MANAGEMENT AS A FUNCTION OF SUSTAINABLE FINANCIAL STABILITY OF PUBLIC ENTERPRISES AND INSTITUTIONS

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Abstract: Modern public companies and institutions can create and developing their comparative advantages only through adequate application of the management system. Considering the importance and role of companies and corporations, as the most important institutional forms of organizing enterprises, it is clear that they need both good management and a well-established system of corporate management. With the development of the market economy, which conditions a new way of doing business for public companies and institutions, and thus an important role in the approach to financial management, there have been changes in the basic economic settings and criteria for successful management and business, especially financial flows. Domicile public companies need to adapt to new changes, because the market economy favors financially stable companies. Only financial stability represents the final term of the ability of a company in transition to function in a turbulent market environment. Based on this fact, the paper deals with the practical treatment of this problem and the key analytical indicators of the financial position, as well as the property and income position of Mine and thermal power station Ugljevik a.d. Ugljevik. The goal of the research is to indicate to what extent management is a function of sustainable financial stability and liquidity, as well as to evaluate the quality and ability of management to effectively manage the finances of this company.
Keywords: management, financial management, financial stability.

1. INTRODUCTION

The current course of transition, as a process of gradual transition from a planned to a market economy, resulted, among other things, in the diversification of ownership of social assets. The most applied model of transformation of social enterprises, on the way to market economy, is corporatization, that is, the creation of joint-stock companies. Corporatization requires a whole series of changes in the process of reconstruction of business systems to establish the most efficient management system. Corporate management could be defined as: "A system by which companies are led and controlled". It is part of the wider economic context in which companies operate and which includes both macroeconomic policy and the level of competition on the market for products and production factors. The corporate governance framework depends on the legal, regulatory, and institutional environment.

2. PROBLEMS AND STRUCTURE OF CORPORATE MANAGEMENT

The problem of business management is a complex and urgent problem. Domicile companies, due to inadequate management, made losses, and it is difficult to talk about their competitiveness on world markets based on well-placed management. The transition to private ownership, including the privatization process, does not ensure good management of companies. Corporate management of companies in recent years is characterized by a very interesting and dynamic area of research, changes in legislation and accompanying regulations, and especially the introduction of internal corporate rules. The problem of corporate management can mainly arise in companies where there is a separation of ownership from management. In modern economies, all companies can be divided into two groups: a) the first group consists of companies managed by the owner and b) the second group consists of corporations managed by a professional manager. The problem of corporate governance is the so-called agency problem, where two subjects appear: the principal and the agent. An important issue for the principal is to ensure that his agent works for his benefit and not for his own. While agency problems are permanent and comprehensive supervision of the principal over the agent, as well as a precise contract between the principal and the agent.
Managers are professionals whose main task is to plan, organize, lead, and control processes in the corporation. Their task is to provide, allocate and use the available material and human resources in an efficient manner, to achieve the pre-defined strategic goals of the corporation. In modern corporations, management is accountable to the owners-shareholders through the board of directors. Managers are professionals who work to achieve the defined goals of the corporation. In addition to the elementary goal - maximizing the company's profit, the manager's activities are also aimed at fulfilling the interests of shareholders. Although there is no single model of corporate

management, in OECD member countries and those that are not, common elements have been observed that form the common basis of good corporate management.

Joint-stock companies that introduce valid standards of good corporate practice will have much easier and cheaper access to the local and global capital market, will increase their own capital, while the goal is to increase the inflow of direct foreign investments in the country. World experience shows that companies with good corporate practice, in a period of two years, achieve about 19% better results compared to others, as well as that investors are ready to pay a bonus to buy their shares, which in Latin American countries amounts to 22%, while the bonus amount in Eastern European countries is 30%. (Starčević, Subotić, 2019, p. 91).

3. THE ROLE OF FINANCIAL MANAGEMENT IN THE MANAGEMENT SYSTEM

Management encompasses the set of relationships between a company's management, its board of directors, its shareholders, and other interested parties. Management provides the structure through which the company's goals are determined, as well as the means of achieving those goals and monitoring results.. In the management system of a company or corporation, significant responsibility "lies" on financial management. Namely, major changes and uncertainty in the environment emphasized the importance of financial management, whose basic role is in making and implementing business decisions. In the conditions and uncertainty of the changing environment, the financial manager must be a coordinator and controller when making business decisions, with full cooperation with managers from other sectors of the company. Therefore, financial management should have a major role in defining and achieving the company's financial goals. The responsibility of financial management is related to the realization of the following activities:

1) financial analysis and planning,
2) investment decisions,
3) decisions on the method of financing and capital structure,
4) management of working capital,
5) risk management to protect assets. (http://www.danijela-ruzicic.blogspot.com /2006_12_01_ archive.html, accessed 03/04/2022)

The efficiency and effectiveness of the financial policy, in the system of corporate management as one of the basic elements of the company's financial management, can be seen through the results of the financial analysis. The results of the financial analysis are significant for the formation and adoption of an adequate financial policy. The financial policy, as an integral part of the company's overall business policy, represents the basis of the company's financial management. The main objective of the financial policy is to increase the financial capacity of the company. Financial capacity has its short-term and long-term financial component. The short-term component refers to the ability to pay due obligations, that is, to the company's liquidity. The long-term component of the company's financial ability refers to the financial structure and ability to invest and increase assets, which is reflected in the profitability of the company's operations. The financial policy, led by the company's financial management in the corporate management system, creates financial management strategies and tactics based on the principles and rules of financing in order to ensure from a business-financial aspect: (1) business continuity, (2) growth and development of the company and (3) made the most of different trends on the market. In order to perceive the real and objective situation of the company's financial situation, it is necessary to carry out a financial analysis. Financial analysis determines the past and present of the business and is especially important for predicting the future financial situation. The main goal of financial analysis is to identify and assess weaknesses that may lead to problems in the company in the future and to take adequate measures to eliminate them.

4. FINANCIAL MANAGEMENT OF MINE AND THERMAL POWER PLANT A.D. UGLJEVIK

In order to assess the financial stability and efficiency of the financial management of Mine and power plant Ugljevik a.d. Ugljevik, on the part of the management, it is necessary to present some of the key analytical indicators of the financial, asset and yield[3] position, for a longer period of time. [3] Data from the original balance sheets and income statements of Mine and power plant Ugljevik a.d. were used when calculating analytical business indicators for the period from 2012 to 2021. (Taken from the website http://www.blberza.com)

Short-term financial balance

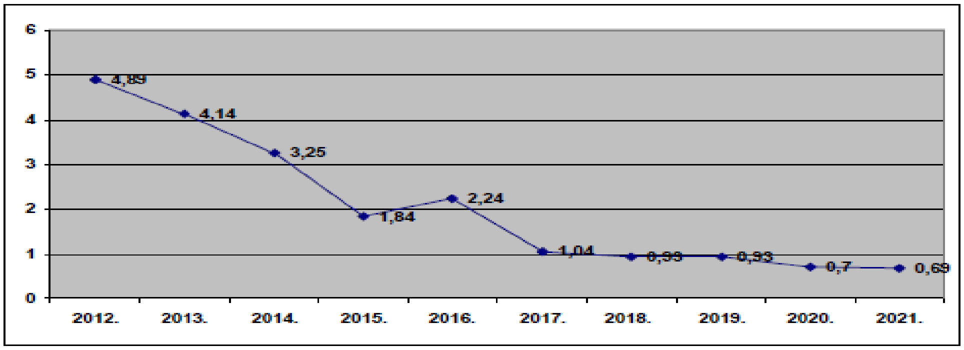
For the purposes of analyzing the short-term financial balance, positions from the balance sheet are divided into two groups: on the asset side, short-term tied funds, and on the liability side, short-term funding sources. Short-term financial balance is obtained when short-term tied funds are put in a relationship, on the one hand, with short-term sources of financing, on the other hand. Short-term financial equilibrium exists if this ratio is 1:1 (*acid test rule*). Otherwise, *the short-term imbalance* shifts towards short-term assets (liquid assets), that is, towards short-term sources (overdue payment obligations).

Table 1. Short- term financial balance

Year	Short-term related funds/ Short-term sources of financing	The coefficient
2012.	95.438.701/19.504.127	4,89
2013.	80.962.398/19.577.503	4,14
2014.	59.114.203/18.181.419	3,25
2015.	51.094.426/27.735.533	1,84
2016.	77.905.548/34.809.204	2,24
2017.	53.025.788/50.981.911	1,04
2018.	63.399.903/67.869.860	0,93
2019.	70.286.432/75.622.218	0,93
2020.	59.769.842/85.747.091	0,70
2021.	59.178.054/87.098.458	0,69

Source: Financial reports (2014-2021)

Graph 1. Graphic representation of the data from Table 1.



Long-term financial balance

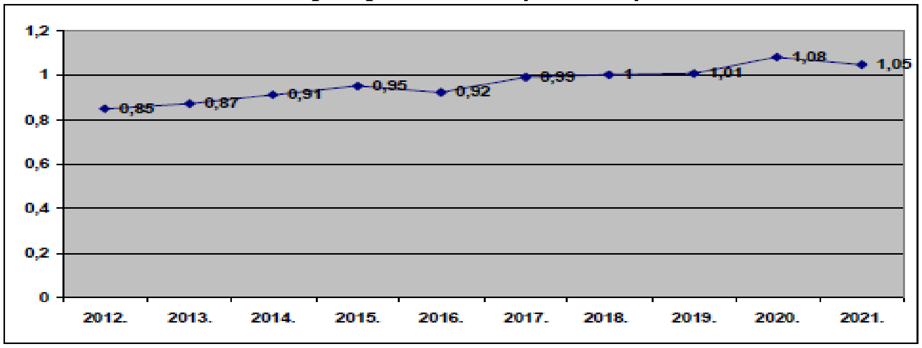
Long-term financial balance is obtained when long-term assets are put in a relationship on the one hand, with permanent and long-term capital on the other. Namely, if there is a short-term financial balance, then there must also be a long-term financial balance. In such circumstances, the long-term financial balance provides the conditions for liquidity to be permanently maintained, because there is a parallelism between long-term assets and the terms of availability (duration) of their funding sources. The permanent maintenance of liquidity depends, first of all, on the parallelism of the deadlines for the mobilization of short-term assets and the maturity dates of short-term liabilities. A ratio of 1:1 shows the existence of long-term financial balance. Disruption of this relationship shows an excess of long-term tied assets and a shortage of capital and long-term debts, which leads to a disturbance in liquidity - illiquidity, because long-term tied assets are partially financed from short-term funding sources. The excess of capital and long-term debt over long-term tied assets does not threaten liquidity, but increases it, because a part of capital and long-term debt can be used for this purpose. On the other hand, it shows the irrationality of investing in fixed assets and stocks.

Table 2. Long-term financial balance

Year	Long-term fixed assets/ Long-term sources of finance.	the coefficient
2012.	420.755.027/496.689.601	0,85
2013.	419.895.309/481.280.204	0,87
2014.	428.954.467/469.887.251	0,91
2015.	433.809.112/457.168.005	0,95
2016.	467.553.068/510.649.412	0,92
2017.	524.297.060/526.340.937	0,99
2018.	599.611.896/594.871.411	1,00
2019.	620.351.544/614.015.758	1,01
2020.	657.650.120/610.327.204	1,08
2021.	644.854.445/616.934.101	1,05

Source: *Financial reports (2014-2021)*

Chart 2. Graphic presentation of the data from Table



The analysis of long-term financial balance shows that long-term tied assets are less than permanent and long-term financing sources, while the coefficient of long-term financial balance is less than (1) until 2018 and beyond. Therefore, in the period from 2018 to 2021, the company had a coefficient greater than (1), and thus **did not achieve the conditions for continuous (permanent) maintenance of liquidity and financial stability**. This means that in these years the long-term financial balance was shifted towards long-term assets. This state of the long-term financial balance had a negative impact on the short-term financial balance, considering the fact that these two balances are mutually conditioned. Graph 2 shows the permanent growth of the coefficient of long-term financial balance, with a pronounced slight decline in 2016, which caused the growth of the coefficient of short-term financial balance in the same year. Also, from 2018 to 2021, the growth of the coefficient of long-term financial balance above (1) caused the decrease of the coefficient of short-term financial balance below (1) in the same business years.

General (current) liquidity

Current liquidity is obtained by the ratio of current assets and short-term liabilities and accordingly shows the coverage of short-term liabilities by current assets. In professional literature (especially American), a company is considered liquid if the current liquidity ratio is 2 or more than two. However, this opinion could not be accepted from our point of view. Namely, if the ratio of current liquidity is 2, it means that permanent stocks are half of current assets, while in real business, permanent stocks can be more or less than half of current assets. If permanent stocks are more than half of current assets, the current liquidity ratio of 2 does not guarantee the company's liquidity. And vice versa, if the fixed stocks are lower than half of the current assets, the current liquidity ratio of 2 can guarantee the liquidity of the company. In the analysis, the coefficient of current liquidity 2 will be taken as a reference value.

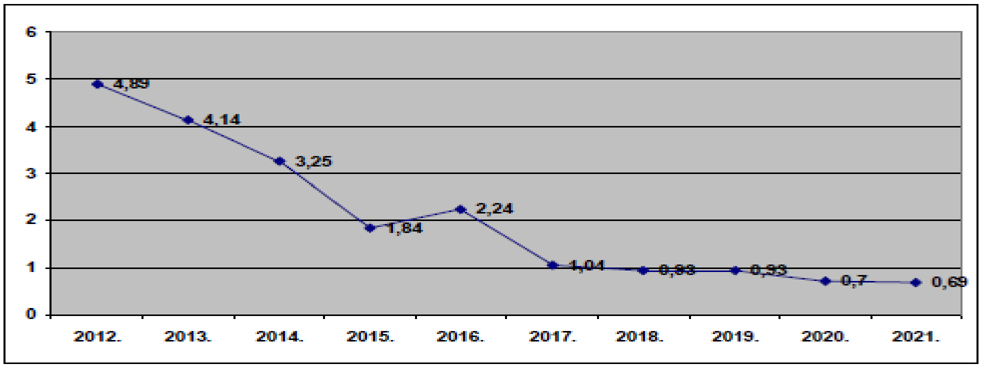
Table 3. General (current) liquidity

Year	Current assets / Short-term liabilities	the coefficient
2012.	95.438.701/19.504.127	4,89
2013.	80.962.398/19.577.503	4,14
2014.	59.114.203/18.181.419	3,25
2015.	51.094.426/27.735.533	1,84
2016.	77.905.548/34.809.204	2,24
2017.	53.025.788/50.981.911	1,04
2018.	63.399.903/67.869.860	0,93
2019.	70.286.432/75.622.218	0,93
2020.	59.769.842/85.747.091	0,70
2021.	59.178.054/87.098.458	0,69

Source: *Financial reports (2014-2021)*

Data presented in table no. 3. point to the fact that the company Mine and power plant "Ugljevik" a.d. Ugljevik, in the period until 2015, has significantly higher amounts of current assets compared to the amounts of short-term liabilities, which means that the values of the coefficients of general (current) liquidity are significantly higher than 2. Since 2015, the company has a significantly less favorable ratio of current assets and short-term liabilities, so that the values of its general liquidity coefficients are closer to unity, with the exception of 2016 (2.24). The downward trend of this coefficient shows that the company's short-term liabilities grew much faster than current assets increased, which resulted in the value of the general liquidity coefficient being less than one from 2018 to 2021.

Chart 3. Graphical presentation of data from Table



On Graph 3, you can clearly see the downward trend line of this coefficient since 2017, so that its value would be less than (1) in 2018 and beyond, with the least expressed value in 2021 of all (0.69) .

Solvency

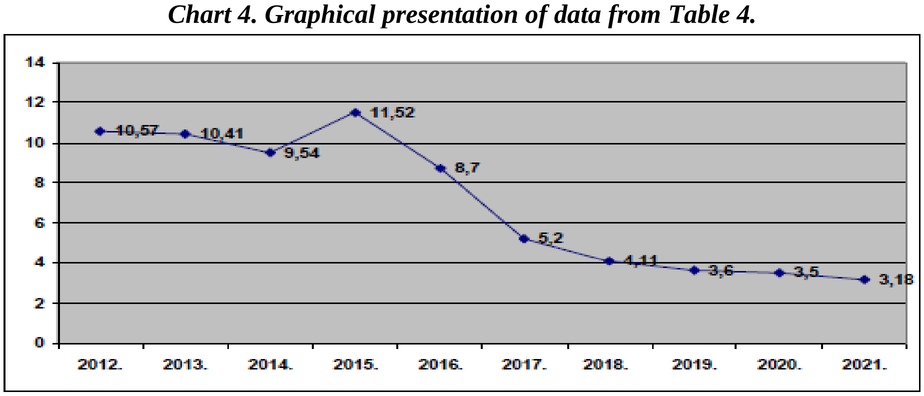
There are sometimes conflicting opinions about the understanding of the concept of solvency and liquidity in professional literature and in economic legislation. Namely, sometimes these two terms are identified and equated, which is wrong. Solvency, in contrast to liquidity, means the ability of the company to pay all its obligations, not when they are due for payment, but at any time, even from the bankruptcy or liquidation estate. Solvency is measured by the ratio of business assets to total debts. Although there is no rule as to what this ratio should be in order for the company to be considered solvent, however, if this ratio is less than 1, then the company is insolvent. Therefore, the company's solvency is more acceptable when the ratio of business assets to total liabilities is more than one. Long-term solvency is related to the company's ability to survive for a longer period of time, i.e. for many years.

Table 4. Solvency

Year	Business assets/ Total assets	The coeficient
2012.	516.193.728/48.828.232	10,57
2013.	500.857.707/48.094.963	10,41
2014.	488.068.670/51.153.049	9,54
2015.	484.903.538/42.103.156	11,52
2016.	545.458.616/62.659.051	8,70
2017.	577.322.848/111.025.111	5,20
2018.	663.011.759/161.229.595	4,11
2019.	690.637.976/191.639.165	3,60
2020.	717.399.962/204.859.231	3,50
2021.	704.032.499/221.082.958	3,18

Source: *Financial reports (2014-2021)*

Chart 4. Graphical presentation of data from Table 4.



Based on the solvency indicators (table and graph 4), it can be concluded that the company Mine and power plant "Ugljevik" a.d. Ugljevik had solvency coefficients several times higher than 1. This means that the business assets of this company are several times higher than the amount of total liabilities, which makes it impossible for the company to make such a loss as to bring itself into a state of insolvency. However, the declining line of the solvency trend shows that the total liabilities grew much faster than the renewal of business assets and investments in business assets, which is especially pronounced in the period from 2017 to 2021, when the state of solvency is the lowest (3.18).

Indebtedness

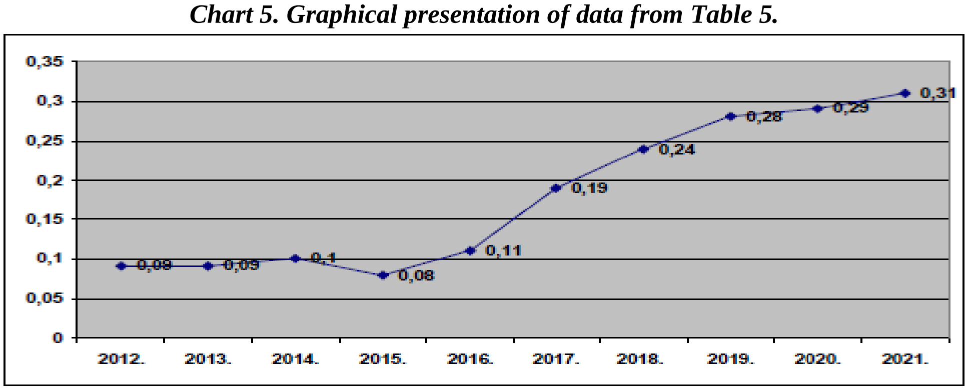
The company's indebtedness is evaluated through the structure of the liabilities of the balance sheet viewed from the point of view of ownership. The structure of liabilities affects the security, profitability and autonomy of the debtor. According to the traditional financial rule, an acceptable structure for a company is if its own capital is 50%, and borrowed capital is also 50% of total liabilities. This practically means that the ratio of own and borrowed capital is 1:1, and that the ratio of funds and debts is 2:1. Compliance with this rule ensures sufficient security for creditors in terms of the possibility of collecting their claims. However, in business practice, this rule may deviate in the direction of larger ratios than 2:1. Indebtedness is calculated by the ratio of total liabilities to total assets.

Chart 5. Indebtedness

Year	Total liabilities/Total funds	The coeficient
2012.	48.828.232/516.193.728	0,09
2013.	48.094.963/500.857.707	0,09
2014.	51.153.049/488.068.670	0,10
2015.	42.103.156/484.903.538	0,08
2016.	62.659.051/545.458.616	0,11
2017.	111.025.111/577.322.848	0,19
2018.	161.229.595/663.011.759	0,24
2019.	191.639.165/690.637.976	0,28
2020.	204.859.231/717.399.962	0,29
2021.	221.082.958/704.032.499	0,31

Source: *Financial reports (2014-2021)*

Chart 5. Graphical presentation of data from Table 5.



Based on the indicators presented in table no. 5. it can be concluded that the company Mine and power plant "Ugljevik" a.d. Ugljevik had a permanent increase in indebtedness, with a particularly pronounced growth trend from 2016 to 2021. However, in no business year did the company exceed the permitted limit of indebtedness, which would endanger its own security and security for creditors in terms of the possibility of collecting claims.

5. CONCLUSIONS

Good management is a prerequisite for creating a stimulating investment atmosphere and strengthening the competitiveness of companies. The problem of management is topical today due to a large number of corporations in which there has been a separation of ownership from control, intensive integration processes, growth in ownership shares of institutional investors, a series of financial crises and bankruptcy. Analyzing the key analytical indicators of the financial, asset and yield position of Mine and power plant "Ugljevik" a.d. Ugljevik, the business performance of the corporate financial management of the given company crystallized, based on which it is possible to make important statements. The results of the analysis show that this company has not established a short-term financial balance in the last years of its operations, that is, short-term liabilities covered by short-term receivables.

Short-term financial balance assumes the existence of long-term financial balance, which the observed company also does not have in the period from 2018 to 2021. This means that the company Mine and power plant "Ugljevik" a.d. Ugljevik does not have security for permanent maintenance of liquidity. Indicators of general liquidity point to the fact that in the later years of observation, the company has a significantly less favorable ratio of current assets and short-term liabilities, which means that the value of the coefficients of general liquidity decreases and is less than one. The downward trend of this coefficient shows that the company's short-term liabilities grew much faster than current assets increased, which resulted in the value of the general liquidity coefficient being less than one in the last business year. Observing the solvency coefficients of Mine and power plant "Ugljevik" a.d. Ugljevik, it can be concluded that the business assets of the company in question are several times higher than the amount of total liabilities, and therefore the company has a state of solvency. The results of the analysis of the state of indebtedness indicate the fact that the company had a permanent increase in indebtedness. The analysis of asset efficiency shows that the growth of business assets is not accompanied by the growth of the company's total income and vice versa. Analyzing state of profitability, it can be concluded that the observed company, in addition to negative profitability values in the years with realized losses, also has very low profitability rates in the years in which it also realized a net profit. The results of the analysis of the key indicators of the financial, asset and profit position of the company Mine and power plant "Ugljevik" a.d. Ugljevik, gave a clear picture of its creditworthiness and financial stability, but also indicated to what extent the company's financial management can manage it efficiently. Based on the results of the research, it can be concluded that the financial management of the company did not achieve the goals and principles of management (corporate) management and worked in the interest of the capital owners and the increase of the company's assets, and that it did not provide a degree of security to the creditors who do business with the company.

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