

Diagnostics of financial security of the concession activity

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Abstract. In the article the terminological analysis of definitions "diagnostics", "financial security" is carried out and interpretation of the concept of "financial security of concession activity" is offered. To increase the efficiency of the functioning of state and municipal property objects the distribution of concession form of their management is offered and the mechanism of diagnostics of financial security of concession activity and estimation of its influence on the level of economic security of the state is developed.

Keywords: *financial security, diagnostics of financial security, financial security of concession activity, concessions, concession activity, financial providing.*

Problem. In modern unstable conditions of development of country's economy, severe public and economic transformations, the primary concern is still the increase of the effectiveness of functioning of the state sector of the economy. State enterprises are the basis of the national economy, which, along with other ones determine social and economic development of the country. The actual recovery tool for maintaining financial and property status of state and municipal property objects currently is the usage of the concession form of management. Therefore, the study of the processes of diagnostics of financial security of concession activity is timely and necessary.

Analysis of recent research and publications. Theoretical, methodological and practical aspects of diagnostics of financial security of business entities are examined in the works of such foreign and home scientists: Z. S. Varnalij, A. E. Voronkova, O. O. Getman, M. I. Golovinov, T. O. Zagorna, L. O. Kovalenko, L. L. Tarangul, S. V. Onishko, V. F. Savchenko, N. V. Tkachenko, V. M. Shapoval, K. I. Shvabij, S. M. Shkarlet, G. O. Shvidanenko and others.

Underlining unsolved aspects of the problem. National scientists and economists pay special attention to the problems of the practical implementation of financial security diagnostics of business entities. However, despite the depth of the research, conceptual principles of organization of financial security diagnostics of concession entities are poorly understood and require further research.

The purpose of the article. The aim of this study is to examine the conceptual principles and practical approaches to financial security diagnostics of business entities that are or may be in the concession and to ground the necessity of taking into consideration the results of its implementation during their business activities in order to ensure efficiency of the operation and recovery of industrial infrastructure of the national economy.

The main material. Insufficient development of industrial infrastructure not only affects the efficiency of the functioning of the national economy, but also gives rise to signs of man-made crisis. These reasons lead to the need for new forms of management of state and municipal property, one of which is a concession. However, the need to accumulate large amounts of financial resources to restore their financial and property status requires a complex financial diagnostics from the side of all participants of concession agreement. Currently among scientists there is no unanimous opinion on the definition of diagnostics.

N. Danilochkina suggests understanding diagnostics as

a branch of economic analysis which makes it possible to reveal the nature of the violation of the normal course of economic processes in the enterprise [1].

A. Sheremet, R. Sayfulin consider the diagnostics in terms of company's financial analysis, which includes assessment of the dynamics and structure of the balance sheet items, the analysis of financial stability, balance sheet liquidity, financial ratios and a system of criteria and methodology for assessing the unsatisfactory structure of the balance sheet of the insolvent company [2].

O. Konyina says that the diagnostics is a part of the financial analysis that is aimed to identify risk degree and allows to identify "hot spots" of the activity and presents possible variants of getting out of the critical situation [3].

V. Rappaport believes that diagnostics is an implementation of administrative work to identify problems and bottlenecks of an enterprise's management system [4].

L. A. Kostyrko focuses on the fact that diagnostics establishes the diagnosis, determines the symptoms, causes of deformations and deviations of the object from the norm, trends, plan, objectives [5].

The most complex interpretation of this definition is the term, suggested by of H. Davidov and A. Belikov, which consider diagnostics to be a process of identifying of possible deviations of the self-organizing systems from normal operation and which is characterized by certain level of efficiency and reliability. It aims to assess the state of the objects under incomplete information in order to identify the problems in the company and the causes of their origin. [6]

The ambiguity in the interpretation of the definition "diagnostics" causes a variety of interpretations of the definition "financial security". Thus, according to I.O. Blank, under company's financial security one should understand the "quantitatively and qualitatively determined level of its financial state, which provides a process of stable securing of its prior balanced financial interests from identified real and potential risks of external and internal character, with the parameters that are determined on the basis of its financial philosophy and create the necessary preconditions of financial support of its steady development in the current and prospective period"[7].

R. S. Papekhin defines financial security as a specific condition of financial stability, which the company should be in, to realize its strategy and is characterized by the ability of the company to withstand external and internal risks. [8]

Kartuzov E.P. consider viewing company's financial security as its financial state which is characterized, firstly by set of its balanced and quality financial tools,

technologies and services used by a company; secondly, resistance to internal and external risks; thirdly, the ability of the financial system to provide the company's financial interests, missions and tasks with the sufficient financial resources; fourthly, to ensure the effective and stable development of the financial system [9].

K. S. Goryacheva suggests to understand financial security as the presence of such financial state, which is characterized by balanced and quality financial instruments, technologies and services, resistance to risks, ability of the company's financial system to provide their own financial interests, missions and tasks with sufficient financial resources and to ensure effective and stable growth of this financial system [10].

V. I. Muntiyan proposes to view financial security as a state of most efficient use of company's corporate resources, shown in the best values of financial indexes of profitability of business, management quality, the use of fixed and circulating assets of the company, the structure of its capital, the norms of dividend payments as a synthetic indicator of the current financial and economic state of the company and the prospects of its technological and financial development [11].

According to the Law of the Ukraine "On basis of National Security of Ukraine" company's financial security should be viewed as a state of protection of vital interests of the company, which provides its steady development, early detection, prevention and neutralization of real and potential risks to economic interests [12].

Taking into consideration the existing approaches to the interpretation of the definition "financial security", we suggest to understand the term "financial security of concession activity" as a balanced financial state of concession object, necessary for providing the process of its extended reproduction, complex realization of the concession program, stable implementation of society's life-support function, forming preconditions for strengthening the level of the state's economic security.

In the process of realization of diagnostics of financial security researchers distinguish different indicators, principal among which are: net income, net cash flow, limit values of certain financial indicators (coefficient of

autonomy, level of financial leverage, the turnover rates of receivables and payables).

I. O. Blank, I. A. Aleksandrov, O. A. Orlov, A. V. Polovyan suggest to evaluate company's financial security on the basis of identification and evaluation of the general state of its financial activity. I. O. Blank identifies the following groups of analytical financial coefficients: coefficients to evaluate company's financial stability, solvency (liquidity), asset turnover, turnover ratio, profitability [13]. However, the dual nature of financial security makes it difficult to form the common methodical approach to the assessment of its level because of the presence of specific features of separate business entities functioning and dynamic character of organization of their financial and economic activity.

The process of diagnosing business entities' financial security, which are or may be in the concession, has its specific features. This is due to the very specific form of management which means the possibility of distribution of obligations, concerning foundation and management of a concession object, property responsibility and distribution of business risk between the participants of a concession agreement. In this connection a concessionaire, executive authority, local self-government, and also local community can come forward as a subject of financial diagnostics of concession activity. Singling out the local community, as a subject of diagnostics of concession objects' financial security is due to the performance by the vast majority of concessionaires the life support functions in society. The mechanism of financial security diagnostics of concession activity and evaluation of its influence on the level of state's economic security is shown in figure 1. Distribution of concession activity and practical implementation of the mechanism of its financial security diagnostics will allow to accumulate the necessary financial resources, to restore the production capacity, to affect the overall efficiency of the functioning of state and municipal property, will provide greater financial security in the region.

Currently, the effectiveness of functioning of most business entities and economic sectors remains at a fairly low level that is caused by number of factors, table 1.

Table 1. Profitability of operating activity of enterprises by the types of economic activity for the years 2012-2014 (%)*

Types of economic activity	Years		
	2012	2013	2014
agriculture, forestry and fisheries	21,7	11,3	20,6
industry	3,4	3,0	1,6
construction	-0,1	0,0	5,8
wholesale and retail trade	12,2	10,2	-12,8
transportation, storage, postal and courier activities	5,4	3,5	-1,7
temporary arrangement and catering	-1,1	-2,8	-25,8
information and telecommunications	10,5	11,8	-1,6
financial and insurance activities	6,1	5,9	-15,2
real estate operations	2,8	3,1	-46,9
professional, scientific and technical activities	0,3	-1,3	-29,1
activities in the field of administrative and auxiliary services	-2,9	-2,5	-13,6
education	8,2	8,4	5,5
health care and social assistance	2,7	3,1	-3,7
art, sport, entertainment and recreation	-17,6	-8,0	-11,8
the provision of other services	2,6	-0,9	-1,0
Total	5,0	3,9	-4,1

* compiled according to the data of the State statistics service of Ukraine.

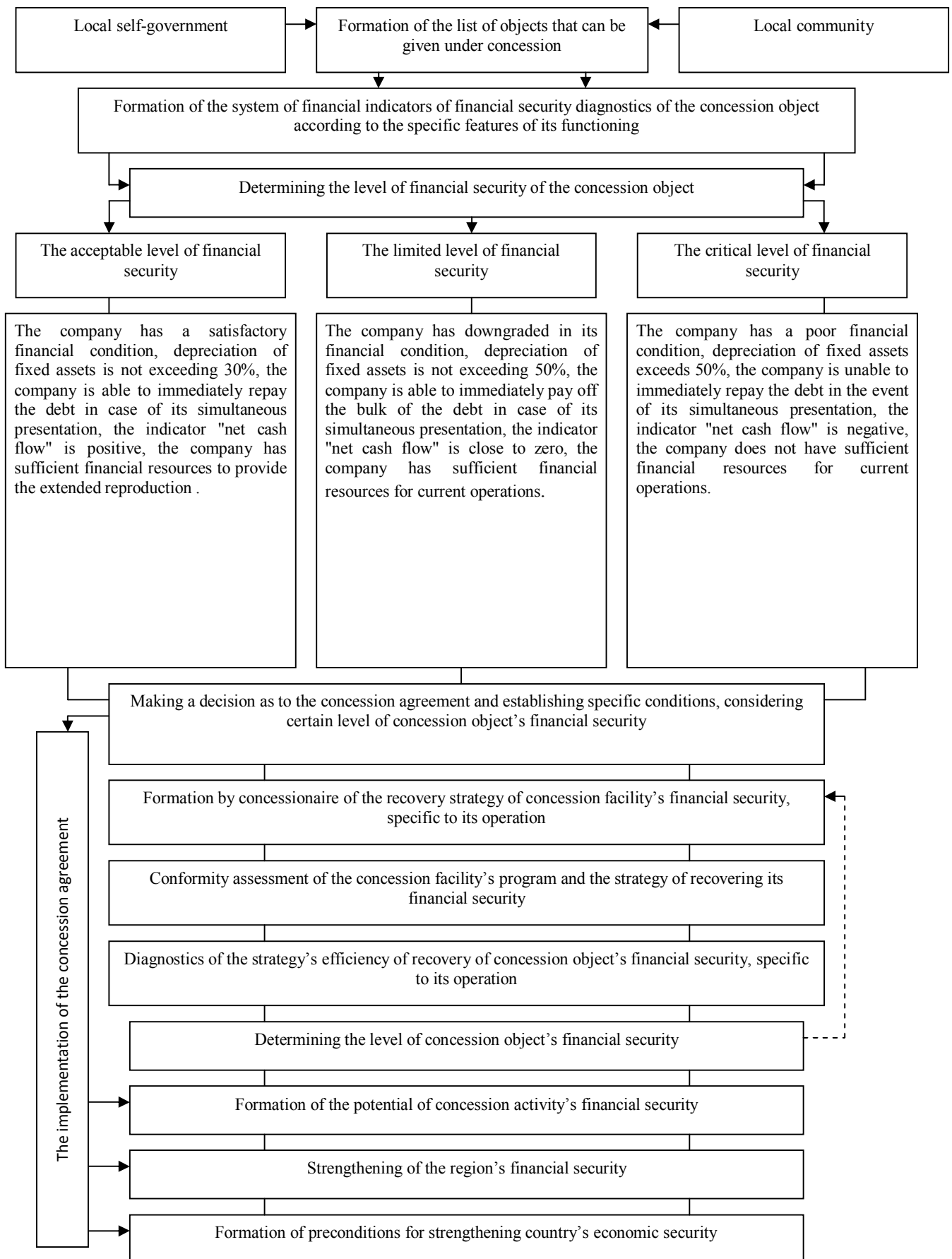


Figure 1. The mechanism of financial security diagnostics of concession activity.

Lack of efficiency of functioning of the majority of national economic sectors causes a gradual deterioration of the quality of goods and services, increases the businesses' need for the capital, limits the ability to modernize production facilities of business entities. In addition, the presence of unprofitable sectors of the economics, reducing the efficiency of their operation directly affects the amount of tax revenue of corresponding level budgets that is under the condition of the shortage of budget funds, the presence of big external and internal national debt in the country is an extremely serious problem. The combination of the above factors has a direct impact on the deterioration of financial security regarding some sectors of the national economy and the country in general. In this regard there comes an increasing need for active state support of concession activity backed by the mechanism of complex financial diagnostics.

Conclusions and suggestions. The aggravation of the contradictions of the national economy's development amid deepening political and socio-economic conflicts on

different levels of the economic system reopens the issue of strengthening of the financial security of businesses and economic sectors, and methodical aspects of its diagnostics. The level of financial security depends on the financial and property status of business entity. Taking into consideration the central role of state and municipal ownership in shaping the basic development conditions of the national economy, the issue of increasing the efficiency of their operation remains imminent. However, limited budgets and the presence of characteristic signs of recession of the national economy at the present stage don't make these processes possible. Therefore, the use of concession is reasonable as a tool to raise the level of financial security. In addition, the recovery of the financial and economic status of potential concession facilities will contribute to the accumulation of financial potential, the introduction of advanced innovative technologies and will facilitate the strengthening of financial security at both the regional and the national level.

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Диагностика финансовой безопасности концессионной деятельности

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Аннотация. В статье осуществлен терминологический анализ дефиниций «диагностика», «финансовая безопасность» и предложено определение понятия «финансовая безопасность концессионной деятельности». С целью повышения результативности функционирования объектов государственной и коммунальной собственности предложено распространение концессионной формы управления ими и разработан механизм диагностики финансовой безопасности концессионной деятельности, а также оценки его влияния на уровень экономической безопасности государства.

Ключевые слова: *финансовая безопасность, диагностика финансовой безопасности, финансовая безопасность концессионной деятельности, концессии, концессионная деятельность, финансовое обеспечение.*