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# Classification of the Factors of Enterprise Financial Security Provision

**ABSTRACT**

The author performed the analysis and the classification of the factors of enterprise financial security provision. The article contains the detailed analysis of certain classifications of the term “financial security” explained by Ukrainian and Russian scientists. The author both identified the factors, which may be implemented to provide the required level of financial security, and improved some well-known classifications. The proposed hierarchy of the factors enables to develop the system of indicators of the company financial security and to implement the leverage of the neutralization of financial threats.

**Key words:** *financial security, financial security factors; solvency; efficiency; financial activity diagnostics.*

The effective system of financial security being able to protect from external and internal threats is determined as one of the most important factors of the sustainable growth and positive results of a financial activity of an enterprise. The concept «financial security» has become a subject of the complex and detailed research in modern scientific literature.

The most important contribution to the development of the problems of financial security at the micro level was performed by F. M. Benediktov, I. A. Blank, K.S. Goriachev, A. G. Zagorodnii, V.I. Yarochkin, V. K. Senchiagov, S. F. Pokropivnyi, N. I. Reverchiuk, A. S. Sosnin etc.

Nevertheless, there is no sufficient attention to the research of factors providing the financial security of an entity.

An aim of the paper refers to the classification of the factors of enterprise financial security provision.

The classification of factors influencing the financial security of an enterprise has become a subject of research for many scientists in the field of economics. Mostly, these factors are divided into two groups: internal and external.

M. A. Bendikov (2000) suggests that the internal factors of enterprise financial security should be divided into three groups: material and resource provision of a production process, economical and technical provision of enterprise development (innovations, investments, job and production management, professional development of a stuff), attainment of a high level of profitability.

T. U. Zagorelska (2006) determines the internal factors of financial security, namely: peculiarities of a field of enterprise, a structure of produced goods (works and services), its share in a general solvency demand process, an amount of expenses, their dynamics compared to money revenues, a state of property and financial resources of an enterprise, their content and structure.

M. V. Fomina (2005) divides the internal factors of enterprise financial security into basic and secondary factors and classifies such factors as productive containing means of production and directly labor, and non-productive including factors of professional development of a stuff, environment-oriented and provisionary-delivering activities.

N. A. Griniuk (2009) suggests that the most important internal factors influencing the enterprise financial security are marketing, production, innovations, communications, advertisement, stuff development and motivation, market infrastructure, quality of managerial and financial accounting, correct diagnostics of financial activity.

S. Kulpinskii (2000) states the higher the speed of debited liability turnover, the profitability of production realization and a share of own working assets are, a safer financial state of an enterprise is.

G. S. Papekhin (2007) affirms that the financial security depends on the efficiency of marketing and production activity of an enterprise as well as on a level of its staff potential and organizational culture.

A list of internal factors in the papers of K. S. Goriacheva contains technology, equipment, supplies and energy, goods, stuff, organization, methods and a style of management.

The second group of factors referred to a content of the external factors of enterprise financial security. An entity is unable to influence these factors, but it may predict their behavior and become adapted to their influence. Thus, M. V. Fomina (2005) proposes to divide the external factors of financial security into three groups: financial and economic, social and natural.

A. L. Besedin (Besedin, & Beljaev, 2005) states that the external factors of enterprise financial security reflect an economic situation within a country and abroad, in certain regions and in branch markets. The most important factors are a tax rate, credit interest rates, a monopolization level of the field, market conditions and an enterprise investment activity.

F. I. Evdokimov (2002) accentuates that the financial security of a field is affected by economic conditions of the business performance, technical and technological levels, the solvency demand and a level of consumer revenues, tax and credit policies of a government, legislative acts regulating an enterprise business activity and foreign economic relations.

E. M. Paliga (Palyha, & Shtanhret, 2009) includes governmental economic and social policies, institutional leverages, an infrastructure, and structural modifications in an economy and a society in a list of the external factors of economic security.

Certain scientists (Dubets'ka, 2003; Blank, 2004; Il'yashenko, 2003; Kuzenko, 2007; Martyusheva, 2009; Papekhin, 2007) represent external environment of an enterprise as a dominant hierarchy, at the first level of which are meso factors and at the second level are micro factors. They suppose that meso factors directly influence the financial stability of enterprise functioning, while macro factors

indirectly dictate the terms of its functioning. Thus, T. B. Kuzenko (2007) suggests that the most important meso factors influencing the enterprise financial security are market and business relations.

R. S. Papekhin (2007) considers that the main factors directly influencing the financial stability consist of production, market conditions, consumers and competitors. But it is well known that the policy of market members, especially consumers and competitors, as well as of suppliers, mediators and a government becomes decisive in terms of its market condition determination. Therefore, the extraction of market conditions as one of the external factors of financial security influence is determined to be inappropriate, because it has a general character and is in direct relation with «consumers» and «competitors» factors. At the same time, it should be noticed that produced goods are to be considered as a result of production activity rather than the factor of external environment.

L. S. Martusheva (2009) accentuates that the meso factors of financial security include suppliers, consumers, substitutes, potential competition, business rivalry and production relations. From our point of view, such factors, as the «potential competition» and the «business competition» are equal according to their economic meaning. First of all the competition is rivalry between enterprises (Dubets'ka, 2003).

The author of the paper (Blank, 2004) suggests that the most important meso factors of enterprise financial security are suppliers, consumers, competitors, trade unions, a legislative system and governmental bodies. S. M. Illiashenko (2003) also suggests that the factors of direct influence of enterprise financial security are the following: competitors, investors, banks, suppliers, consumers, mediators, tax administration, local officials and project institutes. Nevertheless, S. P. Dubietska (2003) considers that financial security depends on several factors, such as a supply policy, consumers, competitors, governments, marketing agencies, and contacting audiences.

As soon as the governmental financing of a business activity is performed only through local governments, while tax, duties and compulsory payments are collected through tax administration, the most accurate approach is presented by the author of the paper (Illiashenko, 2003), who suggests elimination of the factors of «tax administration» and «local government» from the factor of «government». It should be noticed that for the groups of «marketing agencies» and «contacting audiences» K. V. Ismailova does not determine components.

D. Viankovich (1999) accentuates that the enterprise financial security is influenced by economic, political, marketing, technological, competitive, social and international factors. But as it is suggested, the factor of «competitors» characterizes a condition of an entity strategy.

Determining the content of macro factors of the financial security, the authors of the paper (Blank, 2004) emphasize economic, political, social and cultural conditions as well as the scientifically-technical progress and international circumstances.

A. I. Sudakova (2008) accentuates that the financial security is influenced by geographical, economic, technical, ecological, juridical, and political environments of an entity.

A. I. Baranovskii (2004) determines five groups of the entity financial security factors: technological, governmental, economical, cultural, and demographical.

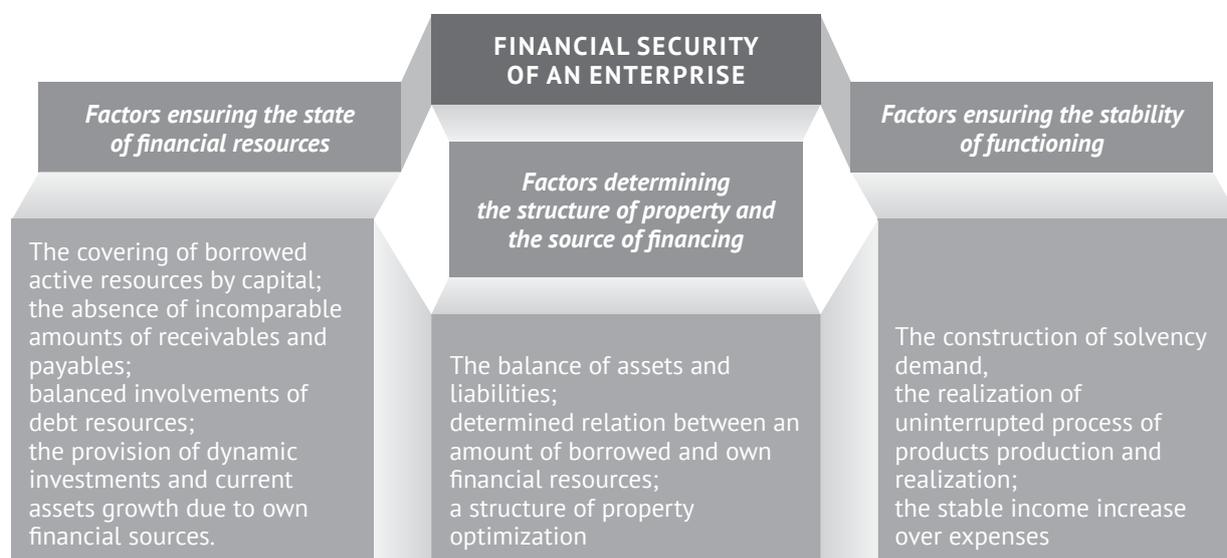
S. Kulpinskii (200) suggests that the entity financial security is influenced by economical, scientific, technical, natural, social and political, social and cultural, ecological and demographic factors.

O. V. Arefieva (2001) states that financial threats and advantages faced by an enterprise during a process of their business activity are determined by an impact of economic, political, market, technological, geographical, social, cultural, and international factors.

The factors of financial security provision may be classified by the following criteria: a scope of exertion and a direction of enterprise development.

N. A. Hriniuk (2009) states that the enterprise financial security depends on international, national, and market factors. The author accentuates that international factors reflect financial security through economic-wide leverages, international politics, and international competition; national factors – through political, economic, and demographic conditions of business performance; and market factors – through psychographical tempers of society, the scientific and technical progress and forms of competition.

The internal factors influencing the process of provision of a requested rate of the financial security are represented in Figure 1.



**Figure 1. Internal Factors of the Enterprise Financial Security Provision.**

Attaining the financial security, an entity faces the problem of elimination of factors, which may be used to achieve the requested level of financial stability.

Thus, the provision of financial security of an enterprise depends on certain factors. Their combination becomes a background for the formation and the insurance of a certain level of security. The suggested factors of hierarchy enables to work out the system of indicators of the enterprise financial security and to propose the mechanism of financial threats neutralization.

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