UDC 338.124

https://doi.org/10.52058/2786-5274-2024-2(30)-352-363

Lashchyk Iryna Ihorivna Candidate of economic sciences, associate professor, associate professor of the Department of Finance, Lviv Polytechnic National University, St. S. Bandery 12, Lviv, 79493, tel.: (097) 901-38-36, https://orcid.org/0000-0001-5912-4276

STRATEGY FOR THE FINANCIAL RECOVERY OF THE ENTERPRISE UNDER THE CONDITIONS OF MARITAL STATE

Abstract. In times of conflict, when businesses face extraordinary challenges and adverse economic conditions, financial recovery becomes a more important task than ever before. Military action can cause a significant reduction in production activity, increase the cost of resources and increase business risks. In this complex context, financial recovery becomes a key tool for ensuring the survival and further development of enterprises. The scientific article reveals the essence of the term «financial rehabilitation of the enterprise» and defines the main aspects that emphasize the relevance and importance of this process. With the help of the analysis of statistical sources, the factors that often cause bankruptcy proceedings of domestic enterprises have been studied, determined and described. The main needs that arise in domestic enterprises in the conditions of a full-scale invasion have been studied, defined and described. The sequence of financial improvement is shown in graphic form, the observance of which will contribute to its success, efficiency and effectiveness. In addition, the article highlights the dynamics of the main indicators of bankruptcy, such as the number of enterprises with respect to which a bankruptcy case has been initiated, the number of enterprises that are in the process of financial recovery, and the number of enterprises that have been declared bankrupt. The dynamics of the relocation of enterprises due to the state of war, as well as indicators of their financial stability and business activity, were analyzed. As a result of the research, a list of the main problems faced by domestic enterprises in the conditions of a full-scale conflict was identified and described. Based on these conclusions, several strategies for the financial recovery of enterprises were developed, each of which includes a list of specific measures and management decisions. This approach allows not only to analyze the state of affairs, but also to determine effective courses of action to restore the financial health of enterprises in the conditions of economic difficulties caused by wartime circumstances.

Keywords: martial law, enterprise, bankruptcy, crisis, financial recovery, directions, measures.
Анотація. В умовах конфлікту, коли підприємства стикаються з надзвичайними викликами та негативними економічними умовами, відновлення фінансового стану стає більш важливим завданням, ніж будь-коли раніше. Воєнні дії можуть спричинити значне зниження виробничої активності, підвищення вартості ресурсів та збільшення ризиків для бізнесу. У цьому складному контексті фінансове оздоровлення стає ключовим інструментом для забезпечення виживання та подальшого розвитку підприємств. У науковій статті розкрито сутність терміну «фінансове оздоровлення підприємства» та визначено основні аспекти, які підкреслюють актуальність та важливість цього процесу. За допомогою аналізу статистичних джерел вивчено, визначено та описано фактори, які часто викликають порушення справи про банкрутство вітчизняних підприємств. Досліджено, визначено та описано основні потреби, які виникають у вітчизняних підприємств в умовах повномасштабного вторгнення. Відображено послідовність фінансового оздоровлення у графічній формі, дотримання якої сприяє його ефективності та результативності. Додатково, у статті висвітлено динаміку основних показників банкрутства, таких як кількість підприємств, стосовно яких порушено справу про банкрутство, кількість підприємств, які перебувають у процесі фінансового оздоровлення, та кількість підприємств, які оголошено банкрутами. Проаналізовано динаміку релокації підприємств через військовий стан, а також показників їх фінансової стійкості та ділової активності. У результаті досліджень виявлене і описано перелік основних проблем, із якими стикаються вітчизняні підприємства в умовах повномасштабного конфлікту. На основі цих висновків розроблено кілька стратегій фінансового оздоровлення підприємств, кожна з яких включає перелік конкретних заходів та управлінських рішень. Такий підхід дозволяє не лише аналізувати стан справ, а й визначати ефективні напрямки дій для відновлення фінансового здоров'я підприємств в умовах економічних труднощів, зумовлених воєнними обставинами.

Ключові слова: воєнний стан, підприємство, банкрутство, криза, фінансове оздоровлення, напрями, заходи.

Formulation of the problem. Financial rehabilitation of enterprises in the conditions of martial law remains an extremely urgent and important task. Martial law is accompanied by risks and difficulties that can seriously undermine the financial stability of enterprises. The main aspects that emphasize the importance of financial recovery in the conditions of a military conflict are the following:

- to ensure stability and survival (martial law can lead to reduced demand for goods and services, limited access to markets, reduced production, while financial recovery helps enterprises adapt to changing conditions and maintain stability);
- effective management of resources: (under conditions of martial law, effective management of financial resources becomes critical, as enterprises must optimize costs, maintain liquidity and ensure effective use of capital);
- the possibility of obtaining financing: (the financial recovery of enterprises increases their possibility of obtaining financing in conditions of economic instability, in particular, companies with more stable financial indicators have more chances to attract investors or receive loans).
- job preservation and social responsibility: (financial recovery allows enterprises to preserve jobs and fulfill their social responsibilities. Conditions of military conflict can lead to a decrease in employment, and maintaining the financial health of enterprises helps prevent mass job losses);
- development (improvement) of strategic development plans: (financial recovery includes the development of backup strategies and action plans to overcome crisis situations arising as a result of military conflict).

In general, financial recovery under martial law is a strategically important element for ensuring the survival and sustainability of enterprises in difficult conditions.

Analysis of recent research and publications. Theoretical and methodological aspects of the financial recovery of enterprises have long been and quite widely studied by domestic scientists and economists. It is especially worth noting the work of such authors as: O. Tereshchenko, I. Blank, L. Ligonenko, N. Bryukhovetska, A. Shtangret, M. Bondarchuk, O. Kuzmin, O. Melnyk, I. Tsygylyk and others. In their works, the authors pay the greatest attention to the study of the essence of the financial recovery of enterprises, their main prerequisites and the implementation mechanism. A number of such scientists as I. Grechak, O. Meleniuk, I. Parkhovskyi, I. Grebeniuk devote their scientific works to diagnosing the crisis state of enterprises and assessing the probability of their bankruptcy. In our opinion, P. Panasyuk's scientific work describes the most complete and objective process of assessing the rehabilitation capacity of enterprises, the results of which significantly affect the financial rehabilitation strategy. However, despite such a large number of works devoted to the researched topic, certain issues related to the prerequisites, directions and specific measures of financial rehabilitation of enterprises operating under martial law and an extremely dynamic business environment remain unresolved.

The purpose of the study is to analyze bankruptcy trends, as well as to highlight directions and measures of financial recovery of domestic enterprises that have been operating under martial law for the past two years.

Setting objectives. In accordance with the formulated goal of the research, it is possible to single out the following primary tasks: to single out the most common factors of bankruptcy of domestic enterprises; characterize the consequences of the full-scale invasion of Russia on the state and trends of the activities of domestic enterprises; to investigate and characterize the most common problems inherent in domestic enterprises in the conditions of war; to form a system of directions for the financial recovery of enterprises and measures corresponding to them.
Presentation of the main research material. Martial law conditions can create serious difficulties for businesses, and bankruptcy can become a real risk. Here are some factors that can lead to the bankruptcy of enterprises in the conditions of a military conflict:

- Economic problems. Military conflict can lead to economic hardship, such as reduced demand, reduced markets, increased resource costs, and reduced access to capital. These factors can cause financial problems for enterprises.

- Losses and destruction. Military conflict can result in physical destruction and loss to businesses, including the destruction of infrastructure, production sites, and stockpiles. Recovery after such losses can be quite costly and time-consuming.

- Increased Risks and Insurance Costs: Business risks are significantly increased in a military conflict. Insurance costs may increase and, despite having an insurance policy, not all risks may be covered.

- Restrictions on market access. With the introduction of restrictions, controls and barriers to markets, businesses may lose access to their usual sales channels, resulting in reduced sales and profits.

- Spread of credit insolvency risks. Conditions of military conflict can affect the solvency of customers and partners, which increases the risk of insolvency and indebtedness.

- Reduction of investment and capital. In conditions of uncertainty and risk, investors may refrain from investing money in enterprises, which leads to a decrease in capital and investment.

- Political and legal risks. Changes in the political and legal environment can occur as a result of military conflict, creating uncertainty and additional risks for businesses.

In the conditions listed above, it is important for enterprises to develop financial recovery strategies, adapt to changes, rationalize costs and effectively manage resources. Also, it is important to develop backup plans and diversify risks to reduce the likelihood of financial difficulties and bankruptcy.

According to the Ministry of Justice of Ukraine, in the first four months from the beginning of the full-scale invasion (February 24, 2022), 72 bankruptcy cases of individuals and legal entities were initiated by domestic commercial courts. Of them, 58 enterprises were declared bankrupt (37 – legal entities, 21 – individuals). With regard to other business entities, the procedure for financial recovery (sanitation) has been initiated. The dynamics of initiation of bankruptcy cases of domestic enterprises for the period 2020-2023 is presented in Figure 1.

Despite the fact that the dynamics of indicators are improving, the number of enterprises on the verge of bankruptcy must be reduced.

The main steps taken by the state to support business in the conditions of martial law were:

- simplification of taxation requirements;
• launch of the "Affordable Loans" program, which is characterized by a reduction in interest rates for granted loans;
• assistance in business relocation.

![Graphical interpretation of the dynamics of the main indicators of bankruptcy for 2020-2023](image1)

*Fig. 1. Graphical interpretation of the dynamics of the main indicators of bankruptcy for 2020-2023*

*Formed by the author based on [1-3]*

Most of the enterprises were relocated from the central and eastern regions. Their number is presented in Figure 2.

![Dynamics of the number of relocated enterprises during the period of martial law](image2)

*Fig. 2. Dynamics of the number of relocated enterprises during the period of martial law*

*Formed by the author based on [1-3]*
A list of the main needs that arise before the enterprises that have relocated and those that are in the frontline regions is presented in Table 1.

Table 1. List of the most common needs of domestic enterprises under martial law

<table>
<thead>
<tr>
<th>Type of enterprises</th>
<th>List of basic needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relocated enterprises</td>
<td>Transportation; production areas; financial resources; labor force relocation; contractors</td>
</tr>
<tr>
<td>Enterprises close to the front line</td>
<td>Restoration of communications (critical infrastructure); demining of territories; funds for the recovery of activities (financial resources); workforce.</td>
</tr>
<tr>
<td>All enterprises</td>
<td>Financial resources; new contractors; reducing the level of bureaucracy; labor force (especially men).</td>
</tr>
</tbody>
</table>

* Formed by the author based on [4-7]

As we can see from Table 2, the most common problem for each group of enterprises is the need to provide financial resources. However, the availability of a sufficient amount of financial resources cannot guarantee the complete safety of business in war conditions, as there is always a threat of complete destruction or damage to the business entity (physical destruction).

With the beginning of the full-scale invasion, more than 150 enterprises (large and medium) were completely destroyed. The activities of such enterprises were mainly concentrated in such regions as Kyiv, Dnipropetrovsk, Zaporizhzhya, Kharkiv and Luhansk.

The main factors that affected the level of financial stability of medium and small enterprises in the conditions of martial law and their percentage values are shown in Figure 3.

**Fig. 3. Factors of financial stability of small and medium-sized enterprises under martial law**

* Formed by the author based on [1-3]
The business activity of the enterprise also underwent significant changes with the beginning of the full-scale invasion compared to the pre-war period. Let's divide the enterprises conditionally into three groups. The first group includes the part of enterprises that, in comparison with the pre-war period, continued their work without significant changes, the other part carried out their activities only partially, and the last group of enterprises stopped their activities completely. The percentage values inherent in each of the selected group of enterprises are graphically presented in Figure 4.

![Figure 4: The state of activity of small and medium-sized enterprises (business activity) in comparison with the pre-war period]

* Formed by the author based on [3-7]

As for the main problems faced by domestic enterprises (mostly in the western, central and southern regions), the following became the most significant during the year of the war (Figure 5):
Fig. 5. List of problems and the corresponding % of small and medium-sized enterprises in their activities compared to the pre-war period

* Formed by the author based on [3-6]

- communal problems (electricity supply, gas supply, water supply); -33%;
- increase in the level of occupational hazard by 8%;
- reduction in demand for products or services by 14%;
- increase in prices for raw materials and materials by 22%;
- logistical problems 7%;
- working capital deficit of 16%.

As we can see from Figure 5, the biggest problem faced by small and medium-sized businesses since the introduction of martial law is communal problems. The presence of the analyzed problems and trends force domestic enterprises to switch to new operating conditions, taking into account many factors, primarily the external environment. In particular, the trend of enterprise activity in today's conditions requires the improvement of the anti-crisis management mechanism, the primary place of which belongs to measures of financial improvement.

Financial rehabilitation is the process of developing and implementing measures aimed at overcoming the crisis situation and the threat of bankruptcy (bringing the actual indicators of the financial state of the business entity to the planned ones).

The process of financial recovery is undoubtedly characterized by a certain number of stages that have a clearly defined sequence. We graphically displayed such a sequence in Figure 6.
Financial recovery of the enterprise is a key element to ensure its stability, competitiveness and successful operation in the conditions of market competition. Improving finances plays an important role in ensuring the functioning of the enterprise and achieving its strategic goals. Let's consider some key aspects of the essence and necessity of the company's financial recovery: the financial recovery of the enterprise contributes to the increase in the efficiency of the use of financial and other types of resources; financial improvement helps increase the company's readiness for market challenges and various types of risks; financial recovery helps to optimize costs, increase working capital, improve inventory management processes; an effective policy of financial rehabilitation allows to minimize the risks associated with lack of funds, low level of liquidity and solvency, etc.

The importance of the financial recovery of the enterprise in modern conditions can be justified as follows: financial rehabilitation aimed at ensuring the viability of the enterprise; financial recovery helps attract investment resources (support of investors, banking and other financial institutions); financial recovery is a prerequisite for business expansion and introduction of new technological resources; financial recovery is aimed at increasing the level of flexibility of the enterprise to changes in market and competitive conditions (contributes to increasing competitiveness).
In more detail, directions and specific measures of the company's financial recovery are shown in Figure 7.

**Fig. 7. Graphical interpretation of directions and measures of financial recovery of the enterprise**

*Formed by the author*

It should be noted that measures to improve the company's finances can also be different in terms of implementation, namely operational and strategic. The period of planning and implementation of such measures will be determined, first of all, by the results of diagnostics of the current financial condition of the research object.
A schematic representation of the expected consequences of operational or strategic measures for the financial recovery of the enterprise is shown in Figure 8.

![Fig. 8. Graphic display of the expected consequences of operational or strategic measures for the financial recovery of the enterprise](image)

*Formed by the author

The list of the specified directions and measures of financial rehabilitation of the enterprise, which is presented above, is not exhaustive, because it can be significantly supplemented, changed or expanded, taking into account the scope, scale and geographical location of the business entity.

**Conclusions.** Financial recovery of the enterprise is a key element to ensure its stability, competitiveness and successful operation in the conditions of market competition. Improving finances plays an important role in ensuring the functioning of the enterprise and achieving its strategic goals. The leading place in the process of financial rehabilitation of the enterprise is played by the diagnosis of the crisis state and the assessment of the probability of bankruptcy of the latter. This process allows timely detection of problems and shortcomings in the financial state of the enterprise and taking the necessary measures to solve them. In the scientific article based on the use of statistical sources, we analyzed the trends (main indicators) of the activities of domestic enterprises (representatives of small, medium and large businesses) and on their basis identified possible areas of financial recovery. For each direction, a list of specific measures of financial improvement is proposed, which can be changed or supplemented depending on the type of activity and location of the business entity.
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