SECTION 7. FINANCE, BANKING AND INSURANCE

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7.1 Management of receivables of Ukrainian companies in extremely difficult conditions

In the modern conditions of interaction between business entities, a new stage of development is observed, determined by changes in the market situation, caused by restrictions related to Covid-19 and russia's military aggression against Ukraine. Debt relations in conditions of intense competition and an unpredictable external environment, in particular in connection with the pandemic and war, have become more difficult. Accounts receivable management is one of the key aspects of the management of modern domestic enterprises.

The presence of the appropriate amount of receivables at the enterprise is a necessary result of its economic activity. Management of this debt and optimization of its volume become one of the most urgent tasks that the company must solve. The growth of settlement operations and economic relations between entities requires the enterprise to have effective tools for managing and controlling the level and structure of receivables.

Domestic business entities act as open systems that facilitate interaction with the external environment. This approach emphasizes that the performance of each subject is determined not only by its own efficiency, but also by the efficiency of the financial and economic activity of its counterparties.

Since timely payment for products and services by buyers is critical, late payment can lead to financial difficulties for the seller's business. This can lead to the formation of receivables on its balance sheet, which in turn limits the financial capabilities of this business entity. Such a situation has a negative impact on capital turnover indicators, reduces the level of liquidity and solvency, and may lead to low performance and significant financial losses in the future.

The relevance and at the same time insufficient scientific development of the theoretical and applied aspects of optimizing the receivables of domestic entities indicate the need to find and implement optimal forms and methods of managing this asset at domestic enterprises in general.

Therefore, the existing methodological toolkit for assessment, accounting and analysis of receivables of domestic subjects is considered imperfect and requires further development. In other words, it is necessary to study more deeply the theoretical aspects of the formation of the mechanism of management of receivables of entities aimed at improving the quality of management of receivables of domestic economic entities.

The essence of accounts receivable is the financial obligation of the buyer to the supplier, which arises when purchasing goods or services under conditions of deferred payment. The conditions for the occurrence of this obligation are related to various forms of payment, such as deferment, installments or credit agreements, and depend on economic conditions, the agreement and the strategy of the enterprise. Regarding the classification of receivables, it is important to consider not only the time frames of payments, but also the risks associated with the reliability of customers, the characteristics of the industry and the sources of financing. Consideration and clarification of these aspects will contribute to a better understanding and management of accounts receivable.

In our modern conditions, accounts receivable of business entities is becoming more and more common and is recognized as a necessary element to accelerate the process of product sales between various interested parties.

In the implementation of operational activities of most domestic business entities, accounts receivable, or in other words, commodity lending, is a decisive factor in the field of product sales.

In the modern conditions of mutual settlements between economic entities, especially in the conditions of quarantine and military actions (especially in the east of Ukraine), a significant share of receivables and payables is observed on the balance sheets of domestic entities, which is part of their current assets and current liabilities.

According to Bilozertsev V.S.: “the existence of receivables is related to the search for a compromise solution between risk and profitability. And its optimal size is determined by comparing the profits that the company expects to receive at a certain level of funds invested in receivables with the costs that it will bear for this" [251]. The author notes that the appearance of receivables at the enterprise for the delivered goods is the result of commodity lending. He indicates that the product credit has its own paid basis, and payment for its use can be made in the form of interest or included in the cost of the product. However, in practice, receivables/creditors actually represent a deferral of payment, and the nature of these mutual debt relationships strongly depends on the stability of business relationships between the counterparties - the supplier and the buyer.

Scientist Kovalenko D.I. also notes that "... it should be noted the dynamic nature and variability of receivables as an element of the company's working capital" [252, p. 66].

Also important from the point of view of accounting for receivables is the opinion of N.V. Solovei, who notes that "...in the accounting of enterprises, a lot of attention is paid to accounting for receivables. The timeliness of taking measures for its repayment and reflection in the financial statements of the enterprise for the reporting period depends on the promptness and correctness of the submitted information about the state of receivables" [253, p.125].

In order to create an effective mechanism for managing receivables, it is necessary to develop a clear and perfect classification of this type of enterprise debt. It is also important to unify the methods of its assessment and documents of primary and secondary accounting. This will provide an opportunity to collect information about settlements with the company's debtors at various levels of detail and generalization. At the same time, it is necessary to develop models of the relationship between the receivables and payables of the enterprise and the corresponding tools, which will allow to quickly and qualitatively identify negative phenomena that affect the quantitative and qualitative changes of the corresponding types of debts of domestic enterprises.

So, the receivables of a business entity, in its essence, is the amount that debtors have before this entity on a certain date. This debt arises as a result of providing funds, selling other assets, works or services directly to the debtor and is not a financial asset intended for sale.

The interpretation of the term "receivables" by Ukrainian scientists is shown in table 1.

Table 1

Interpretation of the concept of "receivables"

No	Author, source	Keywords	Interpretation of the term "receivables"
1.	Blank I.M. [254, p.145]	Financial asset	It is a financial asset that is a contractual right to receive cash or securities from of another enterprise is recognized as an asset when the enterprise becomes a party to the contract and, as a result, has the legal right to receive cash
2.	Zyatkovsky I.V. [255]	The main component of credit activity	It is one of the most important components of the enterprise's credit activity, one of the elements for calculating its performance indicators
3.	Makukh T.O. [256, p.84]	Inability of an entity to fulfill monetary obligations to another entity	It is the amount of the inability of the subject of entrepreneurial activity to fulfill monetary obligations to the enterprise after the deadline established by the contract
4.	Bilyk M.D. [257, p.25]	Resources not paid by counterparties in the process of product sales	These are material resources not paid by counterparties or cash withdrawn from enterprises
5.	Taratuta L.V. [258, p.221]	Debt rights of buyers	These are debt rights of buyers

Kuzenko T.B. gives another definition: "...receivables are material resources that have not been paid by counterparties, or cash withdrawn from the circulation of monetary funds" [259, p.126].

Therefore, the company's receivables are a component of its working capital, representing requirements for the return (receipt) of funds in the form of cash, material and other resources from counterparties and other business entities.

The opinion expressed by Rybalko O.M. & Sychova M. B. regarding the solution to the problems of the analysis of receivables in the field of small business is considered valid: “...at the enterprise it is necessary to carry out comprehensive, effective, systematic control over the state of receivables. Building an effective system for monitoring the movement and timely collection of receivables is necessary to ensure that information is received not only about what happened, but also about deviations that may occur. This is necessary so that regulation can be carried out in a preventive manner” [259, p.166].

Taratut L.V.’s opinion is similar to the previous one, regarding the fact that: “...in the process of managing receivables, the most important thing is the implementation of control, which allows you to find out how efficiently and timely the repayment of receivables is, whether the proposed postponement of payment corresponds to requirements of the market and the state of the enterprise on it” [258, p.222].

Indeed, the assessment of the “quality” of receivables can be considered from the point of view of potential economic benefit for a specific business entity. The share (amount) of overdue debts in its total amount (in absolute terms) can be used as a key indicator of the quality of the company's receivables. This makes it possible to assess the state of settlements and debt relations between economic entities at different levels.

So, by analyzing various scientific approaches to defining the concept of "quality of management", it is possible to determine the essence of the category "quality of receivables management". This quality is manifested in the ability of the business entity to use innovations - new modern technologies, financial instruments, more advanced forms and methods of influencing counterparties-debtors. These innovations are aimed at effective management of the formation and timely repayment of receivables, ensuring the achievement of strategic goals and objectives at various stages of managing this aspect of business.

It is quite clear that for some business entities, receivables are actually payables for others. Since business entities have obligations to suppliers of goods and services with limited specific time frames, the term of providing such goods and services on credit to other entities - buyers, should not exceed the planned repayment period of their payables.

In today's conditions, the purpose of managing receivables is to regulate and coordinate the interests of the business entity and its counterparties, as well as to ensure financial stability and solvency in the long term. On the other hand, the management of receivables can be defined as a flexible mechanism of constant search for the most effective interactions with the external economic environment and the ability to achieve maximum success in the market through control over the financial flows of the business entity. The receivables management mechanism is shown in Figure 1.

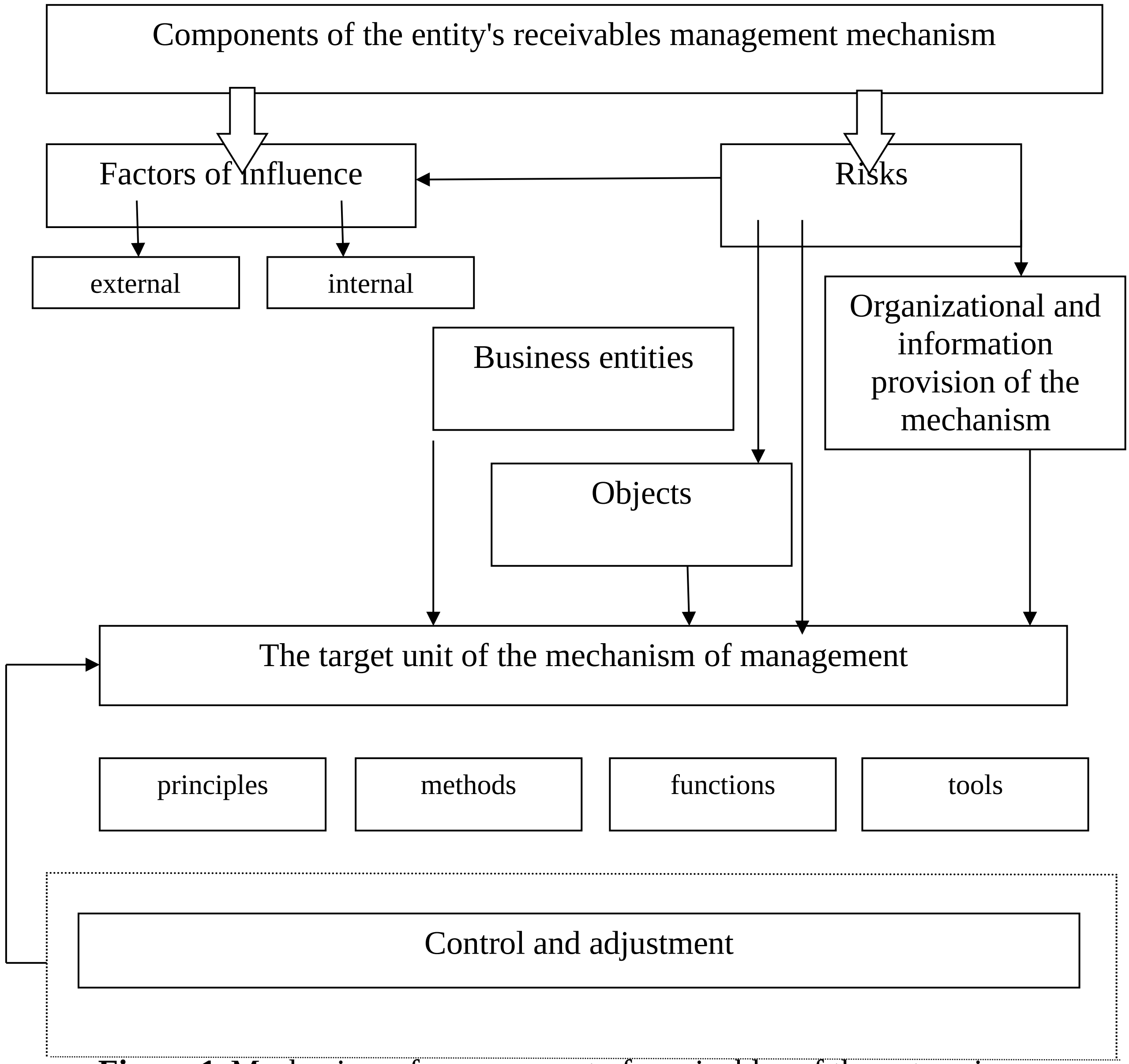

Figure 1. Mechanism of management of receivables of the enterprise

So, the proposed structure of the entity's receivables management mechanism (Fig. 1.1) contains certain components that are designed to ensure the necessary profit for the entity. This is achieved through the implementation of an appropriate credit policy, which contributes to the growth of the volume of products sold, as well as balancing the amount of debt and creating conditions for its timely return.

The mechanism for implementing the receivables management strategy of a business entity will be effective if the entity successfully uses all its components.

In the conditions of modern market transformations and complex conditions, enterprises find it necessary to focus their efforts not only on preventing internal and external threats, but also on maximizing the use of opportunities in order to ensure the realization of their own strategic economic interests.

Taking into account the goal of achieving reliable results in the field of management of receivables of a business entity, it is recommended to systematically analyze and determine key internal and external factors that affect the formation, movement and collection of receivables.

Therefore, the identification of the effectiveness of the management of receivables of a business entity, regardless of its industry and nature of activity, is determined by taking into account various factors that affect the effectiveness of its functioning. These factors can be classified according to their origin into external and internal.

External factors are factors that influence the mechanism of management of receivables of a business entity. These factors include the state's economic condition, the inflation rate, the state budget deficit, the monetary policy of the National Bank of Ukraine, the peculiarities of fiscal policy, the availability of credit resources on the market, the development of the financial market, the characteristics of the industry, including market saturation with products and the presence of competition. Taking into account these factors is important for the successful management of receivables and ensuring the financial stability of the business entity.

Internal factors are those that directly relate to the subject's economic activity. Among them, one can single out general aspects covering organizational and economic support, as well as financial and personnel aspects.

General aspects of management of receivables include the organizational and legal structure, the implementation of foreign economic activity, the effectiveness of price, tax and marketing policies, the duration of the production cycle, the availability of an information system for intra-company planning and management.

Financial aspects include various aspects of financial activities such as working capital management, financial stability, lending and other financial aspects that may affect accounts receivable.

Personnel aspects include aspects of personnel management, including qualifications, motivation, personnel development and other aspects that may affect the efficiency of operations and, accordingly, receivables.

The effectiveness of management of receivables of a business entity is determined by a number of financial factors, such as business reputation, business efficiency, liquidity, financial stability, credit policy, capital structure, financial planning, organizational aspects and use of technology. These factors interact to determine the overall context for optimizing accounts receivable management strategies and ensuring the stability of the company's financial condition.

Indeed, the appearance of debt in a business entity already depends on the existence of risks associated with conducting operations and settlements between various business participants. This type of risk can include operational, production, financial, investment, market, unforeseen competition risks, choosing an unreliable counterparty from a financial point of view, customs risks, implementation risks, credit risks, raiding risks, intentional bankruptcy and other similar circumstances.

It is important to emphasize that taking risks into account in the process of implementing this policy as an important component of the mechanism is a reliable way to protect the interests of the business entity from possible non-payments. This becomes an important prerequisite for making relevant high-quality and optimal decisions in this situation.

In turn, high-quality information support of the enterprise’s receivables management mechanism will allow working with complete and up-to-date information on the volume, state and structure of receivables. Summary reporting will provide information in the form and volume necessary for a comprehensive analysis.

In general, an effective mechanism for managing the entity's receivables is implemented thanks to systematic monitoring of reliable and timely information on the dynamics of the volume of receivables, its optimization by volume and various types.

The importance of the effective functioning of the entity's receivables management mechanism is recognized according to principles that include: dynamism, completeness, balance, reliability, efficiency, continuity. All these principles are of crucial importance for the creation of an effective mechanism for managing receivables of a business entity.

The modern mechanism for managing the receivables of a business entity is based on the use of a set of methods for reducing overdue (or doubtful) receivables, in particular:

- psychological methods - reminders by phone or fax, use of mass media or dissemination of information among suppliers (common to both counterparties), which in turn threatens the debtor with a loss of image in the future;

- economic methods - fines (penalty, penalty), pledge of property, suspension of supply and others;

– legal methods – complaints, claim work, pre-trial rewriting, filing a lawsuit in the commercial court, etc.;

– alternative tools – debt restructuring, offsetting of claims, repayment of receivables by offsetting payments to the budget.

Various tools are used in the receivables management mechanism, such as the clearing process, factoring, bill accounting, forfeiture, outsourcing, collateral, giving discounts to counterparties, debt restructuring, etc. These tools are aimed at optimizing the management of mutual settlements and reducing risks.

The final and no less important component of the receivables management mechanism is control and corrective actions, which include making appropriate changes to the receivables management process. This aspect ultimately affects the financial stability of the enterprise, as it allows making the necessary adjustments in a timely manner.

Through control, it is possible to assess the effectiveness and timeliness of the company's receivables repayment process in a timely manner. Also, the control makes it possible to find out to what extent the proposed payment deferral terms meet the modern requirements of the market and the positioning of the investigated enterprise in its segment.

Systematizing the views of domestic scientists, such as Kuzenko T.B. [259], it is possible to single out and characterize the main stages of the formation of a mechanism for managing receivables of a domestic business entity:

1) the introduction of a specialist – manager (or several financial managers) to the structure of the financial service of the business entity – for the management of receivables;

2) monitoring (permanent) of the business entity's receivables;

3) assessment of the entity's receivables in previous periods;

4) development of a tactical plan for managing this debt;

5) determination of the minimum allowable value of the portfolio of receivables based on the projected volume of product sales by the business entity;

6) formation of effective credit policy principles regarding debtors of the economic entity and credit terms, taking into account the differentiation of customers, buyers of products according to the level of their creditworthiness;

7) choice of debt repayment (return) forms;

8) use by the business entity of modern forms of refinancing the debtor;

9) construction of effective control systems by the enterprise for the movement and timely return of receivables, i.e. implementation of an effective and efficient system of controlling receivables.

Therefore, in modern conditions, it would be appropriate to consider the possibility of including a specialist manager in the structure of the financial management service (financial service), who would be responsible for direct control over the volume, state and structure of the receivables of this business entity. This could be an effective step for enterprises operating in the conditions of the non-payment crisis, especially considering their unstable economic situation in today’s environment. Especially in conditions of war.

According to the authors [261], the debt management of the enterprise involves the development of a plan-schedule for working with debtors regarding debt collection, which is based on the debt inventory, its ranking by terms, security and reliability of return (Table 2).

Table 2

Plan-schedule of work with debtors regarding debt collection

Type of work	The content of the work
Drawing up a list of debtors	Systematization, arrangement of debtors by the amount of debt, terms, financial status.
Drawing up a schedule of work with debtors	A plan of daily activities, namely negotiations, letters, contracts, reconciliations.
Coordination of debt repayment actions	Debt repayment schedules, namely analysis of balance sheets, information about the debtor's debtors.
Independent debt repayment actions	Payment of debt by promissory note, factoring, etc.

For the most significant debtors (legal entities), it is recommended to develop an individual selection of debt repayment measures (Table 3) [261].

Table 3

Individual selection of measures for repayment of receivables

Event	Content
Phone reminder	Daily or 2-3 times a week.
Written reminder at the official level	The letter states the need to agree on a debt repayment schedule by the set deadline.
Coordination of repayment schedules	The schedule as a proposal complements the agreement of the parties with an indication of sanctions for non-fulfillment.
Obtaining information about the debtor's debtors	Together with the debtor, the possibility of offsetting is determined.

The effectiveness of control depends primarily on the level of interest of the owners, the degree of understanding of the role, place and importance of the performance of control functions by managers at the highest levels of the enterprise's management. Control is of essential importance in identifying and mobilizing existing reserves, contributes to increasing the efficiency and quality of work. Properly organized control should not only detect deficiencies and violations, but also prevent them, as well as contribute to their timely elimination [262].

Thus, management of receivables of domestic economic entities becomes an urgent need in modern conditions. This is especially aggravated by tough conditions of competition, the need for quick decision-making regarding the provision of commodity loans, the low level of solvency and business activity of most domestic counterparties, as well as the limited amount of financial resources. This process is complex and multifaceted, requiring close cooperation of all divisions of the business entity and comprehensive consideration of a wide range of factors that affect its financial and economic activity.