

Chapter 4

Features of Financial Policy Development by Russian Companies in Today's Conditions

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ABSTRACT

The chapter includes the proposals regarding the development of rational financial policies by Russian companies in today's conditions. The authors have identified the following areas of difficulties: sales; deficit of financial resources for investment in development and distribution; instability and unpredictability of external conditions. Changes in price policies, optimization of components and volume of trade account receivables are some of the suggested ways of how to improve company's sales. The solution to the lack of financial resources for company's investment development can be found through selecting more effective forms of financing. The authors also point out the limitations in investment activities' financing under the conditions of current import substitution while suggesting author's own and original composition of indicators for innovation activity. The study leads the readers to the conclusion that the state today faces the challenge of creating favorable conditions for strengthening the financial stability of companies.

INTRODUCTION

Implementation of a company's financial policy in practice is closely related to financial theory. At present, there is no systematic approach to the concept and formation of company's financial policy in financial theory. As a consequence, in real business practice most companies do not apply any holistic approach to the formation and implementation of financial policies, replacing it with disparate, and sometimes contradictory, managerial decisions in the field of financial management.

Categories "financial policy" and "financial management" should be highlighted here in the first place.

Financial policy is an independent concept, requiring a separate study and analysis in terms of both theory and practice.

Development and implementation of a financial policy by a company allows solving successfully its strategic and tactical tasks in comparison with the companies without a financial policy.

On a higher level, financial policy implemented by the state sets the vector for the formation of financial policies by all companies in the state (or in its specific region).

Directions of activities in the course of this research are put forward as follows:

- To overview of the already available research & development achievements in the field of company's financial policy
- To assess the impacts of internal and external challenges on the development of Russian companies in general
- To identify the key areas in the development of financial policies in terms of financial constraints

The purpose of the study is to define a systematic approach to the contents of a company's financial policy for practical use in creating an effective financial management system.

The objectives of this study, taking into account the directions above, are as follows:

- To determine the contents of a company's financial policy
- To develop recommendations on pricing policy, obligations of management, policy of attracting investment resources
- To justify potential state measures which should be aimed at creating favourable financial conditions for the development of Russian companies

BACKGROUND

Both globally and within Russian scientific community specifically, there has been a discussion as to the essence of a company's financial policy for quite a long time already. The following approaches to interpreting the scientific concept of "company's financial policy" have been identified by now: hierarchical, ideological, elemental, normative, managerial.

The hierarchical approach covers management of an economic entity from the perspective of different levels and is relatively rare in economic literature.

German scientist H. Hinterhuber (1996) considers "financial policy of an enterprise to be an element of strategic planning, which aims to increase the value of the enterprise through the implementation of operational and strategic plans".

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