

Assessment of financial and investment activity of textile enterprises as a guarantee of successful business in the region

DOI: 10.35530/IT.071.03.1687

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ABSTRACT – REZUMAT

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This article is devoted to the research of the interaction of theoretical and methodical bases of using analysis in the process of case management at textile enterprises. The purpose of the study is to prove the necessity of conducting an assessment of the financial status and investment activity of textile enterprises. According to the results of the research, it has been proved that the financial evaluation of the state of financial and investment activity is important in the organization of textile business. The indicators of accounting are the basis for such an analysis and assessment of the financial condition of textile companies. The research has carried out the classification of financial reporting indicators for assessing the activity of the textile enterprise. The elements of financial reporting and their characteristics are analysed. The sources of income generation and expenses of the textile manufacturing company were systematized and revealed. A plan for assessing the effectiveness of activities has been developed and proposed, which will reflect the results of the activity of the textile enterprise. The components of financial reporting are proposed and their purpose is analysed. The conclusions regarding the effectiveness of the evaluation of financial-investment activity of textile enterprises, which influences the results of successful business in the region, are presented.

Keywords: financial analysis, reporting, performance indicators, performance

Evaluarea activității financiare și investiționale a întreprinderilor textile ca garanție a afacerilor de succes în regiune

Articolul este dedicat cercetării interacțiunii dintre bazele teoretice și metodice ale utilizării analizei în managementul întreprinderilor textile. Obiectivul studiului este de a demonstra necesitatea efectuării unei evaluări a activității financiare și investiționale în întreprinderilor textile. Conform rezultatelor cercetării, s-a dovedit că evaluarea activității financiare și investiționale este importantă în organizarea afacerilor textile. Indicatorii contabili stau la baza analizei și evaluării stării financiare a întreprinderilor textile. Studiul a cuprins clasificarea indicatorilor de raportare financiară pentru evaluarea activității întreprinderii textile. Au fost analizate elementele raportării financiare și caracteristicile acestora. Sursele de generare a veniturilor și cheltuielile întreprinderilor textile au fost sistematizate și prezentate. A fost elaborat și propus un plan de evaluare a eficienței activităților, care va reflecta rezultatele activității întreprinderilor textile. Au fost propuse componentele raportării financiare, iar scopul acestora a fost analizat. Au fost prezentate concluziile privind eficiența evaluării activității financiar-investiționale a întreprinderilor textile, care influențează rezultatele afacerilor de succes din regiune.

Cuvinte-cheie: analiză financiară, raportare, indicatori de performanță, performanță

INTRODUCTION

The assessment of the financial and investment activity of textile enterprises is a particularly topical issue in the modern textile industry. Companies that pay significant attention to business administration and business analysis have great opportunities for operating data and making important managerial decisions, including finding investors and sponsors to expand production and sales trends of the textile industry.

The successful operation of a textile enterprise in modern conditions requires an increase in the efficiency of financial and economic activity on the basis of financial analysis. It is based on reliable information reflected in the forms of financial statements. It is

the financial statements that should provide complete, unbiased and reliable information about the current state and results of the operation of the company, but the indicators presented in the reports are not enough to make sound and correct management decisions. Conducting an assessment of the financial condition of the company is mandatory at modern textile manufacturing enterprises if they are to profit. Such analysis will allow to timely identify the actual indicators of liquidity, solvency, financial stability, financial attractiveness, profitability, break-even and other indicators, and respond to their changes. And in general, increase the likelihood of adopting sound, constructive and correct decisions, obtaining proposals from investors and sponsors.

REVIEW OF LITERATURE

The questions of the analysis and evaluation of the activity of textile enterprises are carried out by foreign and domestic scientists, such as: Melnychuk Y., Berling J., Dominic-Ferreira S., Vuuren V., Justin A., Shaukhin T., Reznichenko K., Samofat I., Podolyak G., Larsson M., Lennborg M., Dubin M., Zadorozhny S., Ishchenko A., Yaremenko N., Tkachenko A., Shmatko K. At the same time, the issue of the need for an analysis of the activity of textile enterprises requires further research. Therefore, the purpose of the article is to determine the peculiarities of analysing the financial and investment situation in a textile company.

Scientists are keen to improve the system for evaluating and analysing the activities of textile companies, as this is a very topical issue today. Thus, the proposed blocks of investment potential and investment activity indices at the national, corporate and household levels for investment activity assessment. Such system of indices reflects the state of investment processes at all stages of investment movement [1]. However, investment processes should be considered in the context of financial activities in general. Investments are an integral part of the financial activity of the textile enterprise.

Human advices are useful, but they can be subjective. We are interested in the opinion of really experienced specialists on this issue. Auditors and financiers, accountants and other specialists know that the reliability of the project is determined not by words but by calculating a number of indicators of the reliability of the investment object, for example, the ratio of own and borrowed funds to the project, liquidity of assets, expected profit, probability of bankruptcy of the company, etc. There are dozens of such indicators, so it is needed to have access to information and have experience in financial and analytical work for their calculation [2]. One has to agree with this opinion, adding to the previous that the results of the assessment of the financial state of the textile enterprise affect the decision of investors. Therefore, the definition of the final financial performance of the company has a great scientific and practical significance. With their help you cannot only evaluate the company's efficiency, analyse its various structural units and activities, but also determine the development strategy, develop a forecast and action plan for the future, establish the results of using the resources spent, in particular, means of production, labour, information [3].

ANALYSIS AND DISCUSSION

The disclosure of the results of the textile company's activities, in particular, the financial support indicators, plays an important role in making decisions of the investor regarding the choice of the project and is advertising for the company itself. Such indicators are: the level of authorized capital, the level of equity, income and expenses of the company, assets of the company. All these indicators in the complex

reflect the financial support of the company and its position in the textile market. However, they do not reflect the assessment of the financial condition, which is only possible, based on the analysis of financial statements.

It is generally known that financial statements are statements that contain information about the financial position, results of operations and cash flows of the enterprise during the reporting period, the purpose of which is to provide users with complete, truthful and unbiased information about the financial position, performance and operating costs of the enterprise for decision-making.

The composition of financial statements is determined by the national accounting (accounting) standards.

Balance sheet – statement of financial position of an enterprise that reflects on a certain date its assets, liabilities and equity.

Report on financial results – a report on income, expenses and financial results of the enterprise.

Cash flow statement – a statement that shows the cash flows and cash flows from the activities of the enterprise in the reporting period.

Statement of equity – a statement that reflects changes in the equity of the enterprise during the reporting period.

Notes to the financial statements are a set of indicators and explanations that provide detailed and substantiated items of the financial statements, as well as other information, disclosure of which is provided by the relevant provisions (standards).

The financial statements of textile enterprises should contain a set of components that will be used in the analysis of its financial condition (table 1).

The assessment of the effectiveness of companies in textile production is based on financial statements in the directions [2]:

- Analysis of the company's income;
- Cost analysis of the company;
- Comprehensive assessment of the financial situation of the textile enterprise: liquidity and solvency of the company, financial stability of the textile enterprise, financial attractiveness, profitability and calculation of the probability of a bankruptcy of a textile enterprise.

The assessment of the effectiveness of a textile company should be determined by the set of indicators already mentioned above. The combination of company profits and expenses with the balance sheet data in terms of financial ratios and indicators reflects the results of the activities of the manufacturer, its financial stability and solvency.

By "costs" we mean any means, money, values, etc., used in the process of doing anything. And "income" reflects the material values, the money received by the company as a result of any activity.

Indicators that reflect the financial content of the profits received at the textile manufacturing enterprises are as follows: structural analysis of company profits and a comparative analysis of profits over a number of years.

Table 1

COMPONENTS OF FINANCIAL REPORTING AND THEIR PURPOSE		
Components of financial statements	Content	Use of information
Balance sheet	Availability of economic resources, which are controlled by the enterprise, at the balance sheet date	Estimation of the structure of enterprise resources, their liquidity and solvency of the enterprise, forecasting of future loan needs, estimation and forecasting of changes in economic resources that the company is likely to control in the future
Report on financial results	Revenues, expenses and financial results of the enterprise for the reporting period	Estimation and forecast: Profitability of the enterprise, income and expenditure structure
Cash flow statement	Changes in the equity of the enterprise during the reporting period	Estimation and forecast of changes in equity
Statement of equity	Generation and use of cash during the reporting period	Estimation and forecast of operating, investment and financial activity of the enterprise
Notes to the financial statements	Selected accounting policies, information is not provided directly in the financial statements, but required by the Standards of Accounting, additional analysis of the articles of reporting necessary to ensure its comprehensibility.	Estimation and Forecast: accounting policies, risks or uncertainties affecting the company, its resources and liabilities, activities of business units, etc.

Along with incomes, they analyze costs that are high in textile production. Indicators that reflect the financial nature of company expenses are as follows: structural analysis of company expenses and a comparative analysis of costs over a number of years. Necessary for obtaining a certain result (effect) all expenses are divided into current (daily) and one-time. Current (everyday) expenses include labour costs for different categories of personnel (labour) and the amount of continuously used means of production (the cost of labour, the amount of depreciation), as well as some other costs included in the full cost of production. One-time costs are advanced funds for the reproduction of means of production in

the form of capital investments. At the same time, capital investments produce returns (effect, result) only after a certain time equal to the duration of the reproductive cycle of labour and is taken into account when determining their effectiveness. The expenses of the company have their own specifics, which depends on the direction of production.

For textile producers, it is important to control the production process not only in terms of quality, but also in financial indicators that reflect the efficiency of production. The system of indicators of production efficiency is given in table 2 [4–6].

Wages are the main source of living for employees, accounting most of the revenues achieved and

Table 2

SYSTEM OF INDICATORS OF PRODUCTION EFFICIENCY			
Summarizing indicators	Performance metric		
	labour (personnel)	production funds	financial resources
production per unit cost of resources	growth rate of labour productivity	total fund of return (by volume of production)	turnover of working capital
profit per unit of total expenses	share of product growth at the expense of productivity growth	fund of return of the active part of fixed assets	profitability of working capital
profitability of production	relative release of employees	profitability of fixed assets	relative release of working capital
costs per unit of commodity products	coefficient of utilization of useful working time fund	funds capacity of a product unit	specific capital investments (per unit of capacity increase or output)
share of product growth at the expense of intensification of production	labour capacity of the product unit	material capacity of the product unit	profitability of capital investments
the economic effect of the use of one product	salary capacity of the product unit	coefficient of use of the most important types of raw materials and materials.	payback period of capital investments

having a decisive effect on the standard of living of the employee and its family. Labour productivity is one of the indicators that show how effective the work forces. Of all the factors of production, human capital (meaning labour) is one of the most important factors that impose effects on productivity. Increasing labour productivity means that a larger quantity of goods has been produced over a period of time in a sector or across one country [7].

The problem of improving the efficiency of production is to provide the maximum possible result for each unit spent labour, material, financial and other resources, therefore the criterion of production efficiency in the macroeconomic scale is the growth of productivity of social labour.

The next stage of the analysis is an assessment of the financial state of the textile company by means of indicators that reflect:

- Liquidity of the company:
 - coefficient of general liquidity;
 - ratio of current liquidity;
 - absolute liquidity ratio.
- Financial stability:
 - coefficient of concentration of equity capital;
 - coefficient of concentration of debt capital;
 - correlation coefficient;
 - coefficient of financial dependence;
 - coefficient of maneuverability of own capital.
- Profitability;
- Probability of bankruptcy.

In general, all measures to improve the functioning of textile enterprises can be reduced to three areas:

- management of expenses and resources of enterprises with textile profile;

- development and improvement of textile production and other activities;
- improvement of the enterprise management system and all types of its activities on the basis of evaluation of the financial and investment situation of the textile enterprise.

As you can see, all measures to improve the efficiency of the textile enterprise are interdependent. However, the most important factors are identified by the third group (direction), because their mobilization involves determining the place of implementation in the management system of activities.

Specialists know that the financial soundness of textile enterprises is determined by calculating a number of indicators: the ratio of own and attracted capital, liquid assets and short-term receivables, and others, for such calculation, indicators of financial reporting are required. In many developed countries, the calculation of indicators is carried out by rating agencies, but each company may have its own financial specialist, which will be engaged in assessing the financial condition of the enterprise.

It should be noted that the modern Ukrainian clothing market is represented by virtually all types of products: from world-famous brands related to fashion houses to unregistered producers. According to statistics, about 6,000 ready-made garments and fur companies are registered in Ukraine. Indicators of activity of enterprises of light industry (including clothing manufacturers) of Ukraine for 2013–2018 are given in the table 3 [2, 6].

The results of the analysis showed that most clothing enterprises operate at a loss, the rest – low-income enterprises. At enterprises of clothing manufacturers

Table 3

INDICATORS OF ACTIVITY OF LIGHT INDUSTRY ENTERPRISES (IN PARTICULAR, CLOTHING PRODUCERS) OF UKRAINE FOR 2013–2018							
Indicators of activity	2013	2014	2015	2016	2017	2018	
Sales volumes,% to the total volume of industrial products	1.1	1.1	1.0	0.9	0.9	0.8	
Profitability of operating activities of enterprises (%)	–0.2	–0.2	0.7	–1.6	3.4	2.5	
Operating expenses, mln, UAH*	3753.8	4285.5	4893.5	6113.3	5093.2	5922.4	
Operating expenses structure (%)*	material expenses	51.6	53.4	52.7	52.9	51.0	55.1
	salary expenses	4.9	4.6	4.6	4.0	5.0	4.3
	deductions for social events	24.3	23.6	23.4	22.2	22.5	21.8
	amortization	8.7	8.3	8.2	7.6	7.9	7.6
	other operating expenses	10.5	10.1	11.1	13.3	13.6	11.2
Operating expense 1 UAH. sold products, UAH*	103.3	102.3	99.0	108.1	96.1	98.5	
Investments in fixed capital, UAH million*	344	290	348	365	196	338	
FDI:							
– million dollars USA	129.1	126.6	144.4	139.7	145.5	139.3	
–% of total investment	0.8	0.6	0.5	0.4	0.4	0.3	

Note: * Information is given on textile manufacturing, clothing, fur and fur products (without leather production, leather goods and other materials).

operating costs of 1 UAH sold products amounted to 0.96 UAH – in 2017, and 0.98 UAH – in 2018, sewing production of material resources. According to 2018, 55.1% of operating expenses were material costs, 4.3% – depreciation, 21.8% – labor costs, 7.6 – deductions for social activities and 11.2% – other operating expenses. An in-depth financial analysis will contribute not only to enterprise management, but also to ensure the achievement of the goals of economic development of the region of the whole financial system [7].

CONCLUSIONS

For the more effective development of the garment industry, it is expedient to consider the following measures:

- ensuring the stability of economic, tax and customs legislation, which will facilitate investment attraction;
- more stringent controls during the import of sewing products to prevent smuggling;
- introduction of technical barriers to the import of second-hand, in particular sanitary-hygienic findings;
- directing the activities of enterprises to improve the quality of products and expand the range in accordance with market requirements;
- reduction of the share of production under the toll scheme due to production of the corresponding quality on the domestic market;
- promoting the certification of clothing industry enterprises in accordance with international standards.

The generalization of scientific approaches to assessing the financial and investment status of an enterprise enables us to determine the efficiency of the enterprise on various grounds. At the same time, each type of efficiency provides a separate characteristic of the effectiveness of the textile enterprise, so it is worth paying attention to all types of efficiency,

because in the complex, they can significantly improve the final assessment of the enterprise. In our opinion, the assessment of the operation of an enterprise should be determined not by one but by several important criteria. Moreover, when it comes to assessing the activities of enterprises in a particular industry, in particular, textile.

Thus, the assessment of the financial and investment situation of the enterprise is of great scientific and practical importance. It helps you not only to evaluate the efficiency of the company, analyse the overall effect of its various structural units and activities, but also to determine the strategy of development, to develop a forecast and plan of action for the future, to establish the results of the use of resources spent, in particular, the means of production, labour, information. Financial evaluation of the enterprise is a complex feature of the existence of the socio-economic system. It is also necessary to use a complex approach to its definition, which includes a set of criteria for assessing the effectiveness of the enterprise, namely its cost effectiveness, target performance and competitiveness. It is the need for detailed analysis, comparison, the definition of a number of indicators that characterize the financial position of the company, led to the emergence of rating agencies that group the performance of companies and determine the level of its stability. However, an internal analysis of the effectiveness of textile companies provides improved management decision making, which is not possible without the use of accounting information.

Future areas of research can be the development of ways to expand information content, deepening the financial analysis of textile enterprises, forms of financial reporting through its convergence with other types of reporting (creation of integrated reporting) in order to perceive and interpret its indicators to improve the efficiency of management decisions.

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