Evaluation of financial stability of Russian companies

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Abstract. The article considers the modern approaches to the analysis and evaluation of financial stability of Russian companies to study the effectiveness of cash flow management. A comparative analysis of the financial stability of organizations of the Russian Federation and the Republic of Bashkortostan is conducted using a system of indicators based on the coefficient method. Identified trends show a decrease in the deficit of financial stability and its own funds, which hinders the development of investment activity and the expansion of the productive capacity of Russian companies.

1 Inroduction

In modern realities of market relations, financial stability of an economic entity is a condition for anti-crisis policies and implementation of the company's development strategy, acquiring particular urgency. It also generates economic sustainability of factors for territories and regions, which together provide the financial security of the state as a whole.

The financial stability of the enterprise can be achieved when certain conditions are met. One of the most important conditions is the solvency of the enterprise, describing the financial condition in which the timely repayment of obligations is provided [1]. Ensuring solvency is the result of effective cash flow management, aimed at synchronization of cash receipts and payment of financial liabilities [2].

The following condition for financial stability is the availability of financial resources for the development of the company, denoting the amount and condition of its own funds to finance investments and implementation of financial strategies of the enterprise [3].

2 Theory

For an objective assessment of the successful functioning of enterprises using the category "financial stability" could serve as an evaluation criterion, which is able to determine a

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specific adequacy of financial capacity of the organization in relation to its development and to reflect the investment attractiveness [4]. It can be said that financial stability means a stable state of a company that has solvency, a recommended ratio of its own and borrowed funds, the possibility of further stable development and minimal dependence on the constantly changing internal and external environment.

Despite the apparent simplicity of the problem of quantitative estimation of financial stability, a single commonly accepted approach to building relevant algorithms evaluation does not exist. The indicators included in various analysis techniques can vary significantly both in terms of quantity and methods of calculation [5]. This is due to the natural presence of analysts differing priorities to different indicators.

In the future, our study of the financial stability of Russian enterprises was based on the coefficient method, that is, calculation and analysis of capital structure ratios and coefficients of liabilities.

The main indicator characterizing the degree of financial independence of an enterprise with a coefficient method is the ratio of its own current assets. If the coefficient of autonomy (financial independence) is less than 0.5, then the financial condition of the organization may be unsatisfactory, and it is likely that it will be difficult for the organization to pay in full with all creditors within a reasonable time. The increase in autonomy shows a rise in the financial independence of the enterprise and reduce the likelihood of financial distress in the future [6].

Advantages of the coefficient method are the availability of information support, the possibility of conducting a comparative analysis of various economic entities due to the fact that the method operates with relative indicators [7].

3 Results

Coefficient method allowed us to analyze and compare the financial stability of organizations of the Russian Federation and the Republic of Bashkortostan.

For the analysis on the basis of the information base and composition of balance sheet items, the ratio of own current assets and the autonomy ratio were used in this case. The ratio of own current assets reflect the following: what part of the company's current assets is formed from its own funds, respectively, determines the level of coverage of obligations [8]. The coefficient of autonomy characterizes the independence of the enterprise from borrowed funds and shows the share of own funds in the total value of all enterprise funds, that is, reflects the structure of capital [9].

The main coefficients of financial stability of organizations in the Russian Federation as a whole are given in Table 1.

Table 1. Table 1. Dynamics of indexes of financial stability of organizations (excluding small business entities) in the Russian Federation (according to the financial statements), in % (Source: The Federal state statistics service).

Years	Working capital to CURRENT assets ratio	The coefficient of autonomy
1995	14.2	76.5
1996	(-) 1.0	80.7
1997	(-) 5.6	73.9
1998	(-) 17.0	65.5
1999	(-) 11.9	62.2
2000	(-) 7.4	59.9
2001	(-) 7.0	60.9
2002	(-) 6.6	60.1
2003	(-) 8.2	57.7

2004	(-) 10.6	54.4
2005	(-) 12.5	56.2
2006	(-) 13.3	57.1
2007	(-) 10.5	55.9
2008	(-) 14.1	50.5
2009	(-) 18.8	51.6
2010	(-) 14.1	52.4
2011	(-) 17.8	50.8
2012	(-) 25.5	48.2
2013	(-) 30.7	45.3
2014	(-) 41.2	40.1
2015	(-) 42.6	39.9

The main coefficients of financial stability, calculated by the organizations of the Russian Federation as a whole (Table 1) indicate an ongoing decline in financial stability.

In the mid 90-ies of the last century the proportion of own funds of enterprises reached 70-80%, despite the fact that the lower limit of this index is usually taken at the level of 50-60%. Last but not least, in our opinion, the value of the coefficient of autonomy in this period was influenced by the revaluation of fixed assets according to a system of coefficients previously set by the state, which is very far from real market prices. Accordingly, the "bloated" additional capital in terms of the increase in the value of property revaluation was the main component of equity capital of Russian organizations [10]. An undistributed profit organization, in fact, was not a factor in increasing equity capital. Consequently, the quality of equity has left much to be desired.

Throughout the 2000s, the autonomy ratio declined, that is, the growth rate of own funds lagged behind the growth rate of borrowed funds. In 2012, the ratio ceased to meet the recommended value of 50% and amounted to 48.2%, that is, the enterprises of the Russian Federation preferred loan financing, rather than financing from own funds [11]. The decline in the coefficient continued in 2015. The own funds of Russian enterprises were already less than 40%.

No less depressing picture draws us the ratio of its own working capital. Since 1996, the value of the ratio of own current assets is permanently negative. This means that not only the current assets of Russian organizations are fully formed at the expense of raised funds, but also part of fixed assets [12]. Hence, investment activity is carried out by Russian enterprises in recent years due to the increase in short-term liabilities. So, the deficit of own current assets for the last time is already over 40%.

The dynamics of the coefficients of financial stability in the Republic of Bashkortostan in general is similar to the dynamics of the coefficients for the Russian Federation (Table 2).

Table 2. Dynamics of the financial stability of organizations (excluding small business entities) in the Republic of Bashkortostan (according to the financial statements), in % (Source: The Federal state statistics service).

Years	Working capital to CURRENT assets ratio	The coefficient of autonomy
1996	7.2	75.1
1997	2.2	68.6
1998	(-) 5.3	64.1
1999	4.1	64.3
2000	11.2	64.8
2001	10.3	64.6
2002	9.9	64.6
2003	(-) 0.6	61.2
2004	4.7	62.5

2005	3.6	64.3
2006	(-) 5.6	60.3
2007	4.6	58.6
2008	(-) 12.4	57.8
2009	(-) 9.2	60.1
2010	(-) 14.2	56.5
2011	(-) 18.6	49.3
2012	(-) 12.9	48.2
2013	(-) 12.2	44.8
2014	(-) 16.9	38.2
2015	(-) 8.4	37.2

The value of the autonomy ratio has ceased to meet the recommended value of 50% in 2011, amounting to 49.3%. In 2015, the share of own funds of enterprises of the Republic of Bashkortostan was only 37.2%, that is, lower than in Russia as a whole

Working capital to current assets ratio of the enterprises of the Republic of Bashkortostan was not permanently negative until 2008, in contrast to the level of provision for the Russian Federation as a whole.

But since 2008, due to the onset of the financial crisis, the enterprises of the Republic of Bashkortostan have been experiencing a deficit of their own working capital, although not as profound as enterprises in Russia as a whole. In 2015, the value of the ratio of own circulating assets was (-) 8.4%.

4 Conclusions

The conducted research of the financial stability of enterprises in the Russian Federation and the Republic of Bashkortostan with application of the estimated coefficients of the coefficient method and their dynamics has shown that at present the level of financial stability of the enterprises of the Russian Federation as a whole and the Republic of Bashkortostan continues to decline. Preservation or further strengthening of such a negative trend of the financial condition of Russian enterprises can lead to insolvency and the lack of funds for the stable development of production, and, as a consequence, to the bankruptcy of organizations. If the external environment in which the organization operates is subjected to negative changes, then a set of measures for state regulation of the institutional environment for the functioning of Russian companies is necessary.

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