as the information obtained from them, should be adapted to the specific enterprise and reflect its specific features.

At the same time, when compiling individual systems of economic security indicators, it is absolutely wrong to ignore the basic principles of interdependence of a number of indicators and characteristics of the enterprise's activity, which is clearly illustrated by the example of business activity and financial stability in the context of ensuring the economic security of the enterprise.

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