

ENSURING THE EFFICIENCY OF MANAGING THE FINANCIAL AND ECONOMIC SECURITY OF THE ENTERPRISE DURING THE CRISIS

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Abstract. The *purpose* of the article is to present effective anti-crisis management measures to bring enterprises out of the crisis situation and improve their financial and economic security. The subject of this study is the financial and economic security of an enterprise during a crisis. *Methodology.* Using the historical and comparative methods, the author analyzes the events of recent years and analyzes the impact of external factors on the formation of the crisis state of an enterprise. The economic and statistical method made it possible to analyze the scale of damage caused by the Russian Federation to the state of Ukraine during almost nine years of active hostilities in violation of such principles of international law as the principle of non-use of force or threat of force; the principle of sovereign equality of states; the principle of equality and self-determination of peoples; the principle of peaceful settlement of international disputes; the principle of non-interference in the internal affairs of states; the principle of peaceful cooperation; the principle of fulfilling international obligations in good faith; the principle of inviolability of borders; the principle of territorial integrity of states; the principle of universal respect and protection of human rights; and to see what level of crisis the terrorist state of the Russian Federation has spread in the largest country of the European Union, namely Ukraine. Using the philosophical dialectical method, the author analyzes the very phenomenon of crisis in the broad sense of the word and finds a way to respond to the challenges of the crisis. *Results.* This study assesses the benefits that have contributed to the development of economic relations with countries in Africa, Asia, and Europe. The losses suffered by the Ukrainian economic system due to the destructive processes of the crisis are analyzed. The author examines the peace formula approved by Volodymyr Zelenskyy, which provides for the implementation of measures aimed at shaping peace in the European space and correcting the mistakes made by officials of the terrorist state of the Russian Federation, which led to terrible consequences; the author analyzes the achievements of this peace formula and determines how much benefit and lives it has already brought. The *practical significance* lies in the definition of reorganization as one of the best anti-crisis management measures that can bring an enterprise out of a crisis. In particular, attention is drawn to the effectiveness of rehabilitation measures that can restore the solvency of an enterprise. In turn, taking into account the established practice of attracting investment capital as a means of improving the economic activity of an enterprise, the author analyzes the risks of losing property and non-property assets in the event of adverse conditions and proposes to create a mechanism for investment guarantees, which consist in preserving assets by the investor in the event of adverse market fluctuations. The *scientific novelty* lies in the proposal to amend the current legislation to guarantee the safety of the rehabilitation procedure to the investor by mitigating the risk of loss of invested assets in restoring the enterprise's solvency.

Key words: crisis, rehabilitation, investor, crisis management.

JEL Classification: G00, G01

1. Introduction

During February-March 2014, the military aggression of the Russian Federation against the territorial integrity of the state of Ukraine

began, which resulted in the annexation of the Autonomous Republic of Crimea, which is part of Ukraine, on the basis of a pseudo-referendum held on March 16, 2014, contrary to the provisions

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of the Constitution of Ukraine and the Law of Ukraine "On All-Ukrainian Referendum" (Law of Ukraine "On All-Ukrainian Referendum"). Already on 12.04.2014, part of the territory of the state of Ukraine was occupied, namely the cities of: Sloviansk, Kramatorsk and Druzhkivka. The military aggression has been going on for more than 8 years, where, as a result of the large-scale invasion of the state of the Russian Federation into the state of Ukraine, on February 24, 2022, on the basis of a proposal by the National Security and Defense Council of Ukraine, in accordance with paragraph 20 of part one of Article 106 of the Constitution of Ukraine, the Law of Ukraine "On the Legal Regime of Martial Law", Presidential Decree No. 64/2022 was issued, which introduced martial law in Ukraine.

In addition, in 2019–2021, Ukraine experienced an additional crisis due to the spread of the COVID-19, which affected the functioning of the national economy.

Thus, as a result of the military aggression of the Russian Federation and the spread of the COVID-19, Ukraine has faced the challenges of the crisis and learned to respond to the threats that cause the onset of a crisis.

The goal of the article is to identify actions that can overcome the crisis situation of enterprises and restore their solvency.

2. The impact of the economic crisis

As a result of the military aggression of the Russian Federation, the state of Ukraine suffered significant damage and losses. Thus, it became necessary to calculate the losses and damage caused by the Russian Federation to the state of Ukraine. In order to develop a methodology for calculating damages, the Resolution of the Cabinet of Ministers of Ukraine of 20.03.2022 No. 326 "On Approval of the Procedure for Determining Damage and Losses Caused to Ukraine as a Result of the Aggression of the Russian Federation" established a procedure for determining damage and losses caused to Ukraine as a result of the armed aggression of the Russian Federation, starting from 19.02.2014 (Resolution of the Cabinet of Ministers of Ukraine).

As of November 2022, according to calculations by the Kyiv School of Economics (Murdoch, Knorr, Trager, 2001), Ukraine has suffered losses of more than \$149.8 billion, as shown in Figure 1.

In addition, Ukraine's economy has suffered significant losses in recent years due to the COVID-19 pandemic. Thus, the large-scale war of the Russian Federation against the state of Ukraine, together with the occupation of the Autonomous Republic of Crimea and part of Donetsk, Luhansk, Zaporizhzhia, Kharkiv and

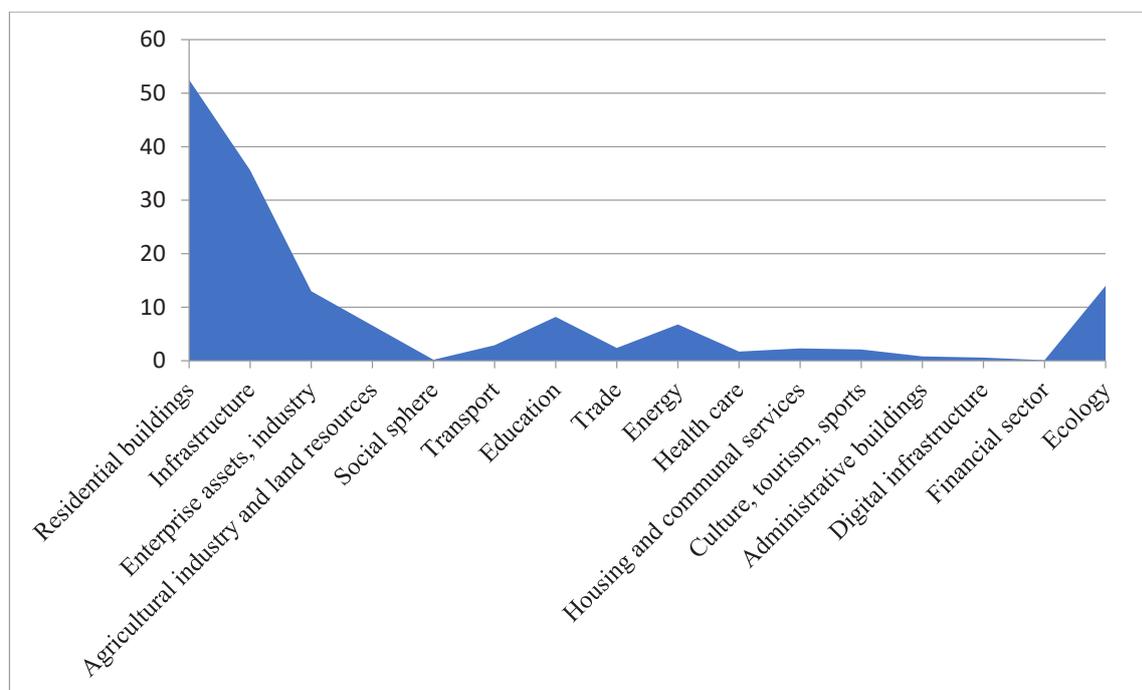


Figure 1. Ukraine's losses from the military aggression of the Russian Federation (according to the calculations of the Kyiv School of Economics as of November 2022)

Kherson regions, has caused not only legal damage, which consists in the violation of the territorial integrity of Ukraine, which is guaranteed by international law, but also economic damage, as many businesses have ceased to operate and many people have suffered severe losses.

In turn, the challenges and external threats to Ukraine's economy have caused not only losses but also a struggle for core national values that has affected the entire world. For example, the struggle for Ukraine's territorial integrity led to a victory in a battle at sea, where several enemy warships were hit, given that Ukraine does not have its own navy. However, the decisive factor in this case was not the sighting of enemy ships, but the possibility of exporting grain, which prevented the onset of a global food crisis.

Thus, at the World TRT Forum 2022, President of Ukraine Volodymyr Zelenskyy announced a formula for peace, which will be defined as follows:

$L = \{L_1, L_2, L_3, L_4, L_5, L_6, L_7, L_8, L_9, L_{10}\}$, where

L_1 – radiation and nuclear safety;

L_2 – food security;

L_3 – energy security;

L_4 – release of all prisoners and deportees;

L_5 – implementation of the UN Charter, restoration of territorial integrity and world order;

L_6 – withdrawal of Russian troops from Ukraine and cessation of hostilities;

L_7 – justice;

L_8 – protection of nature;

L_9 – preventing escalation;

L_{10} – recording the end of the war;

L – preservation of peace and prosperity in the European space;

Earlier, as part of the implementation of this peace formula, the Grain from Ukraine program was launched and since August 1, 2022, more than 15 million tons of food have been exported from Odesa ports to countries in Europe, Asia and Africa, where, in particular, the onset of famine has been prevented and hundreds of thousands of lives have been saved from starvation.

3. Consequences of the economic crisis for national enterprises

As for the national enterprises, the occupation of some Ukrainian territories led to the cessation

of economic activity and, as a result, to the application for bankruptcy. The bankruptcy procedure in Ukraine is regulated by the Bankruptcy Code of Ukraine (Kopyliuk, Shtanhret, 2005). Given the fact that most enterprises have undergone the process of crisis, as already mentioned, precisely because of external threats to economic reality, it would be advisable to pay attention to the possibility of restoring the solvency of the enterprise through anti-crisis regulation of the bankruptcy procedure, which involves a rehabilitation procedure.

The participants in the company's rehabilitation procedure are: the debtor, the rehabilitation manager, creditors and the investor. Speaking about the participants in the rehabilitation procedure, it is worth mentioning the insolvency receiver, who is the rehabilitation manager in this procedure and plays a key role in implementing measures to restore the company's solvency. Thus, a rehabilitation manager is an insolvency officer (or debtor's manager) appointed by a commercial court to carry out the rehabilitation procedure. When exercising its rights and obligations, the rehabilitation manager is obliged to act in good faith and reasonably, taking into account the interests of the debtor and creditors, guided by the principles of the rule of law, legality and economic efficiency.

In order to financially rehabilitate the company, the insolvency practitioner begins by identifying the financial crisis. The next step is to conduct a cause-and-effect analysis of the financial crisis. Based on the primary information (primary accounting documents, resolutions of shareholders' meetings, financial plans, etc.), external and internal crisis factors, as well as the actual financial condition of the company, are identified. The analysis diagnoses the financial condition of the company, examines its strengths and weaknesses.

In order to understand the state of the company's business, the insolvency officer analyzes the financial factors that led to insolvency; analyzes non-current and current assets, in-depth analysis of accounts receivable and payable, profitability of the company and production costs, and the use of labor resources. The insolvency officer also analyzes investment and innovation activities at the enterprise and looks for reserves to improve the efficiency of the enterprise and restore its solvency (Iasynskaia, 2014).

Based on the results of the above analysis and the search for reserves to restore solvency, a report is prepared, which subsequently becomes the basis of a rehabilitation plan, setting out measures to restore the debtor's solvency and the terms of repayment of creditors' monetary claims. The Code does not specify specific deadlines for repayment of creditors' claims. In other words, the terms for restoring the debtor's solvency are set based on the company's production volumes, the amount of its debt obligations and the number of creditors who agree on all the actions set out in the rehabilitation plan.

Thus, the rehabilitation procedure is able to bring most national enterprises out of the crisis and resume economic activity. There are many classifications of crisis management strategies that are implemented as part of rehabilitation measures.

For example, there are differentiated types of crisis management strategies as follows: offensive (i.e., improvement of production technology, modernization of economic activity through the use of the mechanism of innovative activity of the enterprise); delegation (delegation of the company's problem to a third party (owners, creditors, the state) in order to solve it through investment activities); compromise and consensus (consolidated efforts to block the competitor's destructive actions and restore solvency) and defensive (reduction of production, dismissal of employees and flight from the market).

However, an effective and quick way to bring an enterprise out of a crisis is to attract investment

funds, and in this regard, it is important to provide guarantees to the investor that in the event of unfavorable circumstances, he will not lose his assets.

Thus, in order to improve the investment climate, it is necessary to implement a rapid and, at the same time, as safe as possible for the Ukrainian military de-occupation of Ukrainian territory, which will save as many lives as possible. In turn, in order to provide greater guarantees, it seems advisable to detail the rights of investors in the rehabilitation procedure, for example, by amending the Bankruptcy Code of Ukraine to provide for the possibility of recognizing investor's monetary claims and satisfying them out of turn. This guarantees the safety of the rehabilitation procedure for the investor and mitigates the risks of asset loss, which is crucial in the implementation of the rehabilitation procedure involving investment assets.

4. Conclusions

The results of the study suggest that Ukraine has experienced a number of challenges and threats that led to the onset of the crisis. Nevertheless, the Ukrainian economy is coping with the crisis with dignity and heroism and is developing a crisis management mechanism. As noted above, despite the fact that in 2022 the state suffered significant losses, which led to the suspension of economic activity of many enterprises, there is still a struggle both at the front and in the rear. In particular,

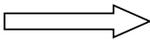
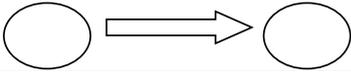
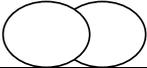
Schematic representation	Changing the structure of the enterprise
An offensive strategy for rehabilitation 	Quick change of structure
Strategy of delegation of authority 	Change the structure as needed
A strategy of compromise and consensus 	Change of structure by agreement
Defensive strategy 	No change in structure

Figure 2. Types of strategies in the rehabilitation procedure

a number of measures have been taken to keep the state's economy at a decent level and an action plan has been created to help restore both Ukraine's macroeconomic system and individual enterprises at the regional level. In turn, the de-occupation of the entire territory of the state of Ukraine and the guarantee of investors' rights in the current legislation by providing for the repayment of monetary claims in the event of bankruptcy of an enterprise out of turn will improve the investment climate and attract more assets to restore the solvency of enterprises in crisis and implement an anti-crisis strategy. Investing in restoring the company's solvency will be a safe, transparent and reliable process. Crisis is a rather specific and difficult process, however, humanity has always faced crises that could both worsen the economic situation and give impetus to a qualitatively new development of economic activity. Many scholars point out

that crises are cyclical and can be tracked and predicted. Indeed, if to focus on the economic activity of an enterprise, one can notice the preconditions that represent the onset of a crisis. Both crises arising from external threats to business operations and crises arising from internal threats to business operations can and should be monitored, prevented, and responded to in a timely manner. For example, in the latter process, it is considered effective to systematically diagnose the financial condition of the company and monitor financial ratios, such as the absolute liquidity ratio, coverage ratio, and profitability. Timely response to the challenges of internal and external threats to the company's business activities can not only prevent the onset of a crisis, but also make good use of the situation in such a way as to develop the company's business activities and bring them to a qualitatively new level.

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