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Article

Modern Principles and Criteria for Evaluating The Financial Policy of An Enterprise Within The Framework of Corporate Governance

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Abstract: The study reveals the features of modern corporate governance, which determines the financial policy of industrial enterprises based on principles providing stability, transparency and sustainable development. Despite the broad debate on financial policy, to date there is no integrated assessment framework combining financial and non-financial indicators. This study fills that void by using a mixed qualitative/quantitative methodology that includes profitability, capital structure, liquidity, employee satisfaction, customer retention and operational performance. Results indicate that financial policy based on corporate governance principles reinforces financial autonomy, optimizes allocation of resources, and makes strategic decisions more reliable. Findings also suggest that a Balanced Scorecard framework links profit objectives with customer, internal process, and personnel objectives, and thus offers a more integrative performance evaluation (Kaplan & Norton). These insights reveal that good financial policy is not just about maintaining existing operations, but also about innovation, investment choices, and long-term market viability. Consequently, firms with governance mechanisms that are transparent and based on scientific principles, are more likely to weather the storm financially and adapt to the situation when required. Maybe more digital tools and risk-based governance models will be learned by future research to refine financial policy assessment.

Keywords: corporate governance, financial policy, governance principles, evaluation criteria, transparency, sustainable development, financial resources, income, profit, profitability, efficiency

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1. Introduction

The financing policy of the industrialenterprises control and define formation and using financialindicators at the present time in accordance to strategicgoals and tactical tasks enterprise that fixed in namedocuments [1]. Executive Finance balances material (outgoing) and monetary (incoming) flows necessary for core operations and fulfilling obligations; provides for the necessary structure and cost of capital; and creates profit for development support, growth opportunities, financial stability and independence, entrepreneurship, and market activity. This also offers balances for finance of each stakeholder.

The broad lines of the enterprise financial policy delineate the enterprise financial strategy for 3-5 years period of time and is contingent on a number of major implementation methods. The scope of this strategy is focused on the long-term sustainability of the corporation and covers a number of key areas: The financial strategy for the corporation takes its roots from the widest angle of the corporation's economics,

with a conservation outlook on stability and sustainability. It will then focus on how to assemble several significant financial systems together such as the settlement system, the tax policy, and credit policy built in a more beneficial way [2]. However, those perilously narrow margins require prudent working-capital management as well, making a systematic approach to accounts payable all the more essential. It also has to deal with organizing its current spending, whether or not rationally and also successfully in times of scarce resources. At the same time, it forms policy regarding prices, which is in line with the market and gives more control over its sales. Here, the important dividend policy decision is taken and investment and innovation projects are chosen that can drive future growth. Profit is strategically dispersed not only to sustain operations, but to enhance national commerce. Finally, the corporation consistently reviews their trip, looks for financial statements, and examines where their market cap currently stands as a guide.

Literature Review

Financial policies with reference to enterprises have been extensively studied in literature on corporate governance and financial management. As mentioned in, high financial policy is an impertinence for balancing the necessary material and money/cash flows, guarding both operational and continuity as the means of justification, as well as the insight for sustainable growth strategies [3]. Thus, corporate governance mechanisms such as transparency, accountability, and stakeholder engagement can finally help to set and enforce finance policies.

The literature also emphasizes the mixed approach of financial and non-financial indicators. The Balanced Scorecard framework by Kaplan and Norton has gained notable success in the assessment of enterprise performances such as the efficiency of financial policy and the alignment of activities with strategies [4]. Thus, existing literature agrees that sound financial governance policy ensures financial stability, market competitiveness and sustainable achievement of growth [5].

2. Materials and Methods

The paper applies a qualitative-quantitative mixed approach to assessing the financial policy of enterprise industry in the framework of corporate governance. It combines financial indicators (profitability, return on capital, liquidity, cost structures) and non-financial indicators (employee satisfaction, customer retention, operational efficiency) into a single assessment.

3. Results and Discussion

This financial decision is to make sure that the corporation will be financially stable in the long run and also to be stronger in the market leading to positive financial statements in the future. [6]

Enterprise financial management is focused on making the most of resources, which necessitates a balance between material and financial resources. In such management, all parameters are planned, and resources are organizationally rationally allocated [6]. Simultaneously, management of financial flows is carried out on the basis of forecast indicators formed on the basis of market demand.

This strategy enables steady production of enterprises, proper use of funds and fast responsiveness to the conditions of the market. This interdependence allows predicting and assessing those indicators because finance replicate the reproduction via system price, income, profit and profitability levels.

The main principles of a company's financial policy can be explained as follows:

1. **Principle of Financial Independence.** Enterprise is free in the choice of its activities and its development strategy, it exists on the market as an independent entrepreneur. However, the enterprise operates within the framework of economic independence, although the restrictions imposed by the state can be implemented on the basis of legislation.

2. **Principle of Self-Financing.** The enterprise aims to meet its needs through the raising of capital from gross profits from production and sales [7]. Therefore, retained earnings and depreciation funds are the main sources of financing. Simultaneously, it ought to be attractive to attract additional funding for enterprise development processes, particularly for investment and innovative tasks.
3. **Continuous Circulation of Working Capital.** Company seeks to keep working capital going in and out while keeping it secure to remain below the profit line. This principle is crucial for continuing to rely on solvency and stability [8].
4. **Formation of Reserve and Special Funds.** To remove the threat of delay in payment or the situation when the customer may even fail to make payment for the products shipping, special financial reserves and funds can be formed. These are to avoid these issues when the availability of money is short term.
5. **Control of Financial and Economic Activities.** This is done by establishing a control system that guarantees efficient employment of the financial resources of the company [9]. Such control is organized by financial departments or corresponding structural units and consists in rational distribution of funds, adherence to planned indicators, and expense optimization.
6. **Ensuring Financial Stability.** The company's focus on optimizing the movement of corporate financial flows to maintain the continuity of production and commercial processes forms the foundation of financial stability.
7. **Scientifically Grounded Approach.** The management of financial flows is based on scientific theories, which are used for developing adequate financial instruments aimed at facilitating the implementation of strategic objectives. It underpins decisions and enhancements to financial policy. These principles are sort of a systematic basis for structuring the financial policy of the company and for long-run sustainability as well [10] (Table 1).

Table 1. Balanced Scorecard: Goals, Indicators, Target Values

Finance Perspective

Code	Goal	Indicator	Target
F1	Ensure optimal return on capital	Return on capital, %	**max**
F2	Ensure achievement of planned sales	Revenue from external counterparties	**max**
		Revenue by product groups	**max**
F3	Ensure optimal product profitability	Sales revenue, %	**max**
		Profit ratio, %	**max**
		Marginal profit from current costs, %	**max**
F4	Ensure optimal margin (contribution/cost ratio)	Contribution margin, %	**max**
		Margin rate by product group, %	**max**

Customer Perspective

Code	Goal	Indicator	Target
C1	Achieve and maintain leading market positions	Market share by product groups, %	**max**
C2	Maintain the existing client base	Number of existing corporate clients by product groups	**max**
C3	Ensure high product prices through comprehensive offers	Share of clients making complex purchases, %	**max**
C4	Improve cost efficiency of advertising	Promotion cost to marginal profit ratio, %	**min**

	Promotion cost to revenue ratio, %	**min**

Business Process Perspective

Code	Goal	Indicator	Target
BP1	Ensure optimal production and commercial cycle duration	Production cycle duration (days)	**min**
		Inventory turnover (days)	**min**
		Accounts receivable turnover (days)	**min**
BP2	Increase trust in marketing planning and budgeting	Marketing planning quality index (points)	**max**
BP3	Improve customer service	Undelivered goods cost to sales ratio, %	**min**
		Complaints on service quality (units)	**min**
BP4	Improve product management processes	Deviation coefficient, %	**min**
		Output of compliant products, %	**max**
		Losses due to claims, %	**min**
BP5	Improve budgeting reliability	Overrun of current expenses plan, %	**min**
		Overrun of investment plan, %	**min**

Infrastructure / Personnel Perspective

Code	Goal	Indicator	Target
IS1	Improve efficiency of production and warehouse complexes	Avg. budget deviation for new complexes, %	**min**
		Avg. schedule deviation, %	**min**
IS2	Ensure labor productivity growth	Personnel cost in revenue, %	**min**
		Revenue per employee, %	**max**
IS3	Improve management efficiency	Manager–employee interaction effectiveness, %	**max**
IS4	Increase employee satisfaction	Employee satisfaction index, %	**max**
		Staff turnover (managers), %	**min**
		Staff turnover (engineering staff), %	**min**
		Staff turnover (other employees), %	**min**
IS5	Improve employee training	Employees who failed certification, %	**min**

There are Diez and Petty nominated financial and non-financial indicator that determinates the assessment of a firm financial stance [11]. These criteria are manifested in an absolute, relative and integral form, which ensures the comprehensive and objective assessment of the financial policy of the company in the course of such assessment.

It employs an integrated approach of both financial and non-financial factors, grounded on financial management practices to evaluate the efficiency of financial policy. The criteria are mostly categorized into four groups:

The initial set of criteria focuses on whether the company's business processes are aligned with its actual strategic intent. This looks at how far along the organization is development-wise, how well it is achieving its aims and what may be hindering progress. Also, it accounts for the role of the company fir in the market and the efficiency of the finance and production avenue the company runs on.

The second group are concerned with how the nature of the company changes through time. It tracks changes in sales, revenue and cost structure, and the degree of stability of aggregated financial results. These gauges help show if the company is slowly growing or if there are new threats.

Group three measure operational efficiency in the context of the Balanced Scorecard. It is a metric to show how successfully a company is fulfilling its strategic, financial goals, how its resources are being economically utilized and whether the actions of the management really filter down to improving the bottom line. This demonstrates the ability of the organization to carry out sustainable performance [12], [13].

The last group looks at changes in financial processes. In this way, it examines the capital structure of the firm, the return on investment projects and the flow of capital and innovation spending. It further examines physical developments and how they help out profits. As a result, they come together to show Facebook if the financial policy is actually free to grow and innovate.

Each group includes monetary, quantitative, absolute, relative, and aggregated indicators. Table 2 shows the relationship between the criteria of financial policy and the indicators of the Balanced Scorecard.

Table 2. Correlation Matrix (BS) Between Financial Policy Criteria and Balanced Scorecard Indicators

Balanced Scorecard Projection Indicator	**Financial Policy Criteria**			
	C1	**C2**	**C3**	**C4**
F1				
F2				
F3				
F4				
C1				
C2				
C3				
C4				
BP1				
BP2				
BP3				
BP4				
BP5				
IS1				
IS2				
IS3				
IS4				
IS5				

The main indicators for evaluating an enterprise's financial policy are the volume of products sold and their cost; the enterprise's profit and production profitability; and indicators of financial stability and solvency [14].

The financial policy of the corporation is aimed at supporting access to the level of financial resources necessary to ensure continuity of the production, commercial and investment activities of the corporation. In the first phase, financial resources are created from the authorized capital [15]. For the years ahead, the corporation's funds will broaden the corporate revenues.

4. Conclusion

Adherence to the principles of financial management ensures the adequacy of financial resources, the financial stability of the corporation. Such requirements and recommendations form a set of principles as they establish the methods to build the system of the financial standards and obligations, as well as financial guarantees and indicators. They're also accountable for the outcomes they deliver. The financial policy defines the way which serves to ensure the accomplishment of the activity and long-term development of the corporation. When framed and enforced appropriately, this policy allows organizations to use their corporate resources efficiently, minimizes financial risks and provides sustainable production in the long run.

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