

The world experience of transformation of innovative approaches to assurance of financial stability of social economic systems

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Abstract. The aim is to explore main trends of assurance of financial stability of modern small and large social economic systems by using innovative approach. The following fundamental results have been obtained: regular external changes affects substantially the performance of social economic systems, their financial stability; a social economic system is a particular object including two main subsystems; the social economic system can be structured by several hierarchic levels (microlevel, mesolevel, macrolevel); the social economic system at the macrolevel implies the combination of mutually acting business and economic subjects with the performance in production and distribution spheres, the sphere of barter (the enterprises as independent economic units represent the microlevel or small social economic systems); the financial stability of social economic systems is the latter's ability of crisis free development at the balanced capital structure, glow of financial resources and obtaining the financial result ensuring both simple and expanded reproduction; assurance of financial stability of social economic systems should be based on the last achievements of the science of management of finances. It means in practice continuous innovations in management, arrangement of mutual cooperation with counteragents, implementation of business processes with their proper transparency; the innovative transformation of assuring financial stability of social economic systems is a well-planned development process when the system accumulates the abilities for leading counteraction to risk factors, their transformation into economic and financial benefits. It can be considered as formation of the strategic development financial development.

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Introduction

The last changes in the world economy, policy and socium, have revealed that it is essential to preserve financial stability at macro- and microlevels (at the level of individual businesses) for the purpose of functioning and development of small and large social economic systems [1]. The problem of assuring financial stability of social economic systems at macro- and microlevels can be solved using traditional and innovative tools [2]. Financial stability is a singular indicator demonstrating the ratio between own and borrowed capital of the individual business subject and the system category [3]. Most Russian researchers [4] and foreign researchers [5], [6] treat the financial stability as the system category.

A particular attention is paid to the ability of individual businesses and the whole social economic system to support their activity efficiently and rationally with the financial resources sufficient for long term functioning and development [7]. The sufficient financial resources are treated the key factor of future oriented strategic stable development [8].

Methodology

This article presents the aggregated data of context analysis, the data of performance and development of small and large social economic systems obtained from open sources and studied with economic statistical methods.

Results

Transformation of any social economic changes evolves at the microlevel (at the level of individual enterprises) against the background of social economic changes evolving at the macrolevel. As a rule, these transformations have the dependent and systematic nature. In particular, the financial state of many Russian businesses and corporate structures after the economic crisis of 2008 – 2011 remains unstable and the financial development of these subjects cannot be recognized stable. The unstable financial development of Russian social economic systems is due to two main reasons:

– Short historic period of functioning and development in market conditions, whence the problems of lacking managerial experience;

– Addition and accumulation of negative factors due to internal country and external economic financial crises.

Figure 1 shows variations of factors of current liquidity (the current ratio, the ratio between circulating assets and current obligations) and total solvency (the equity to assets, the ratio between own and borrowed capital) in the real economic sector for a number of key periods. The current liquidity level for all the periods in question exceeds a unity and ranges from 1.03 to 1.29 points, hence, the economic subjects (businesses and corporate structures) forming the Russian social economic system cover their current obligations preserving the financial reliability margin.

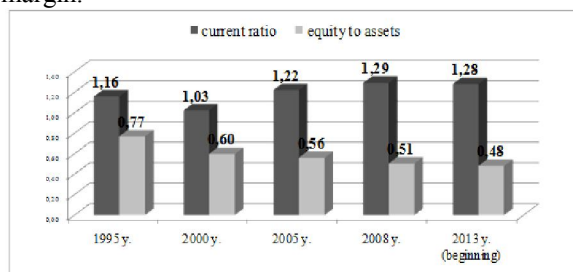


Figure 1. Dynamics of current liquidity factors of general solvency in Russian social economic system [9]

Correspondingly, the financial reliability margin of the Russian social economic system in the real sector amounted to 3% to 29% in different periods. Meanwhile, the general solvency of business subjects in the Russian social economic system diminishes invariably. In 1995, the specific weight of own capital amounted to about 77%, this indicator diminished already in 2005 to 56%.

After the crisis was over (2008 – 2010), the total solvency of the Russian social economic system (in the real sector) amounted to under 48% of the combined volume used to conduct business. If the structure of accounts payable of business subjects in the real sector of the Russian economy is considered, the part of current obligations during the period in question was the indebtedness to suppliers and contractors (Figure 2). An evident negative tendency is traced: the specific proportion of indebtedness to suppliers and contractors of the total credit indebtedness in the real sector of the Russian social economic system grows invariably during the last post crisis years.

It means that on the average about 54% of the total volume of the national economic turnover is frozen in reserves and expenses (the statistics for 2013). But there are positive tendencies too (Figure 3). For instance, during the period in question the specific share of mature credit indebtedness of

business subjects in the real sector of Russian social economic system, reduced by over 44% (from 49.5% in 1995 to 5.3% in 2013).

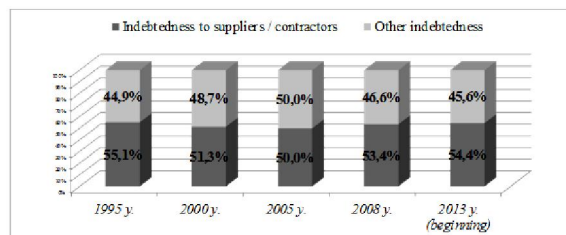


Figure 2. Structure of accounts payable in Russian social economic system [9]

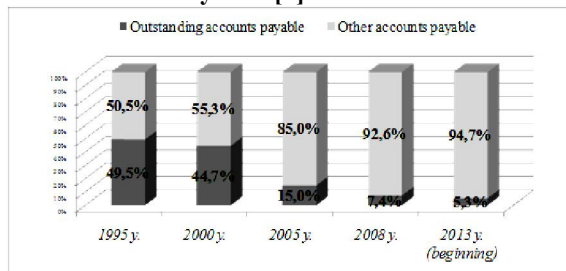


Figure 3. Structural variations in composition of accounts payable in Russian social economic system [9]

It permits to conclude that, irrespective of the total solvency reduction in the Russian social economic system, the quality of coverage of obligations rises. Meanwhile, the total solvency level is primarily due to the fact that the growing accessibility to credit resources, many Russian businesses prefer to draw finances for their activity by long and short term credits. From, the behavioral viewpoint, the augmentation of borrowed financing in the real sector of the Russian can be considered as the disciplining factor [10], meanwhile, the cost to cover loans and credits rises, while at the same time the cost of agent services reduces. Therefore, the borrowed financing growth, on the one hand, indicates the intensive development of Russian financial market in the activity of business subjects in the Russian social economic system. But, on the other hand, reduction of self-sufficiency of financial resources can be considered as a highly alarming signal of general level reduction of financial stability.

The obtained results represent the logically justified conclusions which evidence that the financial stability of social economic systems in the conditions of innovation development is determined, on the one hand, by internal factors which can be treated in the context of the quality of management of finances and by external factors. The external factors determine the general trend and dependent financial trends, including the financial trend of evolution of social economic systems. The modern management of

financial development of small and large social economic systems should be performed using innovative approaches.

Main part (Discussion)

The social economic system at the macrolevel should be considered as the combination of business and economic subjects (these subjects form the social economic systems at the microlevel). They interact indirectly through available resources which are involved in production, distribution, consumption and exchange of some product needed and necessary to support life of the above subjects in a given coordinate system. The social economic system is a particular object capable to evolve in the given conditions or the conditions presupposing variations of some subsystem (component) [11].

The evolution is an intricate, irreversible, if regular, process of qualitative changes taking place in social economic systems. This process is aimed at obtaining new qualities by the system, while preserving the main system properties and most important earlier acquired qualitative characteristics. The acquirement of new qualities by the system, their successful preservation, perfect transformation, takes place under the effect of forces and factors of external environment. The social economic system internal environment is not closed. The external environment is considered as the combination of stimuli and factors which push the development of social economic systems. These pulses can transform the way or trajectory of system development and provide new invisible before points of growth. Meanwhile, the changes in the state of social economic system are considered as the ability of self-organization.

The innovational transformations of social economic systems are a particular condition of change or variations of the trajectory of functioning of these systems based on the practical implementation of knowledge and assurance of variability of the phases of equilibrium and instability of the mentioned systems. The replacement of the phases of state of social economic systems implies that, when the system acquires new properties, preserves them and later transforms, it is required to ensure continuous functioning of this system [12].

The financial stability means the state of social economic system which governs its ability of crisis free development at balanced capital structure, flows of incoming and outgoing resources and generating the financial result which permits to maintain expanded reproduction [13]. It is noteworthy that the world practice of managing financial stability of both small and large social economic system has accumulated a considerable stock of scientific and empirical knowledge. In particular, it is advised to use

two key parameters when managing the financial stability of social economic systems [14]:

- The level of ensuring the financial stability (microlevel, mesolevel and macrolevel);
- The level significance and the resulting economic subjects for preservation of stable development of national, world economy and socium.

It is absolutely understandable that assurance of financial stability at microlevel (the level of individual businesses and corporate structures) has local effects covering the socium and the economy of territories where subjects operate [15]. Correspondingly, to assure the financial stability at mesolevel (branch and interbranch level), and at macrolevel has already the system effects. In this case, it covers the entire social economic system or its main component. The matters of significance of the level ensuring the financial stability and the subjects responsible for it are also as significant. But in this case it should be understood that small and medium businesses are less vulnerable to lose the financial stability versus large and transnational business due to the smaller scale of operations. But at the same time the small and medium business is more adaptive to the environment variations than the large business and because of that it possesses larger financial economic maneuverability than the large and transnational business [16].

The assessment of financial stability of social economic systems cannot be expressed with a single indicator because the economic activity of business subjects forming this system but also the factors affecting it which is multiaspect and contradictory by nature. The weighed prognostic pragmatic approach is required both to estimate the abilities of a social economic system to the functioning and development with due level of financial stability but also to interpreting affecting factors [3]. It means that any negatively affecting factor can be turned into positive providing the internal and inner environment of social economic system change in correlation.

The use of innovatory approach to assuring financial stability of the social economic system is objectively based on the latest achievements in the sphere of management of financial resources and financial relations in the economic real sector. Innovations in management of financial stability of small and large social economic system, as a rule, concern methods of organization of management, arrangement of mutual relations with counteragents and power structures, level of informatization of financial business processes and their sufficient transparency.

The innovational approach to assuring the financial reliability of social economic systems creates the requisites for developing such abilities of the

system for efficient and rational distribution of financial and other resources which enable to level out external shocks and optimize the risk level [4]. Therefore, it can be said that innovational transformation is expressed in leading inhibition of destructive effects and their transformation into potential economic and financial benefits assuring the financial stability of social economic systems.

Correspondingly, the innovational transformation of assuring financial stability means in practice both preservation of vital functioning and optimal development of social economic systems in long term perspective.

Conclusion

Regular changes in geopolitical, social, legal space, affect substantially the functioning and development of social economic systems and their financial stability. During functioning and development the social economic system undergoes a number of transformation stages. The modern stage of transformation of social economic systems is innovational, governing key factor of knowledge development. The application of the methodological base of the innovational approach incorporating the combination of financial economic and mathematical statistical methods is due to the time requirement: knowledge and novations in modern world represent the fundamental development factor. the paper discloses that the innovational transformation of assuring financial stability of social economic systems enables to prevent the effect of negative factors and transform them into positive, thus additional benefits are obtained for the system proper which can be regarded the key reserve for long term development.

The limitations of the present work imply that the obtained conclusions and results have practical application in management of financial stability of business structures of the economic real sector (predominantly in the sphere of industrial production).

The present work as omitted and formulated the main instrumental approaches to modeling and predicting financial stability of social economic systems. This trend will be the topic of our future research.

The obtained findings can be useful to supplement the traditional approach to managing finances in the real economic sector with the innovational approach definitely enabling to develop financial management as science.

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