

Copyright © 2014 by Academic Publishing House *Researcher*



Published in the Russian Federation
European Journal of Economic Studies
Has been issued since 2012.
ISSN: 2304-9669
E-ISSN: 2305-6282
Vol. 8, No. 2, pp. 93-98, 2014

DOI: 10.13187/issn.2304-9669
www.ejournal2.com



UDC 336.64

The Impact of Investment Activity on the Financial Stability of the Enterprise

¹ Vladlena V. Siganova

² Irina V. Kozhushkina

¹⁻² Sochi state university, Russian Federation
354000, Krasnodar krai, Sovetskaya Str. 26 a

¹ PhD, Associate Professor

E-mail: cypen@inbox.ru

² Postgraduate student

E-mail: kojushkina@yandex.ru

Abstract. In modern economic conditions finances play the key role in the management of the enterprise. The indicators of financial stability characterize all activities in general, identify problem areas in cash flow management, planning and distribution. In this regard, the study of factors influencing financial stability, is very important for the financial management and the development of effective strategies. The link between investment activity and financial stability of business entities is not taken into consideration in economic literature, while it is clear that the impact of investment is complex, defining the situation in the industry and its competitiveness, the development and modernization of production. The interrelation of investment and financial sustainability are considered in the analysis of key financial-economic indicators of the leading industrial enterprises of the Russian economy. Research allowed to reveal general regularities of influence of investment activity on the financial stability, the absence of adequate methodological tools for assessing and forecasting financial stability, the need to develop a new system of indicators for measuring financial stability.

Keywords: financial stability; investment activity; liquidity; solvency; financial reporting; strategy; competitiveness; financial resources; investment cycle; financial investments.

Introduction. The company's financial stability is considered widely in the economic literature, also today there is a system of ratio and methods of calculation of indicators of financial stability, the criteria for classifying enterprises of different types of stability.

There is an actual need for measuring of financial sustainability in two directions - the current status of the entity and its development prospects, the main analytical base is reporting. It should be noticed that the effect of investment activity on the financial stability and its prediction have not been enough investigated. However, forecast options for financial sustainability of enterprises in various sectors of the economy, especially the market leaders can get wide application at the regional and federal level of economic planning.

Materials and methods. The theoretic-methodological basis of this study are modern approaches of scientists in the theory of cost management (E. Black, M. Brown, A. Damodaran, S. Valdaitsev, M. Volkov, I. Ivashkovskaya, T. Copeland, J. Murrin, A. Rappaport, M. Scott, I. Teplov, U. Sharpe), in the theory of formation and evaluation of the optimal capital structure (P. Brali, Yu.

Brigham, G. Donaldson, S. Myers, M. Miller, F. Modigliani, Y. Meckling, G. Kireitsev, B. Kuznetsov, Y. Stoyanova), as well as forecasting the cost of capital dynamics (N. Kim, B Maham, R. Srivastava). We used methods of analysis, comparison, forecasting, scientific abstraction, analogy and survey.

Tasks. Identification and analysis of the impact of investment activity on the financial stability of the enterprise from the point of view of the current and strategic approach, reason of necessity of development of new methods of analysis of financial stability that meet the criteria of comprehensiveness, universality, objectivity.

Results. The lack of research in the field of financial stability is that mostly in the calculation of the current performance and past performance. For effective forecasting and management of financial stability it is necessary to account the relevant factors of influence, which primarily refers to investment activity of the enterprise. This problem is in the development of the business entity, its competitiveness and in achieving a good position in the industry. It is obvious that investments are aimed at the achievement of these objectives and, consequently, their results will have a significant impact on the financial stability in future periods.

However, there is both direct and indirect dependence: the investment activity contributes to the growth of profit, but for investment the enterprise must have the financial resource for investment, and the profit is also a priority source. The fact is that the companies with a high profit have great investment opportunities, which can also attract significant volumes of credit resources.

In this case we can conclude that leaders of the economy in various sectors can make great investment opportunity. The question is how the leaders of economy can make investment activity, what are its speed and volume, and whether the low level of investment activity in this group of business entities is possible.

We consider the relationship of investment and financial stability on the example of the leaders of different sectors of the Russian economy according to the statistical data given in table 1 [1].

Table 1

The level of profit, profitability and investment activities by sectors of economy of Russia for 2010-2012

Chemical production			
Indicators	2010	2011	2012
The level of profitability	8,4	11,2	12,8
The capacity of the SC, billion rubles	112,9	162,6	216,9
The coefficient SC updates	4,9	6,0	5,3
The retirement rate SC	1,2	1,1	0,9
The degree of wear of fixed assets	36,6	42,1	40,8
The profitability of financial investments	4,2	5,3	9,4
Manufacturing activity			
Indicators	2010	2011	2012
The level of profitability	14,8	13,2	10,7
The capacity of the SC, billion rubles	881	1094	1187
The coefficient SC updates	5,9	6,4	5,9
The retirement rate SC	1,0	1,0	0,9
The degree of wear of fixed assets	46,1	46,7	46,8
The profitability of financial investments	3,7	3,7	6,1
Production of electrical equipment			
Indicators	2010	2011	2012
The level of profitability	10,1	11,3	11,4
The capacity of the SC, billion rubles	543	879	1040
The coefficient SC updates	4,1	5,4	4,2
The retirement rate SC	0,3	0,4	0,4
The degree of wear of fixed assets	51,1	50,5	47,8
The profitability of financial investments	5,3	6,3	8,3

Construction			
Indicators	2010	2011	2012
The level of profitability	4,5	4,3	5,0
The capacity of the SC, billion rubles	148	200	236
The coefficient SC updates	3,2	5,1	4,8
The retirement rate SC	0,8	1,6	2,0
The degree of wear of fixed assets	42,5	38,7	44,2
The profitability of financial investments	4,7	5,2	7,6
Communication enterprises			
Indicators	2010	2011	2012
The level of profitability	13,5	11,4	11,1
The capacity of the SC, billion rubles	265,7	316,6	360,0
The coefficient SC updates	3,0	4,7	3,3
The retirement rate SC	0,4	0,4	0,4
The degree of wear of fixed assets	48,9	48,3	48,5
The profitability of financial investments	3,6	5,2	6,8

The table clearly shows that enterprises are the most profitable industries are actively investing, thus it is necessary to highlight two areas of investment on primary activity and financial investments. The largest investment in basic production, while investments have lower indicators of profitability.

Now consider the investment activity, its rate and volume, as well as the financial sustainability of the leading companies.

Three of the largest chemical companies of Russia:

1. SIBUR holding (petrochemicals). The company's revenue under IFRS in 2013 was 269,8 billion roubles, adjusted net income of 47 billion roubles. In 2011-2012 profit amounted to 38 billion roubles, 42 billion roubles, the volume of investments amounted to 21 billion roubles, 45 billion roubles.

Total investment of the company in 2013, \$ 70 billion roubles. The largest investment projects are to be completed in 2013: start "Tobolsk-Polymer" and the transshipment terminal for LPG and light oil products in Ust-Luga [2].

2. Salavatnefteorgsintez (Salavat, Bashkortostan) (petrochemicals).

In 2013, the company has started realization of the project "Construction of the complex of acrylic acid and acrylates" on-site Monomer plant. Capital investments, mln. roubles for 2011–2013: 3 499, 5939, 16611 respectively. Profit, mln roubles for 2011-2013: 8417, 10275, 1787 [3].

The audit company is awarded a special circumstance - the excess of current liabilities over assets on 24,134 million roubles, thus, the investment activity has a negative effect on the current financial stability of the company.

3. "Nizhnekamskneftekhim" (synthetic rubber) - profit, mln roubles in 2011 – 21656, in 2012 – 19783,6, in 2013 – 9126. Investments: in 2011 – 6230 million roubles, in 2012 – 11856 million roubles, in 2013 – 8459 million roubles More than 17 billion in short-term liabilities – the auditor notes the fact of accumulation of debt, which is called negative circumstance, which require passing of an amendment [4].

The leading enterprises of chemical industry are financially unsustainable, investment rates are high, the funding strategy is outstripping production cycle. Annually companies undergo compulsory audit, the audit reports review companies with a high growth of accounts payable, unstable financial position, low liquidity.

Growth and investment are presented in the diagram (Fig. 1).

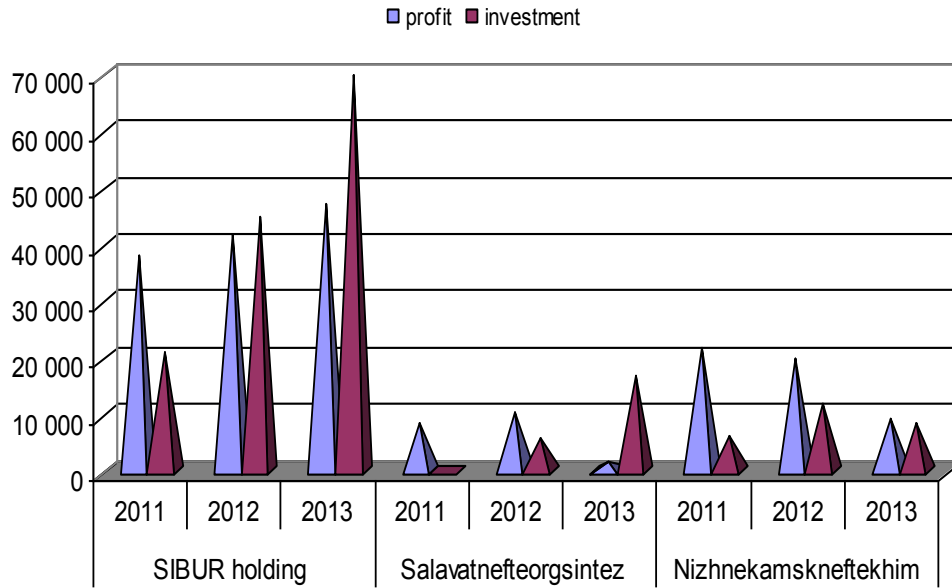


Figure 1. The rate and volume of the investments and profits of leading enterprises of the chemical industry, million roubles

The chart clearly shows comparable net income growth and investment, in 2013, the tendency to excess of investment over profit. We can conclude that all liquid funds are directed to long-term investment projects.

It is expedient to consider the enterprises-leaders of communications services because, first, this type of service is different from the industry, secondly the industry has the highest rate of investment in the Russian economy – 27 %.

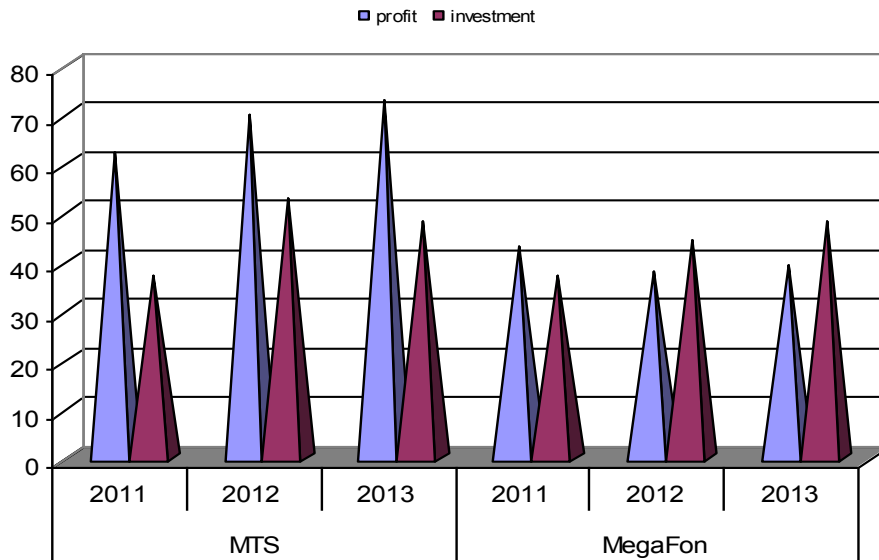


Figure 2. The rate and volume of the investments and profits of enterprises-leaders of communications, million roubles

Leaders of communication market: TSTK and Comstar-UTS, MTS, MegaFon. Analyze the performance of two large companies – MTS [3] and MegaFon [4], growth and investment are reflected in the chart.

We can see the same trend in the leading high rates of investment, the instability of the current financial condition. The audit report of OJSC MTS reflects that capital expenditures reached 23.3 % of revenue.

Conclusion. Investment activity of the leaders of different sectors of the economy is very high, the rate and volume of investment is comparable to the revenue growth. Based on the analysis of financial indicators of the market leaders, disclosures in the annual reports and significant facts of economic activities, we can conclude the following:

- stable investment in fixed assets and R & d, long periods of investment projects;
- unsustainable current financial condition, caused by significant volumes of investments;
- significant growth of accounts payable due to the direction of cash flow in investment projects;
- cyclical indicators of investment activity within 3-4 years, accompanied by unstable financial state over the same period.

The obtained data show that from the point of view of the conventional factors of liquidity and solvency, which illustrate the option of financial stability, market leaders do not meet these indicators, and are characterized as a crisis that is quite paradoxical, given their current and future industry positions. That is, high investment activity has a direct impact on the deterioration of the current financial soundness indicators, in direct proportion to the volume.

Annual audit reports of the companies also provide an indication to the circumstances and requirements to take the necessary measures to reduce debt.

In the long run the investment activity naturally brings its results, which are reflected in the sectoral and technological superiority, a sharp increase in net profit, increase liquidity and solvency.

Thus, hence, an important conclusion is that current favorable indicators of financial stability at low investment activity will deteriorate in future periods.

In the financial statements of this dependence is expressed mathematically: the percentage of investments in long-term investments in direct proportion reduces the coefficients of liquidity and solvency.

As cash and highly liquid interest are contained in the numerator of the formula for the calculation of solvency and liquidity, the transition of this amount in long-term investments on the same amount reduces performance.

This dependence can also be used for different purposes - when obtaining a loan, the preparation of a business plan, forecasting financial indicators for management purposes and so on.

However, these patterns relate more specifically to large enterprises because they can diversify the risks, have significant material and financial assets and under unfavourable forecast of profitability of investments to compensate for these risks and actual losses.

Small and average business does not have such possibilities, in connection with than the traditional methods of research of financial stability are used when lending and business planning widely, including specialized credit institutions. It is obvious that a company with small resources and turnover with the active investment policy dramatically increases the risk of bankruptcy and financial instability.

The dependences related to investments in non-current assets. If investments are made in securities, which are short-term financial investments, current liquidity and solvency is not affected. On the other hand, investments in non-current assets related to the main activities reduces the risks to the business entity.

To leaders of the market, large enterprises impractical to apply existing measures for financial stability, because they do not reflect the real financial and economic position of subject of business.

It is necessary to develop new methods of calculation of financial stability, on the basis of other criteria, which can be attributed financial and operational cycles, the duration and return on investment. These criteria should be thoroughly substantiated and verified on the basis of indicators of financial and economic activity for a long period, and also taking into account industry specifics and activity. For example, the criteria of financial stability on the basis of duration of the investment cycle appropriate in branches of material production, and can be inefficient in trade or services. However, the desire for the formulation of common criteria will make the analysis of financial stability objective, transparent and accessible not only to specialists, but also management of business entities and other stakeholders. If the same methodology will be developed on the basis of universal indicators, it will be able to find a wide application in the economy.

Low investment activity characterizes potentially unstable financial business entities, as growth and development, the achievement of competitive advantages connected with various attachments. Hence the logical conclusion - in sectors with a high level of competition the

enterprises with low investment activity are doomed to financial instability and exit the market.

References:

1. The state statistics Committee. Statistical collection. Investments in Russia. 2013 // www.gks.ru
2. OJSC "SIBUR holding. Annual report for the year 2013// www.sibur.ru
3. JSC Salavatnefteorgsintez. Annual report for the year 2013 // www.gpns.ru
4. OAO "Nizhnekamskneftekhim". Annual report for the year 2013 // nknh.ru
5. OJSC MegaFon. Financial information//www.megafon.ru
6. OJSC MTS. Corporate information. Financial performance // www.mts.ru

УДК 336.64

Влияние инвестиционная активность на финансовую устойчивость предприятия

¹ Владлена Валерьевна Сиганова

² Ирина Владимировна Кожушкина

¹⁻² Сочинский государственный университет, Российская Федерация
354000, Краснодарский край, г. Сочи, ул. Советская, 26 а
Кандидат филологических наук, доцент

E-mail: cypen@inbox.ru

² Аспирант

E-mail: kojushkina@yandex.ru

Аннотация. В современных условиях экономики финансам принадлежит одна из ключевых ролей в управлении предприятием. Показатели финансовой устойчивости характеризуют всю деятельность в целом, выявляют проблемные места в управлении денежными потоками, их планировании и распределении. В связи с этим исследование факторов, влияющих на финансовую устойчивость, приобретает большое значение для управления финансами и разработке эффективной стратегии. В экономической литературе практически не рассматривается связь между инвестиционной активностью и финансовой устойчивостью субъектов бизнеса, хотя очевидно, что влияние инвестиций носит комплексный характер, определяя положение предприятия в отрасли и его конкурентоспособность, темпы развития и модернизации производства. Взаимосвязь инвестиционной активности и финансовой устойчивости рассмотрена на анализе основных финансово-экономических показателей лидирующих отраслевых предприятий экономики России. Проведенный в работе анализ позволил выявить общие закономерности влияния инвестиционной активности на финансовую устойчивость, отсутствие адекватных методических инструментов для оценки и прогнозирования финансовой устойчивости, необходимость разработки новой системы показателей для измерения финансовой устойчивости.

Ключевые слова: финансовая устойчивость; инвестиционная активность; ликвидность; платежеспособность; финансовая отчетность; стратегия; конкурентоспособность; финансовые ресурсы; инвестиционный цикл; финансовые инвестиции.