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Summary

The use of the instruments of exchange rate, fiscal and monetary policies to balance of payments adjustment is dissected according to the main theoretical approaches. Their advantages and disadvantages are defined.

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FINANCIAL AND CASH FLOWS IN THE ECONOMIC SYSTEM

The concepts “financial flow” and “cash flow” are considered in the article. Their basic descriptions are analyzed that serves as a foundation for carrying out the comparative analysis according to a number of characteristics. The methods and techniques of research of movement of financial and cash flows in the economic system are determined and systematized.

Keywords: financial flow, cash flow, analysis, characteristic, method, research, movement, economic system.

Introduction. At the present stage of change in the world economy, the tendency to globalization, the creation of unlimited world economic space cause the necessity of developing new approaches, the deepening of theoretical bases of forming and improvement of all resource flows, especially cash and financial ones, under the conditions of market transformations. Today the main tasks of forming the effective state financial policy are the mobilization of backlogs of economic growth, activation and intensification of movement of financial and cash flows, increase in efficiency of their application. This requires more detailed research of the financial and cash flows in the economic system, the comparative analysis of these flows in modern conditions, the systematization of methods and techniques of researching such flows movement in economic system.

The analysis of the latest scientific research. The works of modern domestic and foreign scientists such as A. Hrachev [4], H. Azarenkova [1], K. Afashahov, Ye. Tiutiukina [12], O. Maiboroda [7], Yu. Plushchevska [9], I. Blank [2], A. Poddierohin [10], V. Oparin [8], O. Havtur [13] and others are devoted to the issues of financial and cash flows at both macro and micro levels.

An assignment of the unsolved aspects of the problem. The effectiveness of the economic system development is an important factor of economic development. Some issues have not got sufficient attention despite a large number of researches in the economic system development. We think the current problem of individual approaches using in the study of the economic system development to improve the efficiency of the latter is actual.

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The aim of the article is to carry out a comparative analysis of the main definitions of the concepts “financial flow” and “cash flow” in the economic system, to differentiate common and distinctive features between them according to a number of specific characteristics, to systematize the methods and techniques of researching the movement of financial and cash flows in the economic system.

The presentation of the basic research material. Let's define the existing approaches to understanding the essence of the financial and cash flows in the economic system. The economic systems are in constant movement and development, and represent the sphere of productive forces functioning and economic relations. The concept of financial flows arose in the middle of the XX century in the USA. A financial flow is a purposeful movement of financial resources in accordance with a specific activity of business entities that determined according to their affiliation to a certain sector of the economy. Such flow is accomplished in interconnection with the cash flows and including the time factor. It reflects the liquidity of financial resources and as a process causes the achievement of a certain economic result. A financial flow is interconnected with the formation, distribution and usage of various functional capitals and generalizes the different forms and types of movement of financial resources of certain business entities [1].

Financial flows can belong to the legal sector (explicit financial flows) and the illegal sector (hidden financial flows). A financial flow reflects the results of change and accumulation of financial resources. Therefore, speaking about types of financial flows, they should be distinguished according to the type of financial resources, which are the objects of the movement of separate financial flows. In terms the methodological bases on the essence of a financial flow, the following can be noticed: firstly, the process of creation and formation of financial resources is determined by the movement of banknoteroll; secondly, the process of movement of financial resources also determines the movement of banknoteroll; thirdly, the movement of labor products is mediated with the movement of banknoteroll, which is expressed in different categories of value, and, first of all, such as price and wage [1, 6, 7, 9, 12].

The concept of cash flow appeared in the late 50s of the XX century and was exclusively used in the process of determining the value of financial assets and evaluating the efficiency of real investments [14]. A foreign scientific thought defines the cash flow as the difference between banknoteroll receipts and their payment as a result of either one or all of the operations [13].

A domestic scientific thought proposes to consider the cash flow from the position of such essential characteristics: as an object of financial management of the business entity's economic activity (cash flow of the enterprise reflects the company's money relations of both external and internal characters); as a process which, is directly connected with the functioning of money and the monetary system of the country and implemented by taking into account the time, risk and liquidity factors; as a process related to the formation, distribution and usage of business entity's capital, which reflects its usage of various forms of loan; as a process, which characterizes the circulation and transformation of separate types of a business entity's assets and provides the economic effect generation; as a process, which reflects the forms and volumes of business entity's functioning on the product and financial markets [2].

According to the accounting standards cash flows (flow of funds) – are the incomes and expenses of money resources and their equivalents (cash in hand and in bank accounts used for current operations and short-term financial investments, which can be converted into a certain amount of money freely and with insignificant risk of changes in value) [5].

The following attributes for the emergence and functioning of the cash flow can be determined: the movement of the cash flow is carried out in connection with the performance of contractual obligations between the entities; the cash flows generated by the enterprise have purely financial nature, because their result is the formation, distribution and usage of enterprise's funds of money resources [10].

The comparative analysis of the definitions “financial flow” and “cash flow” gives the following results. Both definitions include the term “flow”, which is characterized as an economic value that is measured by movement taking into account the time interval [6]. That is, the financial and cash flows are the consequence of change in the certain value. The difference between them consists in that the cash flow reflexes the cash resources movement, and the financial flow reflexes the finance resources movement [1].

Considering the mentioned above, the essence of the cash flow can graphically be presented in Figure 1, and the financial flow – in Figure 2.

It is not worth reducing financial resources to cash, because only a share of financial resources is in cash form.

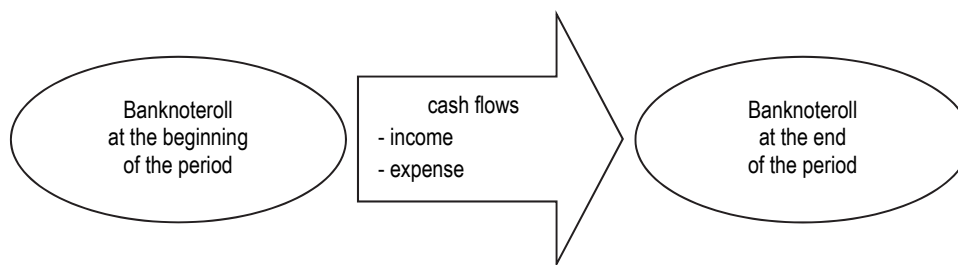


Figure 1 – Interconnection between banknoteroll and cash flows

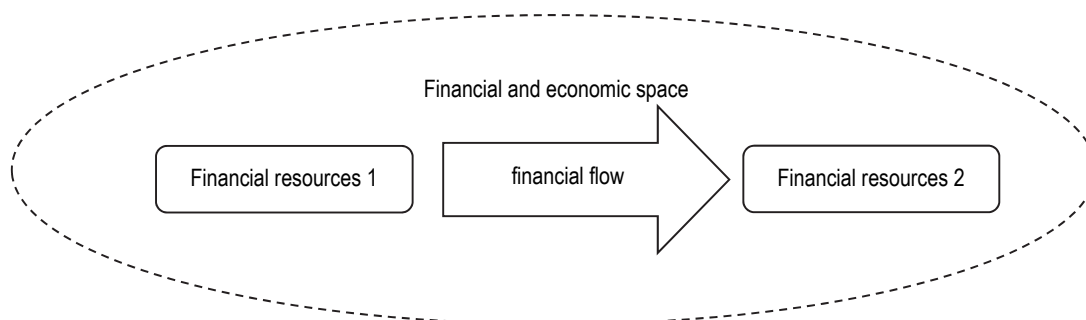


Figure 2 – Interconnection between financial resources and financial flow

Here is the difference between financial and cash flows: the cash flow is: a notion that is narrower than financial flow and is mostly observed on the level of separate business entity; a process of equivalents exchange expressed in trade and money forms. In addition to that the financial flow can also be nonequivalent. Financial flow can also be observed as a direction of financial resources movement, and in particular cases also as these very resources movement. In other words, the financial flow is always interconnected with cash flow (however, it can be noticed that the gap in time between these flows can be quite significant) [1; 9; 12; 13].

It is worth noticing that cash flows play an essential role in the formation of financial resources, and thus, in the concept of financial flow. One of the main features and essence of money is that money is capable of being converted into capital, which generally characterizes the share of financial resources, which bring in an income. The management system of business entities' cash flows should include the combination of all methods, tools, management forms, cash flows segments. The Body of State Authority is the subject of the system of cash flows management in the economy, and the managed object is financial flows. Financial flows can move in three segments during the movement: private finance, state finance, and international finance.

For a thorough study of financial flows of the economic system subjects it is necessary to take into account that the impact of individuals in the process of development, making and realization of adminis-

trative decisions, the negative phenomena that arise in the modern economy, including the hypertrophied role of individual goals and preferences of participants in the economic processes, mainly caused not by the direct economic and social factors, but the defects in the institutional structure of the economic system. The above mentioned factors cannot be excluded from consideration in the process of investigating the mechanisms of formation, distribution and usage of financial flows as each of them leads to the basic parameters of the respective flows. The results of the comparative analysis of the definitions "financial flow" and "cash flow" are given in Table 1.

The search of problems related to the movement of financial and cash flows in the economic system has the practical importance for identification of potential threats in the functioning of the financial system as a whole. It happens mainly through the elimination of unfavourable circumstances, even before the infliction of loss or any other negative phenomena in the economic system. So there is a question of systematization of methods and techniques of researching the financial and cash flows movement. Their use should anticipate the negative phenomena, highlight trends of development (or, on the contrary, decline) and predict the values of parameters of such flows movement in the economic system. The diversity of the types of financial and cash flows determines the existence of a number of their research.

Table 1 – The results of the comparative analysis of the definitions of “financial flow” and “cash flow”

Characteristic	Cash flow	Financial flow
Economic essence	An economic value that is measured by movement taking into account the time interval	
The concept that lies at the basis	Money resources	Financial resources
Equivalence	Can have the only equivalent character	Have both equivalent and nonequivalent characters
Classifications	By the type of economic activity (operating, financial and investment), by the direction of movement (incoming, outgoing), by the balance and sufficiency (surplus, scarce), by the currency and forms of uses of banknoteroll (micro-, meso-, macroeconomic, international)	
	By the level of activity, by the ability to ensure the solvency (liquid, nonliquid), etc.	By the level of functioning, by the level of national administration (incoming, horizontal, outgoing), etc.
Factors of influence	Internal (corporate life cycle, seasonality of production and sales, the urgency of the investment programs, the depreciation policy of the enterprise, the financial mentality of the owners and managers of the enterprise), external (situation on the stock market, the practice of lending to buyers and suppliers of products, the system of payment transactions and the system of taxation of business entities, the availability of financial loans) and indirect factors of influence (political, legal, economic, socio-cultural and technological factors)	
Aims of management	Increasing and accelerating the formation of input enterprise cash flows; optimization of formation of outgoing cash flows over time; forecasting and planning the liquidity reserve; reducing financial risks	Determining the additional sources of financial resources and receipts; planning by amount and by terms of future payments to the various budget and non-budget funds; coordination of the different financial flows in time
	Planning, forecasting the appropriate flows to achieve the synchronism of their formation	
Indexes	Net cash flow from operating, financing and investing activities; total volume of net cash flow; the coefficients characterizing the level of liquidity; the turnover of the individual assets in the process of the cash turnover, the level of the cash flows efficiency; the duration of the financial and operating cycles	The absolute change of the total volume of financial resources over the analyzed period, the net financial flow, the levels of equilibrium, adequacy and turnover of financial flows
	The volume of debit and credit indebtedness and their relationship	

Considering the peculiarities of each characteristic of the classification of such flows, you can choose the method which can most fully describe the features of one or another type of financial or cash flow in the economic system. Financial and cash movement is the large-scale phenomenon and it has been studied sufficiently. There are three groups of methods in the study of financial and cash flows movement in the economic system (Fig. 3).

The indicators of statistical analysis are divided into absolute, relative and average. The indicators of financial and cash flows are studied individually and totally. This allows you to get a general idea about changing these parameters of financial and cash flows for the previous and current periods. Methods of economic-mathematical modelling allow shaping the likely behavior of the research object as conditions change (factors influencing the behavior of the object).

Methods of forecasting the movement of financial and cash flows can be divided into two groups: prediction of time series (for the average characteristics; the analytical methods of the smoothing; for algorithmic methods) and econometric methods for forecasting (prediction on the basis of single-factor regression models; forecasting on the basis of multi-

factor regression models; economic forecasting on the basis of ARIMA and VAR models). They allow creating a system of possible variants of the research object behavior. That is, the predictive models of behavior of financial and cash flow in the economic system are built on the basis of statistical analysis and data obtained as a result of economic-mathematical modelling.

Conclusions. There are different approaches to the determining the definitions of “financial flow” and “cash flow” in the economic system in the literature. The study made it possible to systematize the results of the comparative analysis of these concepts by the group of characteristics (economic essence, equivalence, management objectives, indicators, factors of influence, etc). It is determined that the study of the movement of financial and cash flows in the economic system is carried out using the methods of statistical analysis, economic and mathematical modelling and forecasting. On the basis of the data obtained through statistical analysis and construction of economic-mathematical model of movement of financial (cash) flows in the economic system, it is possible to build a predictive model of the motion of such flows in the short, medium or long-term perspectives.

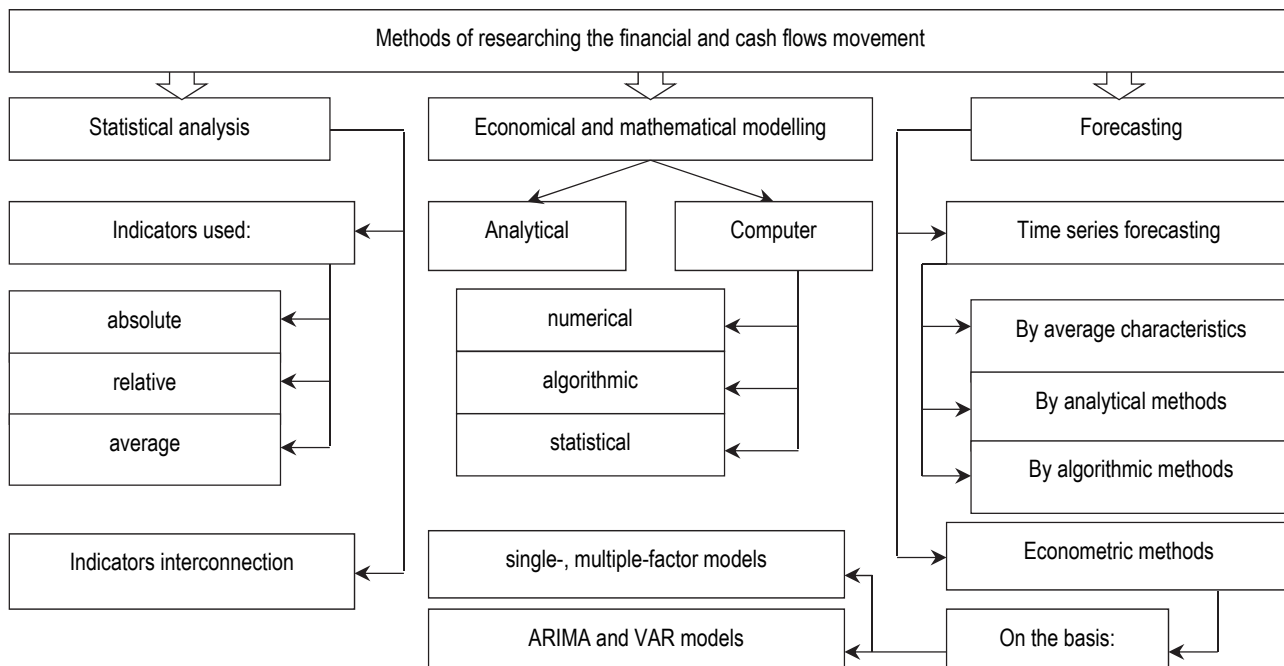


Figure 3 – Methods of researching the financial and cash flows movement

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Анотація

В статті розглянуто поняття “фінансовий потік” та “грошовий потік”. Проаналізовано їх сутнісні характеристики, що слугує базою для проведення порівняльного аналізу за рядом ознак. Визначено та систематизовано методи та прийоми дослідження руху фінансових та грошових потоків в економічній системі.