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FEATURES OF FINANCIAL MANAGEMENT IN SMALL BUSINESS ORGANIZATIONS

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ABSTRACT

The article analyzes the advantages and disadvantages of small firms with respect to large production. The role of finance for any enterprise is defined. The definition of profitability is given, its functions and factors that affect the profitability indicator are established. It tells about the difference between large and small enterprises in the issue of financial planning. An assessment of the importance of financial planning for small enterprises is given. Financial planning schemes are given.

KEYWORDS: *Finance, Small Business, Financial Management, Financial Plan, Efficiency Of Financial Planning.*

INTRODUCTION

Today, small business is the main sector in a market economy, because it determines the quality and structure of the gross national product and the pace of economic growth. The main task of any entrepreneur is considered to be profitable business management due to the rational use of available resources, minimizing losses and maximizing the probabilities of meeting socio-economic needs. The shaky organization of economic work has become one of the key reasons for the destruction of small business companies.

The importance of the finances of small enterprises in the national financial system is also confirmed by their share in GDP, which for several years has been about 20% and the share of this segment in total employment, which is about 25%. [1 p.27]

The modern market economy provides freedom of action in relation to business and entrepreneurship, but at the same time, it affects the growth of competition between small businesses. Regardless of the scale of the organization, its management system should have a positive impact on the efficiency of the company. For example, Michael Mescon wrote: "... the goal of management is to do real work by real people. A successful solution is considered to be one that is implemented practically — turns into action — efficiently and effectively" [2 p. 7]. For small businesses, sole ownership is characteristic, in fact, this suggests that the entrepreneur is autonomously engaged in money, provision, sales, advertising, etc. However, the owner does not always have the opportunity to perform all functions autonomously, during this time he has to delegate his own capabilities and outsource accounting and monetary accounting. As the company rises, a management group is formed, covering the accountant, which leads to the rejection of outsourcing. But even with such an organization structure, almost all small businesses have to face difficult tasks.

As experience shows, one of the leading factors that contributes to ruin is a lack of knowledge. As a result, in order to survive, sooner or later they are obliged to address consulting companies. As you know, an economic project is considered a reliable method of managing the flow of foreign exchange funds. If you do not disdain this reliable management inventory, design a project for a month, a year and a long period, then you can confidently move in your chosen direction. The economic project of a large firm is an extensive document, but it contains fewer details and supporting documents. The economic project includes: – the project of assets and liabilities; – calculation of the break–even point; - monitoring of cash movement. Small firms with relatively large production have a number of advantages: the exclusion of unnecessary links in management, the possibility of manufacturing small batches without financial losses, proximity to local markets and customer requests. In the modern market economy of the country, small enterprises need to compete both with large industries and with each other.

Small companies, unlike large ones, are more susceptible to such factors as high competitiveness, lack of working capital, and the threat of rapid ruin. Competitiveness is added by rational management of the movement of financial resources and capital in its use. Finances are of the most important importance, since funds are necessary for the company's activities and its development, and thanks to competent financial management, the organization overcomes competitive obstacles in the market. Consequently, the relevance of the work is determined by the fact that the effectiveness of the organization's activities is better considered in relation to various indicators that characterize the funds invested in the organization. Such, for example, are the indicators of profitability (profitability).

Profitability is the ratio of income to the capital that was invested in creating this income. [3 p. 47]. The total profitability is calculated according to the formula: where R is the level of profitability, %; P is profit; Of is the average annual cost of fixed assets; Ob is the average annual cost of normalized working capital. Profitability helps to correlate the profitability of an enterprise with an alternative investment of capital or the profitability that an organization would receive under similar risk conditions. In order for risky investments to become profitable, they require higher returns. Profitability is an indicator that comprehensively characterizes the efficiency of an enterprise. It characterizes the result of activity: from the use of enterprise resources: success (failure) in business, growth (decrease) in the volume of activity. Also, profitability is the difference between the price of a product and its value, between the volume of sales and its cost, this characterizes it as a quantitative indicator. The profitability indicator can be considered as one of the criteria for the quality of management, because it is used to assess the effectiveness of the management of the enterprise as a whole, profitability largely depends on the correctness and rationality of management decisions. The economic interest of any enterprise is to increase the share of profitability that remains at its disposal. For the employees of the enterprise, the increase in the level of profitability is a strengthening of the financial situation, and as a result, an increase in funds for material incentives for their work, and for managers, this information is an indicator of the tactics and strategy of the company. Profitability means how profitable the company's activities are, which means that the higher the value of the profitability coefficients, the more efficient the activity is.

It is quite obvious that the purpose of financial planning is to make a profit, which is based on the analysis of expenses and income. In order to make the goal of any business - profit the most significant, it is necessary to analyze the ways of spending funds and find ways to increase income. Currently, technology is coming to the fore. Technologies can be very different, they can be used in a variety of fields, but the most important thing is whether the company has technologies in principle. Those enterprises that have new management technologies that allow them to plan business, control financial and commodity flows, and most reliably analyze various indicators, they are the ones that are ahead of the rest of the enterprise. And it's no secret that large enterprises, due to their scale and the number of financing channels, have an advantage over small enterprises.

Accordingly, for small enterprises, building an effective financial and economic policy that will allow optimal allocation of economic resources comes to the fore. Small enterprises, like no other, are exposed to the risks of changing the market environment and its negative impact. Financial planning allows such enterprises to significantly reduce risks, helps the enterprise to develop, introduce and develop new production concepts, etc. A characteristic feature of small enterprises is that both at the stage of formation and during periods of development and growth, the enterprise experiences difficulties with the formation of financial resources. In such conditions, it is necessary to develop a system of financial plans and planned indicators to ensure the development of the enterprise with the necessary financial resources and increase the efficiency of its financial activities in the coming period. A financial plan is the face of your business. Based on it, you can plan profit and measures to increase it. The plan must be adjusted in accordance with the realities. If the plan is not fulfilled, there is no profit, then it is urgently necessary to take measures to improve the work of the business and stabilize finances. If the plan is fulfilled, everything is fine in business. Given the problem of limiting the possibility of attracting borrowed capital and the lack of equity, there is a need to manage the capital structure within the financial policy of a small enterprise.

Within the framework of financial management of a small enterprise, one of the problems is the process of tax management, which includes the management of taxable objects, the procedure for calculating and paying taxes. When implementing tax planning, a financial manager needs to clearly distinguish between aggressive planning aimed at minimizing tax payments and optimizing taxation, taking into account the opportunities provided by the norms of tax law. Another problem is the financial analysis and assessment of the financial condition of a small enterprise. Small enterprises are less liquid than large ones, because it is difficult for them to have the most liquid assets, less money is invested in stocks and receivables, which is also confirmed by a longer turnover of assets. At the same time, the share of borrowed capital in the capital structure of small enterprises is high. Accordingly, the level of entrepreneurial risk in a small enterprise is significantly higher (almost 3 times) than in a large one. "Therefore, I consider it possible to develop a system of normative values of financial analysis indicators for small enterprises, which will differ slightly from generally accepted standards" [4 p. 56].

An urgent problem is the lack of competent financial managers. Many small business representatives see the solution to this problem in combining positions. But such savings in financial services leads to a deterioration in the quality of management decisions. The creation of a special financial unit or financial position will be expensive, as high-level specialists in the field of finance are expensive. There remains the option of effective financial management by transferring financial management to a specialized organization, the so-called outsourcing or subcontracting.

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