

Research on construction of evaluation index system about enterprises' financial management ability

Jing Shen

Chongqing business Vocational, Chongqing, 400036, China

Keywords: Enterprises; Financial management ability; Evaluation index system; System construction

Abstract: We should evaluate improvement in enterprises' financial management ability appropriately and let enterprises know their advantages and disadvantages in the aspect of financial management ability clearly and improve their weak management aspects with pertinence so that enterprises can enhance their financial management ability and level practically. Thus, this thesis will discuss current situations about evaluation on enterprises' financial management ability. Based on this, it proposes we should construct a scientific, reasonable and feasible evaluation index system about financial management ability as soon as possible to indicate directions for practical improvement in enterprises' financial management ability

1. Background

Research on enterprises' financial management ability starts late in China and many scholars only study definition of concepts about the ability unilaterally. As a result, profound research on construction of evaluation index system about financial management ability is lacked, let alone construction of a mature model related to evaluation index system about enterprises' financial management ability. Therefore, under high requirements of modern enterprise system, Chinese enterprises should solve this problem as quickly as possible and try to construct an appropriate evaluation index system about financial management ability based on their own practical situations in order to improve their financial management level and obtain more powerful market competitiveness.

2. Introduction to enterprises' financial management ability

2.1 Financial ability

Enterprises' financial ability is an important component among capabilities of enterprises and acts as a complicated organic system. It mainly contains enterprises' financial resources and related knowledge which is constantly accumulated in the process of operation, reflects enterprises' ability, can create value for enterprises and finally form enterprises' core competitiveness. Then, enterprises' financial ability is a complete system where some influence and acting force are added to financial resources to some extent indeed, which contains specific resources, ability to apply funds, financing ability and investment capability formed in the process of enterprises' financial activities. Besides, it also includes enterprises' ability in many other aspects, such as operation capacity and profitability. It is featured by heterogeneity, value, system conformability and fuzziness. Therefore, we may clearly find that enterprises' financial ability is an ability system that is composed of financial expressive ability, financial management ability and capability of financial activities. The three kinds of ability in the system affect and interact with one another.

2.2 Financial management ability

Enterprises' financial management ability is an intangible resource, which is the ability that enterprises form gradually in the long process of their development. Its subject lies in sustainable profitability. To obtain sustainable profitability, enterprises need sustainable development capacity. Then, enterprises' sustainable development capacity need be driven by sustainable innovation ability positively and effectively. Consequently, it can be said that enterprises' financial management ability is a coalition of unique knowledge and operation existing in enterprises. Currently, a commonly accepted opinion is that enterprises' financial management ability contains

ability in four aspects, i.e., learning ability, financial relation capability, financial control ability and information processing capability. In detail, learning ability is a basis of enterprises' financial management ability and financial relation capability is an important asset of enterprises, which can reduce enterprises' difficulty in capital turnover. Financial control ability involves all aspects of enterprises' financial activities and decides development status of enterprises in future. Information processing ability is one of the capabilities that enterprises must have in modern information age, which can make enterprise analyze and process information they have received and indicate directions for their decisions finally. Overall, enterprises' financial management ability directly affects enterprises' management level.

3. Current status about evaluation on Chinese enterprises' financial management ability

Research on ways to evaluate enterprises' financial management ability has been mature and systematic in foreign countries. However, since China starts late in this aspect, it has not formed a complete system about ways to evaluate enterprises' financial management ability up to now. Specifically, from the perspective of theoretical cycle's evaluation, they usually include evaluation on enterprises' financial management in evaluation system about financial ability. They generally follow some construction principles to construct evaluation system about enterprises' financial ability. Such principles mainly contain scientificity principle, system principle, feasibility principle, importance principle and purpose principle etc. There are various opinions and ideas on content of evaluation system about enterprises' financial ability. Nevertheless, such ideas are consistent as a whole. For instance, some people deem enterprises' financial ability contains financial expressive ability, financial management ability, capability of financial activities and financial early-warning capability and hold that evaluation system about financial ability should be constructed based on these. Although other scholars have different statement perspectives and aspects, many scholars basically approve enterprises' financial ability just contains financial management ability. Therefore, evaluation on enterprises' financial management ability is an important component in research on evaluation system about enterprises' financial ability. According to evaluation of practical cycle, indexes used in the process in which enterprises evaluate their own financial management ability are not generalized enough. They usually focus on considering enterprises' cost-effectiveness matching principle to pursue maximum profits on operation but do not pay much attention to the evaluation system that seems to be complicated.

Then, what is the reason why the theoretical cycle and the practical cycle have different opinions on the process in which evaluation system about enterprises' financial management ability is constructed? The reason for this is that our analysis and research on enterprises' financial management mainly center on content at present and study on what kind of evaluation system should constructed and how to construct evaluation system has not been mature. This results in the situation that difference appears inevitably when enterprises have practical application. Main reasons are shown as follows. Firstly, theoretical research on enterprises' financial management ability is backward in China and a perfect evaluation system about enterprises' financial management ability has not been formed yet, which causes imperfect practical application in the process of enterprises' practical operation since scientific and reasonable theoretical guidance is lacked. Secondly, each enterprise has its own features and need different evaluation index system about financial management ability. The practical situation is that theory itself is not perfect enough, let alone perfect construction and reasonable application of practical evaluation index system about financial management ability. Besides, increasingly obvious difference in use is caused.

4. Important significance brought by construction of evaluation index system about financial management ability

Although situations about construction of evaluation index system about enterprises' financial management ability are not optimistic according to current status since problems exist in both theory and practice, construction of evaluation index system about enterprises' financial

management ability is essential. The reason for this is that it reflects enterprises' management ability. Thus, its construction is of great significance.

(1) It can indicate directions for enterprises' improvement in financial management ability. Under modern enterprise system, enterprises must cultivate and improve their financial management ability constantly to obtain core competitiveness. In order to improve their financial management ability, enterprises need know various decisive factors of financial management ability. For this, they need construct a set of perfect evaluation index system about financial management ability to indicate the direction for enterprises' improvement in financial management ability and development.

(2) It can improve enterprises' risk management and control ability. Under the increasingly fierce market competition environment in modern times, enterprises will encounter various kinds of management risks and operation risks, especially, some emergencies. If enterprises cannot cope with them positively, some serious problems will be caused. On the contrary, if enterprises can improve their financial management ability, they can cope with market risks effectively to a large extent. Accordingly, they can not only prevent sources of risks in system but also construct and implement risk warning mechanism inside and outside enterprises and establish evaluation index system about financial management ability. Thus, powerful guarantee for financial management of enterprises' management can be offered practically.

(3) It can improve enterprises' social popularity to some extent. Because of difference in financial management ability during enterprises' production and operation, there is difference in degree of social acceptance. It is obvious that investors and stakeholders in the society will choose some enterprises with high financial management ability as objects of their investment. If enterprises can show their financial management ability to the public via their evaluation index system about financial management ability, they can improve their degree of their social acceptance and popularity largely.

(4) It can improve core competitiveness of enterprises as well. Under the increasingly fierce market competition environment nowadays, enterprises must shorten their difference from internationally advanced enterprises to obtain survival and development. Especially, they must find their shortages and disadvantages in the aspect of financial management and make full use of modern information technology to carry out integrated management for their production and operation. All of these need a perfect evaluation index system about financial management ability to provide accurate evaluation results and promote enterprises' long-term and sustainable development.

5. Construction of evaluation index system about Chinese enterprises' financial management ability

Before constructing evaluation index system about financial management ability, we must make full preparation. In another word, we should follow operability principle, dynamic nature principle, comparability principle, system principle, scientificity principle and importance principle to let the evaluation index system have comprehensiveness and operability. In the specific process of construction, we should implement construction in the following aspects:

(1) Evaluation index system about level of financial management informationization and financial staff's ability. Under the current trend of global economic integration, Chinese enterprises ought to improve level of their financial management informationization, which can provide technical support for improvement in their financial management ability. Therefore, we should choose level of enterprises' financial management informationization as a primary evaluation index. Meanwhile, quality of enterprises' managers directly relates to level of their financial management ability, so financial managers' ability evaluation index is an important primary index as well. Considering level of enterprises' financial management informationization, we may establish two secondary indexes, i.e., coverage rate of each module's informationization and effectiveness of informationization realization. Financial staff's ability index may also contain two secondary indexes, i.e., financial staff's professional level and their decision-making status at companies. In the process of actual operation, it is necessary for enterprises to master and control dimension of these primary indexes and secondary indexes and achieve scientific evaluation practically.

(2) Evaluation index system about financial management effectiveness. As financial management effectiveness is an index that reflects enterprises' ability in all aspects of finance, it is a comprehensive and practical evaluation index. It can be quantized and expressed by some financial data and reflected by enterprises' financial statements finally. Here, we establish one financial index as a primary index for evaluation on enterprises' financial management ability and set up three evaluation indexes under financial management effectiveness, i.e., profitability, operation capacity and growth ability. The three indexes can be quantized by enterprises' financial indexes, which will be helpful for enterprises'

(3) Evaluation index system about financial risk control ability. Since enterprises stay in a changing market environment, they will encounter all kinds of financial risks inevitably. Therefore, enterprises need take some measures to defend risks actively to reduce financial risks to the largest extent. For this, they need establish an index system about financial risk control ability to identify, analyze and evaluate all financial risks in enterprises' operation activities and then take some effective measures to deal with risks so that enterprises can avoid suffering serious financial losses. Here, we choose enterprises' financial risk control ability as a primary index in the evaluation index system about financial management ability and set up three secondary indexes under the primary one, i.e., effectiveness of financial early-warning system, implementation effectiveness of enterprises' internal control and effectiveness of financial evaluation system.

(4) Evaluation index system about ability to integrate industry and finance. Because enterprises' ability to integrate industry and finance is an inevitable product of market economy development, it can provide capital support for enterprises' development. Consequently, we choose it as a primary index of the evaluation index system about financial management ability and set up two indexes under it, i.e., relationship between enterprises and financial institutions and level of capital supervision and control. If the relationship is dealt with well, enterprises' financing ability will be improved largely. Enterprises' level of capital supervision and control has direct relations with enterprises' development, so we select it as a secondary index measuring whether an enterprise is good or not.

(5) Evaluation index system about level of comprehensive budget management. Comprehensive budget management can help enterprises find their problems and propose countermeasures and prevention methods in time. Thus, it is an important method and way for modern enterprise management and can help enterprises predict business performance, drive enterprises to finish operation targets better, arouse employees' sense of mission and responsibility, find and solve problems timely and promote enterprises' comprehensive and healthy development. Based on this, we treat comprehensive budget management as a primary index measuring financial management ability and establish three secondary indexes under it, i.e., scientificity and rationality of budget, appraisal and evaluation on budget and ability to implement strategies about budget etc.

Reference:

- [1] Cai Changyin. Research on core capability and financial management ability of enterprises [J]. *Economists*, 2006(01):233-234.
- [2] Chen Hao. Analysis of improvement in power supply enterprises' financial management ability based on evaluation index system [J]. *China Chief Financial Officer*, 2012(1):138-139.
- [3] Hou Bo. Ways to improve middle and small-sized enterprises' financial management ability [J]. *Journal of Huainan Vocational & Technical College*, 2004,4(04):45-48.
- [4] Jin Meijuan. Research on effectiveness of financial index evaluation system [J]. *Coals Economic Research*, 2005(285):58-60.
- [5] Jin Xiaobo. Research on financial management ability based on enterprises' core capability [J]. *Market Modernization*, 2006(23):357.