



## Factors Affecting the Increase of Profit and Profitability in Business Structures

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**Abstract:** The article analyzes the factors affecting the growth of profits and profitability of business structures in the digital economy, gives a general definition of the concept of profitability and the special importance of analyzing profit and profitability in the system for assessing the financial condition of an economic entity. The main ways to increase income are considered, in particular, such issues as financial control.

**Key words:** enterprise, profit, profitability, cost, financial control, business structure, factors.

In the conditions of the digital economy, profit is an important economic category (category) in business structures and is the main goal of every commercial organization. Analysis of profit and profitability is an integral part of the activities of organizations. As an economic category, profit reflects the net income created in the field of material production. Enterprises get the main part of the profit by selling the manufactured product. In the conditions of digital economy, the main function of profit is defined as reflecting the efficiency of business structures. This can be explained by the fact that the amount of profit, business structures should include individual costs in the form of product costs, and socially necessary costs in the form of product prices related to the production and sale of products.

In the conditions of transition to market relations, the activity of business structures is associated with an increase in the motivational importance of profit. The use of profit as the main indicator of evaluation is based on the increase in the volume of production and sales, improvement in quality, and the increase in the efficiency of using existing production resources. As you know, profitability analysis allows you to increase the level of profit.

This will reveal the possibilities of further development of the enterprise in the future, identifying the mistakes made in the economic activity.

In this regard, the fact that it is impossible to increase the level of income obtained without a qualitative analysis of the profitability of business structures in the context of the digital economy and without determining the factors affecting these indicators indicates the relevance of the topic.

Many foreign and Russian scientists have conducted research on the theoretical and practical aspects of analyzing the financial results of business structures, profitability and ways to increase it, including Savitskaya G.V., Safronova N.A., Volkova O. I., Plaskova N.S. and many other authors conducted scientific studies on the issues of increasing and improving the profitability of enterprises and considered these problems in their works.

However, there is not enough research on ways to increase the profitability of enterprises in the digital economy. Profitability helps to evaluate the efficiency of enterprise management, therefore,

high profit and a sufficient level of profitability result from the correctness and rationality of management decisions made in the enterprise. So, profitability can be considered as one of the criteria of management quality. The term "profitability" itself comes from the word "profitable" and translated means the coefficient of economic efficiency of production, useful in enterprises. It comprehensively reflects the use of material, labor and currency resources. Profitability indicators describe the size of the company's income generation and profit in real conditions.

Also, the relevance of the studied issue is related to the diversity in determining profitability, that is, there is no uniform terminology and methodology for its calculation.

The profitability indicator can be used in the process of profit forecasting, establishing a correlation between the amount of profit and the amount of invested capital. Predicted profit is estimated based on the level of profitability of previous periods, taking into account the expected changes<sup>7</sup>

D. According to Epstein, profitability is a complex category. It shows how profitable the company's activities are, and therefore the higher the profitability indicators, the more successful the activity. Therefore, the company must look for new ways to increase profitability in order to ensure the highest performance<sup>8</sup>G.V. Savitskaya gives the following definition in her writings: "profitability is a relative indicator that determines the level of profitability of a business."

Thus, profitability indicators determine the effectiveness of the organization as a whole, profitability in various areas of activity (production, trade, investment, etc.), which are more detailed than the profit of the organization, describe the final results of the activity, because they show the ratio of the value effect to cash or consumed resources<sup>9</sup>Thus, profitability is not only a calculated value and a static indicator, but also a criterion used for a comprehensive assessment of the socio-economic position of the organization in the market. The profit obtained for different enterprises may be the same, but obtained under different conditions. Thus, this is the reason for using profitability indicators, because they help to evaluate the subject of economic activity, but do not rely on the size and nature of the activity.

Therefore, the enterprise is profitable if the income from the sale of the product is greater than the production costs and the necessary amount of profit is generated for the continuous operation of the organization.

Profit rates are less distorted by inflation than profit rates because profitability is the ratio of output to resources.

As part of a comprehensive assessment of the effectiveness of the results of business structures, the analysis of sales profitability allows to consider the profit according to its several types. The ratio of gross profit and revenue shows how much the organization can use from product sales to cover selling and administrative expenses. If we take into account the income from sales, then the "purity of the analytical experiment" is obtained, that is, this indicator is not affected by other items such as income and expenses.

This indicator helps to evaluate the effectiveness of product sales management. The profit before tax and revenue ratio takes into account other factors, including tax effects. Also, the "quality" of benefits decreases as other cost effects increase. Using the amount of net profit in the calculation, we get the final indicator in the system of sales profitability indicators, which reflects the effect of the entire combination of income and expenses.

In this regard, increasing the profitability of the enterprise of business structures will be the main direction of activity in modern conditions related to the optimization of existing costs and the increase of expected income.

The calculation of planned profitability is carried out by comparing the company's gross profit or income with production costs or with the amount of resources used.

By conducting a specific analysis of the average profitability level, it will be possible to determine which products and specific departments of the enterprise create the desired level of profitability and which ones cause losses. In the competitive conditions of the market economy, such information is

the most important, because financial indicators directly depend on the specialization and concentration of production.

The increase in sales profitability is influenced by a decrease in production costs, as well as an increase in the volume of its sales. In order to increase sales, it is necessary not only to carry out marketing activities, but also to produce products that meet the needs of consumers and have a stable demand among them.

Business structures should have a department in the enterprise that analyzes the cost of the manufactured product and at the same time implements a large-scale program of measures to reduce it. This work requires a comprehensive approach, that is, it is necessary to take into account all possible factors that affect the formation of costs for the production and sale of finished products.

In addition, measures aimed at increasing the profitability of the enterprise and optimizing the use of working time of employees have a positive effect.

In our opinion, enterprises are developing a set of measures that will help to increase the profitability of the enterprise. These measures include reducing production costs, using energy-saving or other technologies, as well as technical modernization of the company. In addition, in order to increase some indicators of profitability, it is possible to apply various methods of reducing the price of finished products or services supplied to the market by the company.

It should be noted that the main methods of increasing the profitability of business structures can be attributed to the following: increasing the volume of sales, increasing the price of manufactured products (goods, services), changing the composition of products sold in the market. To implement these methods, innovative sales technologies and production management structure should be used in the enterprise

One of the ways to increase profitability in a company is financial control. This system ensures the concentration of decisive actions in the main areas of the financial system of the enterprise, which allows to determine deviations of the actual results from the normative indicators and to use authorized management in order to increase the efficiency of the enterprise.

It is this control that provides the management of the business structure with the necessary information. Control in any enterprise includes elements such as planning, goal setting, performance monitoring, and decision making. Liquidity support is the main function of financial control and shows the readiness of the company to pay its debts at any time. Stable solvency is achieved along with the required level of profitability.

Financial control allows measuring the maximum deviation of the actual results of financial activity from the planned indicators, monitoring the fulfillment of financial goals set by the system of standards and indicators, developing management decisions on improving financial activity, and correcting individual indicators. and financial development goals in accordance with current market conditions and the external environment, predicting with the magnitude of possible deviations of the deterioration of the financial situation and a significant decrease in the pace of development

Therefore, in addition to the internal control of financial operations, financial control coordinates the relationship between the creation of an information base, financial planning, financial analysis and internal financial control.

At the same time, the involvement of audit firms capable of evaluating the business processes built in the enterprise by the management of the company, as well as helping to evaluate the movement of funds, helps to increase the profitability of the organization's work. Thus, the low profitability of the enterprise is associated with unfair performance of their functions by the managers of the enterprise.

Increasing profitability in the conditions of high competition is the main goal of the enterprise. The main source of free funds of the organization is the funds received by the company as a result of the sale of manufactured products.

To sum up, the main direction of the business entity's activity is, first of all, to increase profitability, to use the method of possible cost reduction and to observe the appropriate saving regime, and to use the resources at the disposal of the organization more effectively.

These costs determine the level of income and the structure of costs. Since the cost of raw materials occupies a significant share, the increase in the level of profitability of the enterprise and the decrease in the cost of the manufactured product significantly affect the amount of profit received. This allows for increased profits, which, of course, has a positive effect on the break-even level of the enterprise. Thus, in modern conditions, increasing the profitability of enterprises becomes a priority, and in order to increase profits, the management of the Business Structures enterprise must use all possible methods to increase this indicator, which is generally reflected in increasing the efficiency of the business entity itself.

At the same time, the increasing importance of profit is also caused by the current system of profit distribution, and according to it, there is an increase in the interest in increasing the profit spent on financial incentives based on the quality and quantity of the work performed by employees to ensure production and social development of enterprises. In this way, increasing the efficiency of profit production plays a decisive role in strengthening the material interest of employees from the high results achieved by their company.

Profit in the enterprise can be obtained as a result of various activities. The sum of all profits is the gross profit of the enterprise. The components of gross profit are as follows:

- profit received from the work performed, the service provided and the sale of products;
- fixed assets, as well as profit from the sale of other property of the enterprise;
- profit obtained through the financial activity of the enterprise. The company's income depends on two indicators, that is, the price of the product and the costs of its production.

The market price of the product is determined by the supply and demand relationship. Under conditions of free competition, on the basis of the laws of price formation, the price of a product is regulated automatically, not according to the wishes of the producer or the buyer. Profit describes the economic effect obtained as a result of the enterprise's activity. Profitability of an enterprise means that the revenues exceed the costs associated with the enterprise's activities, and it also serves as an incentive.

This is the fact that profit is a financial result at the same time and is the main element of the financial resources of the enterprise; it is explained by the fact that income serves as the main source for budget formation at different levels.

The main sources of profit are:

the first source enterprise is formed due to the monopoly status in the production of one or another type of product or the rarity of the product.

The maintenance of this resource involves the constant updating of the product; the second source is related to production and business activities.

The effectiveness of its use depends on the knowledge of the market situation and the ability to adapt the development of production to the constantly changing market situation.

The amount of profit is the correct choice of the direction of the enterprise in terms of product production (choosing a product with a constant high level of demand);

- creating competitive conditions for the sale and service of products (price, delivery time, customer service, after-sales service, etc.);
- volume of production (the larger the volume of production, the greater the amount of income);
- will be related to the structure of reducing production costs;

- the third source comes from the innovative activity of business structures. Its use is constantly improving technologies, updating manufactured products, its ensuring competitiveness means increasing the volume of product sales and profit.

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