

FINANCIAL STABILITY MANAGEMENT OF THE AGRO-INDUSTRIAL COMPLEX ENTERPRISE IN THE MARKET ECONOMY

Dumitru TRACI, Assoc. Prof., PhD

Shevchenko State University, Rybnitsa branch

E-mail: dtrach.72@mail.ru

DOI: <https://doi.org/10.59642/JRTMED.2.2023.07>

Universal Decimal Classification: 336.76:338.433

JEL Classification: M1, Q01, Q14, R51, R58

Abstract

The most important characteristic of the organization's financial management is to ensure its liquidity and market stability. This is especially relevant for agricultural organizations whose activities depend on the management quality for managing both internal and external factors. The specifics of the industry require ensuring effective asset management throughout the entire period (year), and not during the season, which will contribute to the stability of the financial situation as a basis for development.

The article analyzes the activities of the enterprise in recent years in terms of improving the organizational and legal form of management, technical development, financial stability and identifies the ways to improve it.

Keywords: *market economy, technical re-equipment, raw materials market, financial stability, financial management, investments*

1. Introduction

The transition from centralized state management of the economy to the market economy requires a revision of the philosophy of managing economic processes, both at the level of business structures and at the regional and state level. At the same time, the full responsibility for the results of the business lies entirely with its owners.

The requirements for the quality of financial management, the ability to form and effectively manage operational assets and, on this basis, ensure the financial stability of the enterprise are significantly increased.

In addition to that state and regional government bodies also participate in regulating economic processes using tax, monetary and investment policies; the quality of this policy also significantly affects the financial stability of business structures.

2. The degree of investigation of the problem at the present moment, the purpose of the research

The change of the economic management system is a complex and lengthy process that requires fundamental scientific and practical study, especially when the destruction of the

single economic mechanism occurred, having been replaced by many independent economic regions that completely lost inter-economic cooperative ties and powerful scientific support for economic development.

In this article, the author examines the causes of bankruptcy and complete liquidation of the large enterprises of the food industry in the region. This problem needs in-depth research and analysis. Using the example of the important for the region Kamensky cannery, which continues to operate, the author confirms the importance of the quality of management decisions made, both at the level of regional government bodies and at the enterprise level, in terms of strengthening their market positions and financial stability.

The problems of reforming forms of ownership in rural areas and the agro-industrial complex and financial stability have been given much attention by the following local scientists: Sheremet A.D., Bakanov M.I., Kovalev V.V., Volkova O.N., Markin Y.P., Blank I.A., Stratan A., Tsurkanu P., Timofti E., Akulai E., etc. [1, 2, 3, 4, 5, 6, 7, 8].

At the same time, the issues of organizational transformations of the agro-industrial complex, ensuring financial stability and liquidity of agricultural organizations and agricultural protectionism on the part of the state require further development.

3. Methods and materials applied

In order to ensure the financial stability of a business, a scientific system of management of its activities should be built with the position of the long-term perspective. Such a management system should be based on appropriate algorithms (indicators) for evaluating activities and forecast goals. In practice, various methods of analysis are used, which can be explained by the difference in goals and priorities set by analysts.

While writing this article, the results of systematic, scientifically organized work on the analysis of the current results of socio-economic transformations of the region as a whole and the agro-industrial complex in particular were used.

4. Results obtained and discussions

At the end of the twentieth century on the territory of the Northern region of pridnestrovie (the Rybnitsa and Kamenka districts), the following large food industry enterprises functioned: the Rybnitsky meat processing plant, dairy plant, the only and one of the oldest in the region sugar distillery, and the Kamensky cannery. However, the collapse of the single economic mechanism, the change of the economic management system, the lack of experience in managing the economy in market conditions at the regional level led to their bankruptcy and unjustified liquidation, with the exception of the Kamensky cannery. The main reason for this tragedy was the lack of a scientifically sound concept of reforming the agro-industrial complex, which led to the hasty liquidation of collective farms, the result of which was “A domino effect” – all large food enterprises of the agro-industrial complex of the northern region of pridnestrovie ceased to exist. The reason for this was a violation of the main principles that were taken as a basis when choosing the location and the size of the

production capacity of the construction of the enterprises. The main damage was caused to the raw material base for these enterprises.

The division of the land into shares for rural residents led to its fragmentation and, at best, to the formation of small businesses. Thus, there is a small-scale production, which is characterized by the diversified production of agricultural products in small quantities and their financial weakness. In addition, they try to avoid labor-intensive industries such as the production of vegetables, fruits, berries, legumes, while for the industrial production of canned fruits and vegetables, a reliable, developing raw material base is needed, which requires an appropriate concentration of the land. Only in this case it is possible to organize the production of these raw materials using new technologies, equipment, in compliance with all the requirements of the “Green Standard” in large quantities.

In the current situation, namely, the fragmentation of land by small users on lease terms, it will be economically feasible to improve the system of territorial placement and development of production capacities of the food industry [9].

At the same time, regarding the Kamensky cannery, which continues to operate, it will be economically expedient to preserve it, taking into account the technical equipment level of the production, professional management team and social significance for the densely populated region.

The cannery was put into operation in 1958, with a design capacity of 25 million conventional cans of canned food. After the collapse of the unified economic mechanism the staff of the enterprise made significant efforts to preserve it. The organizational and legal form of the management has repeatedly changed, which indicates the absence of the concept of reforming the agro-industrial complex at the state level.

Every year the cannery’s staff increased the production of canned products due to the introduction of new equipment, technology and innovation proposals.

Due to the annually increasing volumes of growing vegetables and fruits in the region, which was dictated by the need to ensure the employment of the rural population, as well as thanks to favorable climatic conditions for this, it was necessary to increase the production capacity of the enterprise, which in 1989 was brought to 120 million conventional cans of canned food. Manual labor was maximally mechanized, the introduction of new technologies, containers and packaging continued. The number of employees of the enterprise has accordingly increased from 1200 people to 2100 people.

In 2004, the plant was privatized. Thanks to the investments and efforts of the management, the process of its technical re-equipment and the expansion of auxiliary and service workshops and farms continued. In 2006 a production line for “green peas”, “sugar corn” was installed, a high-performance combine harvester for harvesting corn cobs was purchased.

However, the inefficient state policy regarding the use of the land, which resulted in their fragmentation by small users, led to the complete elimination of the horticultural industry, to a significant reduction in the area for the cultivation of vegetable and melon crops, and, accordingly, to a sharp reduction in raw material opportunities for the enterprise. All this, as well as the frequent and not always successful change of the company’s management, since

2008 has led to a significant deterioration in its activities. Therefore, at the end of 2012, the cannery was returned to the state ownership.

However, despite this, the decline in production volumes continued, and the utilization rate of production capacity decreased to 0,05 (Table 1).

Table 1. The output of canned products of CJSC “The Kamensky cannery” for 2013-2022, a thousand conventional cans

Year	Produced in accounting terms, a thousand conditional cans	Capacity utilization rate
2013	38595,7	0,32
2014	21862,0	0,18
2015	7907,5	0,07
2016	6340,4	0,05
2017	8926,8	0,07
2018	28306,2	0,24
2019	15438,9	0,13
2020	10762,6	0,09
2021	36289,7	0,30
2022	45330,5	0,38

*The production capacity is 120 million conventional cans.

Source: designed by the author

The reason for this was the same problem, namely, the insecurity of the enterprise with raw materials and the weakness of the state policy (owner) for its development. The hope that the management of the enterprise will be able to solve the problem of providing production with raw materials in a market economy has not justified itself, especially in the limited economic space of the region and the fragmentation of the land by small users. In this regard, in 2020, the Kamensky cannery again became private property.

Considering the history of the enterprise we can conclude that in the market economy who is the owner of the business is of great importance. It is not enough to have money capital. It is necessary to have a clear vision of the development prospects and, what is extremely important, to be able to provide production capacity with the necessary quantity and quality of raw materials, to have access to sales markets, as well as to manage cash flows effectively.

So, the new owner managed to be given fifteen hundred hectares of arable land by the state, which will significantly improve the provision of production with its own raw materials. In addition, the new owner has established good business contacts with contractors on the Right Bank of the Dniester, which will also contribute to solving the problem of raw materials supply.

The positive dynamics in the development of the enterprise is already being observed. Thus, the output in 2022 increased by a factor of 4,5 compared to 2020, the capacity utilization rate increased accordingly from 0,09 to 0,38 (Table 1).

Considerable work is being carried out to invest funds for the modernization and renewal of the existing production. For these purposes the owner invested 14,7 million rubles, which will

expand the range of products by diversifying production; reduce production costs and improve product quality; increase the efficiency of the enterprise as a whole.

Table 2. Income and expense plan

Name of the item	The year of 2023	The year of 2024	The year of 2025	The year of 2026	The year of 2027	Total
Income	19334839	24313450	29895885	40141545	44164361	157850080
Production costs – raw materials and supplies	9087374	13372398	17339613	26493420	30031765	96324570
Gross profit	10247465	10941053	12556271	13648125	14132595	61525510
Total operating expenses, including	8538353	8702266	8815278	8898294	8846626	43800817
Salary and UST	7300200	7300200	7300200	7300200	7300200	36501000
Other expenses (taxes, communications, advertising, bank services, fuel and lubricants)	1238153	1402066	1515078	1598094	1546426	7299817
Net profit	1709112	2238786	3740993	4749832	5285969	17724692

Source: designed by the author

The payback period of the project is defined as the amount of investments divided by the average annual net profit:

- the amount of investments is 14 691 798 rubles;
- the project implementation period is 5 years;
- average annual net profit = $\frac{\text{net profit for the entire project period}}{\text{project implementation period}}$
 $= 17\,724\,692 / 5 \text{ years} = 3\,544\,938 \text{ rubles};$
- payback period of the project = $14\,691\,798 / 3\,544\,938 = 4 \text{ years}.$

In addition, 315 hectares of intensive orchard have been designed for growing apples. A significant effect is expected from the expansion of irrigated farming areas.

Regarding the sales markets, it should be noted that the products produced by CJSC “The Kamensky Cannery” are of high quality and are in demand both in the domestic and foreign markets.

To confirm the expediency of preserving this enterprise, we will analyze its financial stability for 2020-2022 [10, 11].

The initial information of such an analysis is the data of the comparative analytical balance sheet.

Table 3. Comparative analytical balance sheet, million rubles

Balance indicators	Absolute values			2022 in % to 2020
	2020	2021	2022	
Assets				
1. Non-current assets (A1)	74387,5	156114,0	202974,9	272,9
2. Current assets (A2)	66661,0	115190,9	126379,7	189,6
a) stock	43912,1	95481,2	94011,8	214,1
b) accounts receivable, short-term financial investments, cash and other assets	22597,9	19527,9	30068,0	133,1
c) short-term financial investments and cash	151,0	181,8	2299,9	>15 times
d) accounts receivable				
3. Losses				
Balance	1410048,5	2711304,9	329354,6	233,5
Liability				
4. Shareholders' funds (II3)	71902,2	118532,7	120186,2	167,2
5. Non-current loans and borrowings (II4)	60061,2	92041,2	117714,7	196,0
6. Short-term liabilities (II5)	9085,1	60730,9	91453,7	>10 times
Balance	141048,5	271304,9	329354,6	233,5

Source: designed by the author

The data of the comparative analytical balance sheet indicate an increase by a factor of 2,3 in the balance sheet currency in 2022 compared to 2020. At the same time, non-current assets increased by a factor of more than 2,7, and current assets – by a factor of 1,9. The growth of non-current assets is caused by the technical re-equipment of production, which characterizes the quality of the company's development strategy. Short-term financial investments and cash have increased by a factor of 15. Non-current loans and borrowings have also increased by a factor of almost 2 and short-term liabilities by a factor of more than 10.

Using the data of the comparative analytical balance sheet, we will analyze the financial stability of the enterprise. There are several options for the degree of the financial stability of the enterprise [12]:

1. Absolute financial stability will take place provided that the stock figure is less than the amount of own working capital and short-term loans and borrowings.
2. Normal stability is possible provided that the stock figure is equal to the total figure of the main sources of stock formation and costs.
3. A financial crisis occurs when the stock figure exceeds the total figure of the main sources of stock formation and costs.

According to Table, in 2020 line 7 < line 6 or 43912,1 < 66661,0 million rubles; in 2021 95481,2 million rubles < 115190,8 million rubles; in 2022 94011,8 million rubles < 126379,7 million rubles.

The calculations are presented in Table 4.

Table 4. The analysis of the financial stability, million rubles

Financial indicators	Years		
	2020	2021	2022
1. Shareholders' funds	71902,2	118532,7	120186,2
2. Non-current assets	74387,5	156114,0	202974,9
3. Non-current loans and borrowings	60061,2	92041,2	117714,7
4. Availability of net working capital (line1+line3-line2)	57575,9	54459,9	34926,0
5. Short-term loans and borrowings	9085,1	60730,9	91453,7
6. Total figure of the main sources of stock formation and costs (line4+line5)	66661,0	115190,8	126379,7
7. Stock	43912,1	95481,2	94011,8
8. Surplus (+) or shortage (-) of net working capital (line4-line7)	13663,8	-41021,3	-59085,8
9. Surplus (+) or shortage (-) of the total figure of the main sources of stock formation and costs (line6-line7)	22748,9	19709,6	32367,9
10. Type of financial condition	stable	stable	stable

Source: designed by the author

5. Conclusions

Thus, the results of the analysis indicate that the financial condition of the enterprise is stable. At the same time, it should be noted that in 2021 and in 2022, due to the lack of own working capital (-41021.3 million rubles and -59085.8 million rubles, respectively) it is secured by attracting non-current loans and borrowings.

Attention is also drawn to the owner's active investment policy in fixed assets, the value of which in 2022 increased by a factor of 1,3 compared to 2020. In 2021 and 2022 alone, 58,8 million rubles were invested in the technical re-equipment of the production, 315 hectares of fruit-bearing orchards were planted, seedlings for another 300 hectares were purchased and are being prepared for rooting. This is a good groundwork for improving the raw material production capacity, increasing production volume, expanding the range of products, improving their quality and reducing cost.

Provided that the owner implements the business plan developed for the next five years, and, most importantly, strengthens the position in the raw materials market, the liquidity of the enterprise and its market stability will improve. According to the forecast calculations, the company's revenues in 2027 will increase 8,2 times compared to 2023, net profit – 10,4 times, the investment project will pay off in four years. The conducted research confirms the effectiveness of the financial management of the new owner.

At the same time, given the importance of the agro-industrial complex for the socio-economic development of the region, this industry needs state support (agrarian protectionism) in terms of tax exemption of the amount of income allocated for technical re-equipment, differentiation of rent for land for perennial plantations, taking into account their maturation, protection of producers' interests in the sales markets. The state policy of the land use is extremely important. This policy should be based on the following objectives: creation of modern agricultural organizations; effective use of the land; preservation of its fertility; consideration of the social and economic interests of rural residents. There are significant reserves for improving the financial condition of the enterprise in the development of production diversification. The specifics of agricultural raw materials and their processing make it possible to significantly expand the range of products produced, which will lead to an increase in the efficiency of the use of fixed assets, an increase in the production and sales, an increase in profits, and, accordingly, to an improvement in the financial condition of the enterprise.

A significant social effect will also be achieved. So, if at present the average number of employees of the enterprise is 190 people, then taking into account the full utilization of production capacity, as well as the cultivation of raw materials on the company's lands, the total number of employees will exceed 2000 people.

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Rezumat

Caracteristica principală a managementului financiar al entității este asigurată prin lichiditatea și stabilitatea acesteia pe piața economică. Acest aspect devine cu atât mai relevant pentru organizațiile agricole, activitățile cărora depind de calitatea managementului luând în vedere atât influența factorilor interni, cât și a celor externi. Specificul ramurii date necesită asigurarea unei gestionări eficiente a activelor pe parcursul

întregului an, nu doar în timpul sezonului, contribuind astfel la stabilitatea poziției financiare ca baza a dezvoltării.

În articol, s-a efectuat o analiză a activității întreprinderii în ultimii ani, concentrându-se pe perfecționarea formei organizațional-juridice a gestionării, dezvoltarea tehnică și determinarea căilor de modernizare a acesteia.

Cuvinte-cheie: economie de piață, asigurare tehnică, piață a materiilor prime, stabilitate financiară, management financiar, investiții

Аннотация

Важнейшей характеристикой финансового менеджмента организации является обеспечение ее ликвидности и рыночной устойчивости. Это тем более актуально для сельскохозяйственных организаций, деятельность которых зависит от качества менеджмента по управлению как внутренними, так и внешними факторами. Специфика отрасли требует обеспечения эффективного управления активами в течении всего периода (года), а не в сезон, что будет способствовать стабильности финансового положения, как основы развития.

В статье проведен анализ деятельности предприятия за последние годы в части совершенствования организационно-правовой формы хозяйствования, технического развития, финансовой устойчивости и определены пути ее улучшения.

Ключевые слова: рыночная экономика, техническое перевооружение, рынок сырья, финансовая устойчивость, финансовый менеджмент, инвестиции

Received 12.10.2023

Accepted 28.11.2023

Published 29.12.2023