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THEORETICAL FOUNDATIONS OF ENTERPRISE CASH FLOW MANAGEMENT

Abstract

The purpose of the article *is to define the theoretical foundations of cash flow management of enterprises in the context of modern challenges.*

The scientific novelty*. The obtained results of the study have elements of scientific novelty, in particular, the refinement of the theoretical basis for the formation of enterprise cash flows, which includes the work of mercantilists, Marxists, monetarists and contemporaries, was further developed; the importance of taking into account the factors of discounting cash flow, which include inflation, risk and the availability of alternative opportunities for investing financial resources, which significantly increased the relevance for ensuring the financial stability of the enterprise in the face of modern challenges. Also of scientific interest is the structured presentation of the advantages and disadvantages of the main sources of financing the cash flow of enterprises.*

Conclusions. *Thus, the fundamentals of enterprise cash flow management are formed on the basis of mercantilism, monetarism, capital theory and the concept of cash flow. Based on the essence of the concept under study, the author determines the cyclical nature of cash flow, which implies a certain interval during which financial resources move. Therefore, it is necessary to discount its volume, which is associated with many risks, including economic and military risks, inflation and the possibility of using alternative investment channels. Cash flow management of enterprises depends on the formation of an optimal structure of sources of financial resources, which implies the need for timely and systematic assessment of the advantages and disadvantages of using alternative funds, especially in today's challenges. The risk in managing the enterprise's cash flows is associated with the uncertainty of economic activity, as well as the variability of the exogenous environment (the impact of a full-scale war, inflation, lack of financial resources, destruction of the resource base, conditions of unpredictability). Prospects for further research are to determine the impact of the factors and consequences of martial law on the management of enterprise cash flows, to identify possible areas of risk mitigation on the effectiveness of such management.*

Keywords: *cash flows, cash flow management, cash flow cycle, cash flow discounting, risks, financial resources, financial management.*

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ТЕОРЕТИЧНІ ЗАСАДИ УПРАВЛІННЯ ГРОШОВИМИ ПОТОКАМИ ПІДПРИЄМСТВ

Анотація

Визначено особливості трактування сутності поняття «грошовий потік» підприємства. Узагальнено теоретичний базис формування грошових потоків підприємства, який включає напрацювання меркантилістів, марксистів, монетаристів та сучасників. Визначено важливість врахування факторів дисконтування грошового потоку, до яких включено інфляцію, ризик та наявність альтернативних можливостей інвестування фінансових ресурсів. Виокремлено економічні, політичні, соціальні, техніко-економічні та воєнні ризики, які впливають на управління грошовими потоками підприємства в умовах сучасних викликів. Визначено основні джерела формування та умови функціонування оптимальної структури грошового потоку підприємства. Структуровано представлено переваги і недоліки основних джерел фінансування грошового потоку підприємств.

Ключові слова: *грошові потоки, управління грошовими потоками, цикл грошового потоку, дисконтування грошового потоку, ризики, фінансові ресурси, фінансовий менеджмент.*

Introduction. Today, modern enterprises face many challenges related to economic instability caused by a full-scale war, limited financial resources for further functioning and development. In view of this, solving the main task of the enterprise, namely maximizing profit at the lowest cost, requires a balanced financial policy, which includes effective management of the enterprise's cash flows. The cash flows of enterprises are the basis of their financial activities, ensuring financial independence, stability of development, competitiveness and financial security, and therefore the issue of managing the company's cash flows is becoming more and more relevant. It is the effective management of cash flows that allows an enterprise to realize the strategic goals of its activities, ensure a high level of capital turnover, rhythmicity of activities, increase the degree of financial balance and generate additional profit, and also contributes to the formation of additional investment resources for financial investments. Cash flow management is an important part of the overall system of managing the company's financial activities.

Analysis of recent research and publications. The scientific achievements of M. Bertonesh, I. Blank, M. Krupka, S. Melnyk, A. Podderiogin, N. Prokopenko, R. Slaviuk, J. Van Hore, N. Shevchenko are devoted to the study of the process of managing the cash flows of enterprises. Thus, most foreign financiers interpret cash flows as the difference between cash receipts and cash outlays, i.e. as net cash inflows [3,4,5,6]. Some researchers, including I. Blank [1], focus on the accounting aspect of cash flows, characterizing it as "the difference between the funds received and paid by the enterprise for a certain period of time". In turn, Shevchenko N. V., Melnyk S. I. note that the cash flow of an enterprise is a stable, continuous process of receipts and expenditures of funds that are associated with the operating, financial, investment activities of the enterprise and ensure the formation of its profit in the future [11, p.26]. Whereas A. Podderyogin [9] defines cash flow as "the movement of funds that more accurately characterize its essence". Krupka M. notes that cash flows are an economic process that is mediated by a set of receipts and payments of cash and cash equivalents distributed over time, generated by an enterprise in the course of its economic activity [8, p.84]. However, in modern conditions, the issues of further defining the basics of cash flow management in accordance with the existing vector of development of the domestic economy require attention.

The purpose of the article is to define the theoretical foundations of cash flow management of enterprises in the context of modern challenges.

Presentation of the main research material. In the study of the theoretical foundations of enterprise cash flow management, it is important to determine their classification features. Accordingly, according to the degree of aggregation, there are consolidated, aggregate and individual cash flows; according to the form of functioning - natural and extended cash flow; according to the elements of the cash balance - incoming and outgoing cash flow balance, etc. Also, it is proposed to classify cash flow according to the following classification criteria: stability, continuity of formation, method of determining the volume, direction of cash flow, scale of service, strategic method of calculating cash flow, level of sufficiency at the enterprise, frequency and interval of formation at the enterprise, currency distribution of receipts and expenditures, etc.

It is determined that the theoretical basis of cash flow management is formed on the provisions of mercantilism, classical political economy, Keynesianism and other schools. Thus, mercantilists sought to increase the money supply in the cash flow, considering it a symbol of the country's wealth. Among the main postulates of their theory on cash flow management are the following: focusing on maximizing the mass of cash flow as a primary task of financial independence and stability of the country, which should be ensured by the need to keep money within a particular country and attract as much money as possible from abroad. The main tasks of cash flow management are: setting the highest possible prices for exported goods; limiting imports of goods; preventing the export of gold and silver from the country; fixing the ratio in the bimetallism system; using maximum state intervention through administrative methods (T. Meng, A. Serra, J. B. Colbert, A. Moncretien) [7, 8].

The theory of early mercantilism focused on maximizing the mass of cash flow as a primary task of financial independence and stability of the country, which was to be ensured by the need to keep money within a particular country and attract as much money as possible from abroad. The main objectives of cash flow management are: setting the highest possible prices for exported goods; limiting imports of goods; preventing the export of gold and silver from the country; fixing the ratio in the bimetallic system; using maximum state intervention through administrative methods (T. Meng, A. Serra, J. B. Colbert, A. Moncretien).

A significant breakthrough in the study of cash flow management was made by the theory of capital, which was developed by K. Marx and representatives of the classical school of political economy (F. Engels, D. Lukacs, A. Gramsci). The main achievements of the Marxists were: definition of the category "capital"; outlining the stages of capital circulation as the basis of cash flow and justification of the cyclical nature of this process; characterization of cash flow by the criteria of time and speed; division of capital into fixed and circulating capital; and the stages of capital circulation as the basis of cash flow are defined. It is noted that the movement of capital does not stop with the completion of one turnover, it is constantly repeated, with each turnover of industrial capital consistently acquiring three functional forms, each of which carries out its own turnover.

In turn, M. Friedman's monetarist concept determined that commodity-money flows are the main form of capital movement and therefore should be subject to state regulation. Proponents of this theory (in particular, K. Bruckner, A. Meltzer, A. Schwartz) argued that the amount of money in circulation is a determining factor in shaping the economic environment and substantiated the relationship between changes in the money supply and the value of gross national product. A more objective study covers the middle of the twentieth century and is associated with the emergence of the concept of cash flow, which was significantly contributed by L. Bernstein, J. Brigham, J. C. Van Horn, D. Stone, N. C. Syropolis, D. Siegle, K. Hitching, E. Helfert, D. C. Shim and others [7]. The authors focused on: identifying the cash flow (its duration and type); assessing the factors that determine the value of cash flow elements; determining the discount factor; analyzing the risk associated with this flow and how to account for it.

Given the essence of cash flow management, it is worth noting that it is primarily a certain movement of cash assets, and therefore it is worth paying attention to the issue of cash flow cycles. The cash flow cycle of an enterprise, regardless of the object of this process, provides for a certain time interval during which the funds invested in assets return to the business entity in the form of a financial result. This aspect should be taken into account when managing the company's cash flows, and especially when formulating a financial plan.

When studying the cash flow cycle as one of the stages of cash flow management, it is advisable to focus on the practical significance of the cash flow management process and optimize its income and expense side. Since obtaining a financial result in the form of cash proceeds involves certain financial costs associated with the manufacture of products, their storage and sale, detailed management and maintenance of norms and parameters of cash flow cycles ensures the stability of business activities. In addition, the turnover of economic assets and cash flow cycles are directly related: the functioning of the former depends on the formation of the latter and vice versa.

However, it is worth noting that one turnover of economic assets may involve the formation of several cash flows. At the first stage, capital in cash is invested in operating assets (current and non-current), thereby transforming it into its productive form. At the second stage, productive capital is transformed into a commodity form, including the form of work performed and services rendered, in the process of manufacturing products. At the third stage, commodity capital is transformed into cash capital as the goods and services are sold [7, 10].

It is worth focusing on the fact that the management of an enterprise's cash flows in modern market conditions involves a thorough analysis, taking into account the discounting of its volume, which allows determining its value through the prism of time. The need to discount cash flow is primarily related to risk factors, inflation and the availability of alternative opportunities for investing financial resources [9, 11], which has significantly increased the relevance of ensuring the financial stability of the enterprise in the face of modern challenges. The risk in managing the enterprise's cash flows is associated with the uncertainty of economic activity, as well as the variability of the exogenous environment (the impact of a full-scale war, inflation, lack of financial resources, destruction of the resource base, conditions of unpredictability). Inflation when discounting cash flow is an economic factor that characterizes not a business entity, but the general state of the country's economic system and therefore determines the future value of the company's assets. With regard to the factor of alternative investment opportunities, it should be noted that financial resources operating within a particular cash flow should provide the best possible financial result, and accordingly, be redirected to the production cycle that will provide such an opportunity.

It is advisable to consider some of the possible risks that arise in the process of managing an enterprise's cash flows. First of all, exogenous factors require special attention, namely as economic, technical and technological, social, political and military risks. So economic risks are currency risks of business entities, which depend primarily on the government's currency policy; unfavorable investment environment, which reduces the intensity of saturation of cash flow from external sources; fiscal (including customs) risks that disrupt the stability of the company's accounting service in the event of changes in tax and customs legislation and, as a result, reduce the volume of cash flow. Technical and technological risks are justified by innovative trends in market development, which contribute to the renewal of the existing technical and technological base to ensure the competitiveness and economic security of the business entity; contribute to the redirection of cash flow towards production development, which may have negative financial consequences. Social risks affect the deterioration of the social aspect of the economic system, leading to a deterioration in the solvency of the population, caused by demographic decline and a reduction in the quality of life. Political risks form the environment of the company's activities by determining a certain strategy of the country's development, creating dissonant foreign and domestic policies; unforeseen legislative changes. Military risks are risks associated with danger to the life and health of people (management, employees), destruction of the company's resource base, disruption of supply chains, raider attacks, etc. as a result of war.

In addition, an important stage of cash flow analysis is the study of the structure of sources of financing of the enterprise. Financial resources serve as the basis for creating the monetary funds necessary for normal business operations: authorized capital, reserve capital, accumulation and consumption fund, payroll fund, depreciation fund, etc. Scientists note that the optimal structure of cash resources can be in the following cases: availability of at least 75-80% of own resources; use of borrowed and loaned capital, provided that it does not exceed 55-60% of the total mass; observance of equality of ratios in mixed financing [1, 9]. At the same time, it is important to take into account the specialization of the business entity, as well as the advantages and disadvantages of attracting own and borrowed resources when choosing certain sources of financing the cash flow of enterprises (Fig. 1).

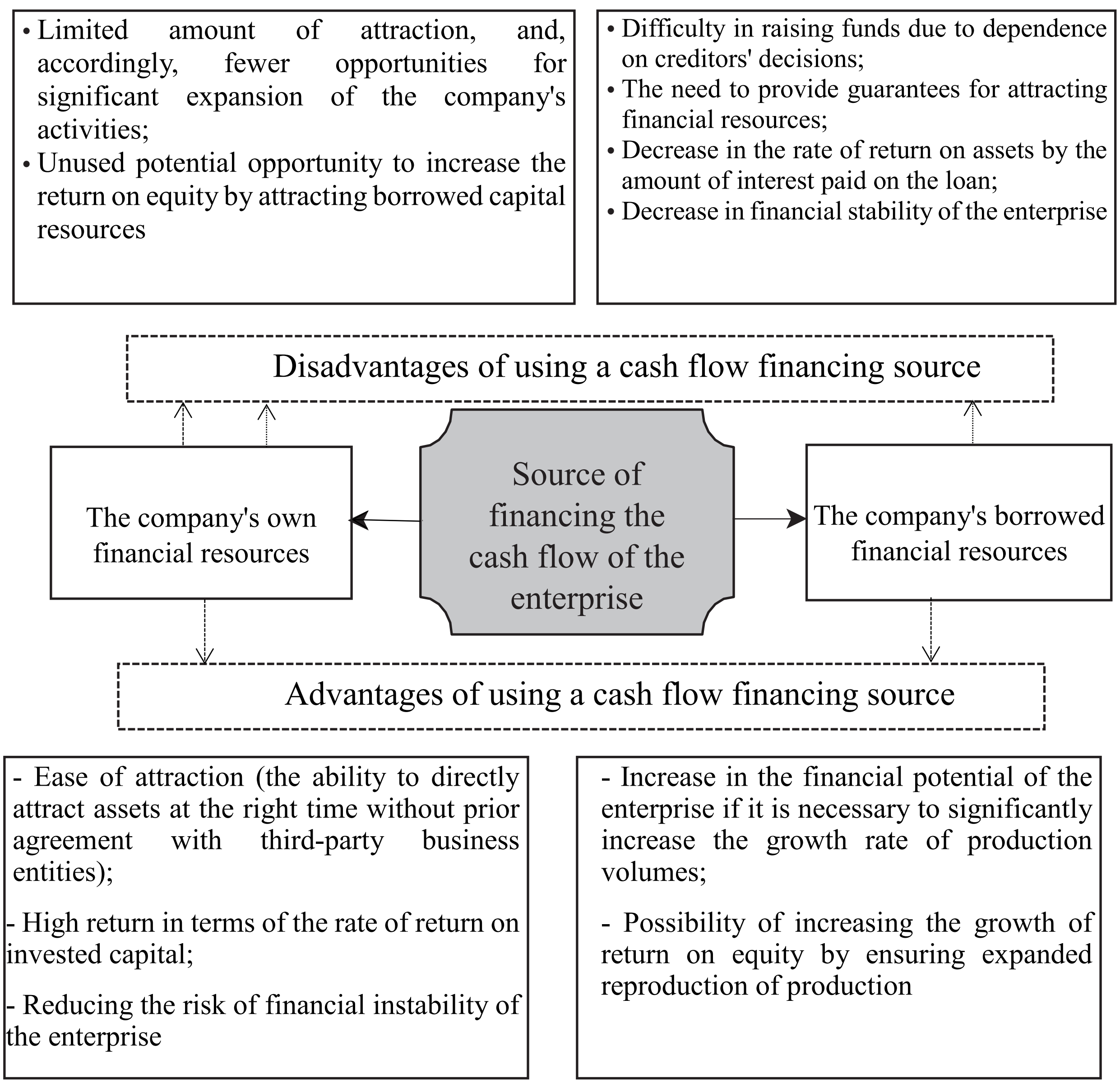

Fig. 1. Advantages and disadvantages of the main sources of financing the cash flow of enterprises

Thus, it can be noted that the mechanism of enterprise cash flow management is based on material and financial resources that provide for a high level of social and organizational potential in order to optimize cash flows and determine the demand for enterprise money. The methods underlying this mechanism include investment, lending, self-financing, insurance, leasing, rent, incentives, etc. In the process of cash flow management, special attention should be paid to cash flow analysis and forecasting, which includes an assessment of the liquidity of the balance sheet and the enterprise as a whole, the cash flow statement, the status of accounts receivable and accounts payable, etc. As a result of the diagnostics, it is important to formulate generalized conclusions based on the analysis. Given the results, it is necessary to establish possible strategic guidelines for optimizing this process.

It is important that the company's cash flow management should be carried out in accordance with certain principles, among which the key role is played by the principles of liquidity, reliability, consistency, efficiency, balance, adaptability and control [2]. Therefore, this process should include the following stages: ensuring complete and reliable accounting of the company's cash flows and preparing the necessary reports; analysing the company's cash flows in the previous period; optimising the company's cash flows; planning the company's cash flows by different types; ensuring effective control over the company's cash flows. Accordingly, the indicators that should be used to characterise and adjust the cash flow management process include indicators of solvency, liquidity, dynamics and structure of cash flows.

Conclusions and prospects for further research. Thus, the fundamentals of enterprise cash flow management are formed on the basis of mercantilism, monetarism, capital theory and the concept of cash flow. Based on the essence of the concept under study, the author determines the cyclical nature of cash flow, which implies a certain interval during which financial resources move. Therefore, it is necessary to discount its volume, which is associated with many risks, including economic and military risks, inflation and the possibility of using alternative investment channels. Cash flow management of enterprises depends on the formation of an optimal structure of sources of financial resources, which implies the need for timely and systematic assessment of the advantages and disadvantages of using alternative funds, especially in today's challenges. The risk in managing the enterprise's cash flows is associated with the uncertainty of economic activity, as well as the variability of the exogenous environment (the impact of a full-scale war, inflation, lack of financial resources, destruction of the resource base, conditions of unpredictability). Prospects for further research are to determine the impact of the factors and consequences of martial law on the management of enterprise cash flows, to identify possible areas of risk mitigation on the effectiveness of such management.

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