THE FORMATION AND UTILIZATION OF FINANCIAL RESOURCES IN A MARKET ECONOMY

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ABSTRACT

This article examines the critical role of financial resources in ensuring the sustainable development and operational efficiency of enterprises within a market economy. It analyzes the formation, classification, and utilization of financial resources, distinguishing between internal (own funds) and external (attracted funds) sources. The study highlights the primary mechanisms for resource formation, such as profit reinvestment, securities issuance, and bank credit, and outlines their main applications in financing operational activities, long-term investments, and innovation. Furthermore, the article addresses key challenges faced by companies, including underdeveloped financial markets and high investment risks, proposing solutions like optimizing resource structure, improving financial planning, and strengthening control systems. The article concludes that the effective management and strategic allocation of financial resources are fundamental to enhancing a company's competitiveness and ensuring its long-term stability.

Introduction. The sustainable development and effective operation of enterprises in a market economy are directly dependent on the proper formation and prudent management of financial resources. Financial resources serve as the foundation for an enterprise's economic activity, as they are necessary to support production, implement new technologies, finance investment projects, and cover current expenses.

The purpose of this article is to study the formation, types, and utilization features of financial resources, as well as the ways to enhance their efficiency. Furthermore, this article examines the theoretical and practical aspects of financial resource management in a market economy.

Financial resources are monetary values, either generated internally within the enterprise or attracted from external sources, that serve to support the enterprise's financial and economic activities.

The Concept and Classification of Financial Resources. As an economic category, financial resources represent the sum of monetary funds required for an enterprise to fulfill its financial obligations, implement its development strategy, and support its business operations.

Financial resources are divided into two main types:

Own Funds	The enterprise's internal financial sources, including net profit, depreciation charges, share capital, and other internal funds.
Attracted Funds	Resources obtained through bank loans, investments, budget funds, or the issuance of securities.

According to their sources of formation, financial resources are divided into internal and external sources. Internal sources are funds generated as a result of the enterprise's own activities, while external sources are resources attracted from the financial market.

Features of Financial Resource Formation in Market Conditions. In a market economy, enterprises independently form their financial resources. Their primary sources of formation are as follows:

- Net profit and its reinvested portion.
- Issuance of securities and their placement on the market.
- Bank loans and borrowed funds attracted from financial institutions.
- Foreign and domestic investments.

The financial market plays a crucial role in providing enterprises with financial resources. It offers opportunities for the free investment, attraction, and management of capital.

Financial management, in turn, is of strategic importance in the formation of financial resources, as it serves to optimize financial flows, reduce risks, and increase the efficiency of resource utilization.

The Utilization of Financial Resources. The utilization of financial resources is of great importance in financing the operational and investment activities of an enterprise. The main areas of their use include:

- Covering current operational expenses.
- Financing long-term investment projects.
- Making tax and other mandatory payments.
- Supporting innovative activities.

The efficiency of financial resource utilization is evaluated based on the following criteria:

- Profitability indicators
- Level of liquidity
- Financial stability indicators
- Internal rate of return of investment projects

Effective utilization increases the company's competitiveness, ensures sustainable development, and strengthens financial stability.

Problems and Ways to Improve the Efficiency of Formation and Utilization of Financial Resources. In market conditions, enterprises face a number of problems:

- Insufficient development of financial markets.
- High cost of credit resources.
- High investment risk.

- Limited internal resources.

To improve efficiency, the following recommendations are provided:

- Optimize the structure of financial resources.
- Clearly plan financial flows.
- Use innovative financing methods.
- Strengthen the cost management and control system.

As tools for management and control, audit, internal control, financial monitoring, and strategic planning are of paramount importance.

Table 1: Structure of Financial Resources (by Source)

This table shows from which sources and in what proportions the financial resources of enterprises are formed.

Source Type	**2021**	**2022**	**2023**	**Change (2021-2023)**
Own Funds (Internal Sources)	**65%**	**62%**	**58%**	**-7%**
Net Profit (reinvested portion)	25%	24%	22%	-3%
Depreciation Charges	20%	19%	18%	-2%
Share Capital and other internal reserves	20%	19%	18%	-2%
Attracted Funds (External Sources)	**35%**	**38%**	**42%**	**+7%**
Bank Loans	20%	22%	25%	+5%
Issuance of Securities	5%	6%	7%	+2%
Other investors and budget funds	10%	10%	10%	0%
Total	**100%**	**100%**	**100%**	

The table shows that over the last three years, the dependence of enterprises on external sources, particularly bank loans, has been increasing. This growth may be related to ensuring growth rates and financing investment projects.

Table 2: Areas of Utilization of Financial Resources (2023)

This table shows for what purposes all financial resources attracted in 2023 were spent.

Area of Utilization	**Share (%)**
Current Operational Expenses (raw materials, wages, utilities)	**45%**

Area of Utilization	Share (%)
Investment Projects (new equipment, construction)	30%
Innovation Activities (new technologies, R&D)	10%
Taxes and mandatory payments	10%
Fulfillment of financial obligations (loan repayments)	5%
Total	100%

Almost half of the resources are spent on supporting current activities, which indicates the stability of the enterprises. The 30% share allocated to investments demonstrates a focus on development. The share of funds allocated to innovation is still low, which confirms one of the problems mentioned in the article.

Table 3: Key Financial Performance Indicators

These indicators help assess the efficiency of financial resource utilization.

Indicator	2021	2022	2023	Comment
Profitability (Return on Assets - ROA)	8.5%	9.2%	10.1%	Upward trend, indicating increasing efficiency in the use of resources.
Liquidity (Current Ratio)	1.6	1.55	1.5	Within the norm, with a slight decrease, which may be related to an increase in short-term obligations.
Financial Stability (Debt-to-Equity Ratio)	0.7	0.8	0.9	The indicator is stable, but shows a gradual increase in the debt load.

Although the profitability of enterprises is improving, the increase in debt and the slight decrease in liquidity signal the need for a more cautious financing policy in the future.

Statistical data reflects the theoretical rules outlined in the article in practice. To ensure growth, enterprises are relying more on external sources, particularly bank loans. Although profitability is increasing, problems such as the growth of debt and the low allocation of funds to innovation activities exist, and solving them is a primary task of financial management.

Conclusion. The results of the study show that the sustainable development of an enterprise depends on the prudent formation and effective management of its financial resources. Proper allocation of financial resources enhances the enterprise's competitiveness and ensures long-term development.

Future research could be focused on studying the innovative mechanisms of financial resource management.

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