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THEORETICAL CONCEPTS FOCUSED ON THE SYSTEM OF FINANCIAL BUSINESS

Doga Mariana, Mirzac Valeriu. Theoretical concepts focused on the system of financial business. The article presents the basics of a competitive economy that make up effective companies that are able to withstand competition in the domestic and foreign markets. It is determined that in the context of market relations in the scientific and technical sphere, focused on the development of entrepreneurship, the financing system must respond appropriately to the changing conditions of economic life in order to obtain the maximum possible efficiency. It is established that lack of necessary financial resources, inadequate financing and legislative instruments, financial and banking support, which are part of the financing system of entrepreneurship, are one of the main problems that both start-ups and activators may face. It is proved that the state welcomes three factors – the ability to support this sector, the sectoral structure of the national economy, and the application of competitiveness standards. If these factors are used, then a good part of the business that develops “limited” business or is imposed by Soviet-economic circumstances at the national level will disappear. Therefore, the tendency of the development of such enterprises should be coordinated by people who have managerial skills but not only the desire to profit. It is noted that the use of financial components of the business system, such as: credit products of institutions and organizations in this field, state support through legislation, budget financing, modern financing programs and financial assistance, will provide new opportunities that meet the needs of entrepreneurs, will offer the opportunity to choose the most suitable business development options. With these offers, entrepreneurs will increase their profitability and competitiveness, be able to compete in the domestic and foreign markets. It is concluded that the establishment of a functioning market economy can be ensured through the use of a set of methods and tools for managing the financial system and financial mechanism to support and promote entrepreneurial activity, the basis for which is dependent on their profitability and economic dependence on environmental conditions and influence on the development of economic processes at the national level.

Key words: financial system, entrepreneurship, financial mechanism, modern form of financing.

Дога М.В., Мірзак В. Теоретичні поняття, орієнтовані на систему фінансового бізнесу. В статті представлено основи конкурентної економіки, які складають ефективні компанії, здатні протистояти конкуренції на національному та зовнішньому ринку. Визначено, що в умовах ринкових відносин у науково-технічній сфері, орієнтованій на розвиток підприємництва, система фінансування повинна відповідним чином реагувати на мінливі умови економічного життя, щоб отримати максимально можливу ефективність. Зроблено висновки, що встановлення функціональної ринкової економіки може бути забезпечено за допомогою використання в комплексі методів та інструментів управління фінансовою системою та фінансовим механізмом для підтримки та сприяння підприємницькій діяльності, основа для розвитку якої прив'язана до їх прибутковості та економічності залежність від умов навколишнього середовища та вплив на розвиток економічних процесів на національному рівні.

Ключові слова: фінансова система, підприємництво, фінансовий механізм, сучасна форма фінансування.

Дога М.В., Мірзак В. Теоретические понятия, ориентированные на систему финансового бизнеса. В статье представлены основы конкурентной экономики, которые составляют эффективные компании, способные противостоять конкуренции на национальном и внешнем рынке. Определено, что в условиях рыночных отношений в научно-технической сфере, ориентированной на развитие предпринимательства,

система финансирования должна соответствующим образом реагировать на меняющиеся условия экономической жизни, чтобы получить максимально возможную эффективность. Сделаны выводы, что установление функциональной рыночной экономики может быть обеспечено посредством использования в комплексе методов и инструментов управления финансовой системой и финансовым механизмом для поддержки и содействия предпринимательской деятельности, основа для развития которой привязана к их прибыльности и экономичности зависимости от условий окружающей среды и влияние на развитие экономических процессов на национальном уровне.

Ключевые слова: финансовая система, предпринимательство, финансовый механизм, современная форма финансирования.

Formulation of the problem. Researchers from different fields of science have come to the conclusion that all things are part of the structure of the system, so the systematic approach to the research itself is quite modern and productive.

The concept of a business system can also serve as a tool for evaluating acquisitions, and it proves to be much more powerful in this respect than financial criteria alone and has proven to be extremely powerful as a tool for developing cost-based strategies as a competitive advantage [1].

The concept of the system is very general and broad in its content, it is interpreted as “a finite set of elements that function according to one or more common goals.” We support the widespread assertion that a system is a finite set of identifying and interdependent elements that are structured and function according to a common purpose in a closed domain and/or space. The components of any system, including the financial system, can be the systems themselves. The financial system, as a rule, is open and interacts with the environment where it is placed through the inputs of external assets, their internal transformations, and the output of finished goods or services [2, p.17].

The review (analysis) of recent research and publications on this problem, in which the solution of this problem is initiated and the author is based on showed that the multifaceted aspects of the formation, development, and implementation of the financial business system are considered in the works of such foreign and domestic scientists as: William M. Pride, Robert J. Hughes, Jack R. Kapoor, V. Bulgak, M. Doga-Mirzak, L. Kobzari, L. Erhan, Burton S. Kaliski, et al.

Formulation of the research problem. In spite of the increased interest of scientists in the chosen problems, the theoretical concepts focused on the system of financial business, which is important for the dynamic development of the enterprise, have not been detailed in the domestic scientific practice.

The purpose of the article is to identify the place and role of the concept of a business system that can be a tool for evaluating acquisitions, and it proves to be much more powerful in this respect than just financial criteria, and extremely powerful as a tool for developing cost-based strategies and competitive advantage.

Presenting the main material. A national economic system significantly affects all the economic activities of its citizens and organizations. This far-reaching impact becomes more apparent when we consider that a country's economic system provides answers to four basic economic questions [3]:

1. What goods and services – and how much of each – will be produced?

2. How will these goods and services be produced?

3. For whom will these goods and services be produced?

4. Who owns and who controls the major factors of production?

Also, the concept of a financial system has a very complex content, it is interpreted in several aspects, namely: a system of economic relations, in money expression, by means of financial resources; a system of financial resources funds that appear at certain stages of economy and are used for precisely determined purposes; a system of institutions involved in organizing relationships, establishing and distributing funds, and developing, executing, and controlling financial plans; a system of financial plans (leadership and regulation tools) that reflects certain processes expected to be produced in the economy over a defined period of time [4, p. 17].

According to the author of the macroeconomic dictionary, the notion of “financial system” is explained as a network of financial institutions and markets that operates with a variety of financial instruments, engaged in money transmission, credit and debit funds. Financial institutions and markets occupy a key position in the economy as intermediaries in directing savings and other funds towards borrowers. Thus, one of their main tasks is to balance the supply of ones who save with the demand of ones who lend, by maintaining a high level of savings and investment that could be by chance [5, p. 358-360].

Subsequently, different types of financial relations, under which finance is presented in the contemporary economy, represent an ordered set of elements and together form the financial system. The systemic character of this set of relationships derives from the existing relationships of their mutual interdependence, which give them unitary essence and identical functions, although there are differences between them as relations subjects, constituted funds and their destinations, methods, means and training tools and allocation of these funds [6, p. 1].

Further on, studying the notion of mechanism, we notice it can be defined as a system but that financial system does not work isolated, on the contrary, it is in constant harmony with other systems: political, economic, and social. The approach of the notion “financial system” has to be correlated with the concept of “financial mechanism”, which is a wider category. In its turn, the financial mechanism of a small business can be defined as a financial management system designed to organize, plan, and encourage financial flows in order to effectively influence the financial stability. The financial mechanism is designed not only to provide market relations but also to create the necessary conditions for small businesses to perform their functions.

We conclude that the above-mentioned and studied concepts are two elements closely related to each other,

oriented to satisfy the economic and social needs and which use different methods, levers, instruments, forms, funds, relations, institutions in their activity that influence directly or indirectly, positively or negatively the economic processes that take place at the level of small and medium enterprises to achieve the proposed or planned goals.

In its turn, the financial management is a way to conduct and organize the activity that aims to judiciously use resources in order to obtain the maximum efficiency from the performed activity [2, p. 19]. Thus, financial management forecasts, controls, analyses, and regulates financially the activities at the micro and macro levels. This ensures the normal development of the activity and tracks the financial consequences of the decision-making complex [7, p. 7].

We mention that there is no definition of “managing the financing system of entrepreneurship”, as there is no methodology to be used. Making an analysis of all components of the nominated notion, we highlight several aspects such as (Fig. 1).

The establishment of a functioning market economy can be ensured by using, in a complex, management methods and instruments of the financial system and of the private financial mechanism as a command lever to support and promote the entrepreneurial activities, their development based on their profitability and dependence of economic environment conditions as a whole.

The financial system is one of the basic tools to implement the state policy in the field of business environment activity. In the transition conditions to market economy relations, in the technical and scientific sphere oriented towards entrepreneurship development, the financing system must react adequately to the changing economic conditions in order to obtain the maximum possible efficiency [8, p. 52].

But the most difficult issue for the domestic business environment is to provide a financing system, obvious to build, operate, and develop such a system.

We present schematically the financing system of small and medium business and the interaction between its components.

The following structural elements are included in the financial system of the business environment (Table 1).

In literature, there are several ways to finance businesses, but the most universal one, complementing modern non-traditional forms of financing, is: internal financing (own) and external financing.

Each of them, of course, has advantages and disadvantages. Regarding these two issues, we should specify from the beginning: firstly, only a few entrepreneurs use one financing method, in most cases there are more resources to finance business activity; secondly, none of these methods (methods) is ideal and cannot guarantee positive results, which in return could solve the problems faced by the small and medium business financing.

For countries with a developed financial and banking infrastructure, the following forms of financing, structured in external financing methods, are the most useful for the national economy and especially for the small and medium-sized enterprises sector.

The financial system and entrepreneurs’ support can be represented by programs aimed at encouraging economic entities having a rapid development potential (penetrating foreign markets, creating jobs, developing new technologies, etc.), other focus on enterprises/entrepreneurs that are in difficult situations. The use of state programs is the main method of indirect financing and supporting the business environment. The state funding and support programs, adopted and implemented, emphasize the most significant changes in using this support method.

Advantages of state programs are obvious: many of them are grants or portions of grants, with funding conditions more favourable than those of loans or commercial credits. As for disadvantages, we could mention the reduced volume of these funding reported to domestic needs, also the volume of similar programs in other countries. In addition, the conditions for selecting the beneficiaries of programs often are not sufficiently transparent, considering an informational gap among entrepreneurs and a lack of information about the programs and conditions to access them [9, p. 12].

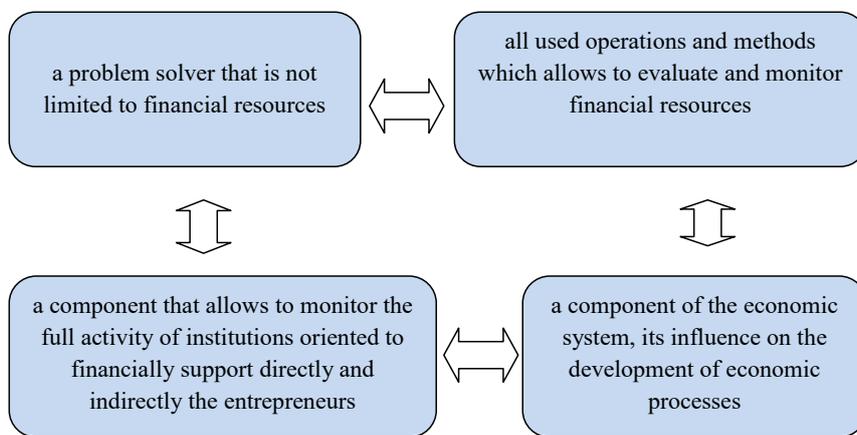


Figure 1. Important components of management of the financing business system

Table 1

Important components of the financial business system	
Component	
State	budget funding, state aid (subsidies), guarantee fund, national and international assistance programs and funds.
Entrepreneur	self-financing, business or entrepreneur’s profit, accumulated depreciation, borrowed funds from close persons, capital increase through debt conversion.
Banking	lending, microfinance, leasing, factoring, franchising.
Modern forms of finance	business angels, business incubator, cluster, venture capital.

Source: compiled by the author

In European Union countries, the European Commission together with the European Central Bank prepares regular studies (once in 6 months – partial studies, once in 2 years – complete studies) to offer information about financing the business environment. These studies are based on questioning the EU enterprises regarding the evolution of the most common problems in the business environment, the structure of economic entities financing, their financing needs, conditions for entrepreneurs financing, access to finance, acceptance and refusal rates of credit applications, etc. [10, p. 27].

Conclusions. The lack of necessary financial resources, imperfect financing and legislative instruments, financial, and banking support, which are components of entrepreneurship financing system, are some of the fundamental problems that both novice entrepreneurs and activating one could face.

The state would welcome three factors – possibilities to support this sector, sectoral structure of the national economy, and application of competitiveness standards. If these factors will be used, then a good part of the business

that develops a “constrained” business or imposed by the soviet-economic circumstances at the national level would disappear. So, the development trend of such enterprises must be coordinated by people who have managerial skills but not just the desire to get profit.

For any business to be successful, an adequate level of funding must be furnished. The amount needed varies according to the scope and nature of the business. Another key factor in the success of an entrepreneurial organisation is planning, including planning for the marketing, management, and financial aspects of the business [11, p. 303].

We would like to mention that the use of financing business system components such as: credit products of institutions and organizations in this area, state support through legislation, budget funding, modern finance programs and financial assistance, will provide new opportunities fitting the entrepreneurs needs, will offer possibility to choose the most opportune business development options. Due to these offers, entrepreneurs will increase their profitability and competitiveness, will have the opportunity to compete in the domestic and foreign markets.

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