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The Impact Of Financial Sustainability Upon The Continuity Of The Economic Unit

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Abstract

The research aims at demonstrating the significance of financial sustainability in economic units, as it is considered a relatively recent topic. Financial sustainability is the ability of an economic unit to fulfill its financial obligations without incurring new financial burdens, in addition to its ability to generate self-resources that cover the costs of the economic unit. The financial resources represent the main nerve in the continuity of the unit performance of activity. In order to reach the results required for the research, the two researchers conducted an applied study in the General Company for Food Products by measuring and evaluating the financial sustainability of the company using some financial ratios in addition to evaluating the financial position of the company. The key findings of the research are that financial sustainability and sustainable development both preserve the resources available in the first, the financial resources of the economic unit, and in the latter on a larger level, which is the natural resources available to humanity in general as a main source of energy. As for the key recommendations, it is to raise awareness among government units of the importance of the financial sustainability of economic units in particular, and its application that preserves and develops the resources of the economic unit.

Keywords: Sustainability; sustainable development; financial sustainability; continuity; financial performance.

INTRODUCTION

Sustainability is the capacity of the managers to sustain unity over the long term in a dynamic competitive environment. In both the for-profit and non-profit sectors of the economy, the notion of financial sustainability can be very different. The financial capacity comprises of the resources that empower the unit to seize opportunities and respond to unexpected threats while maintaining the general operations of the unit. We can show that financial sustainability is the ability of the unit now or in the future to meet its financial obligations and cover its expenses without the need to reschedule it or accumulate arrears. The ability to manage costs, generate profits, and hold onto market share in a continually shifting competitive environment without having to make significant changes to the financial strategy directly impacts the financial situation of the unit.

The topic of financial sustainability in the profit-oriented economic unit was never addressed by any of the research that were extrapolated from a collection of earlier investigations. The implementation of this idea, which would improve the unit performance, acts as a manual and a guide for the unit, emphasizing the value of financial performance for the unit continuity, survival, and market success. For the purpose of achieving the objectives of the research, the research will address the concept and importance of financial sustainability in profit-oriented units, in addition to indicators for measuring sustainability and steps for evaluating financial sustainability in profit-oriented economic units.

Research Methodology

In this topic, it deals with the path and the organized scientific method to determine the research problem and ways to address it in a way that includes objective testing of the research hypotheses and achieving its objectives in the light of that.

Research problem

It was required to apply many systems and working methods in order to sustain the continuity of the unit in the economic environment due to the crises that economic units experience that have an impact on their performance, profitability, and continuity. Among these is financial sustainability which places a stronger emphasis on the present moment, on keeping things above a certain level, as well as on the ability of economic units to continue current and future policies without causing the debt ratio to rise continuously. Thus, the research problem can be formulated in the following question:

Does financial sustainability have an impact on the continuity of the economic unit?

Research objectives

The research aims to show the impact of financial sustainability and the balanced scorecard on the continuity of the economic unit through the following statement:

- stating the concept, importance and indicators of measuring financial sustainability.
- stating the concept of imposing continuity for economic units
- Stating the importance of integration and financial sustainability in the General Company for Food Products

Research importance.

The importance of the research comes from the importance of the subject of sustainable development, which is one of the important issues that the state and its economic units seek to achieve by providing financial resources and using them efficiently and effectively for the purpose of these units continuing to work in the competitive market. Financial resources represent the basis of any economic unit. In order to continue its activity, it should be considered the cornerstone.

Research hypothesis

The research is based on a basic hypothesis that states "financial sustainability has an impact on the continuity of the economic unit and its economic growth."

Community and sample research.

The research community is represented in all profit-oriented and non-profit economic units. As for the research sample, it is represented by the General Company for Food Stuff. The reasons for choosing it as a sample for research:

- It is one of the largest public sector companies in Iraq.
- It holds an ISO quality certificate.
- There are a lot of products in the Iraqi markets that compete with this company, that is, they face intense competition that requires the use of modern methods in order to continue.
- The company has been exposed to frequent losses in recent years.

Spatial and temporal limits of research

Temporal limits: The researcher relied on the financial statements for the years 2019, 2020, and 2021

Spatial boundaries: The General Company for Food Products.

The origin and concept of financial sustainability

Sustainability is the concepts commonly used at the present time, which have developed and been widely discussed since 1978. The concept of sustainability has become associated with economic development more than others due to the many opinions and contributions that were put forward in this field and which were largely adopted by the United Nations and its institutions (Mohammed and Hussein , 2016, 146). The concept of financial sustainability began to spread since the mid-1980s in a lot of empirical research that sought to measure and define sustainability indicators in the financial policy of many developed countries. The sustainability of fiscal policy has become one of the most controversial topics because it reflects the future challenges that the public finances of the state may face as a result of the escalating levels of deficit and debt resulting from excessive public spending (Al-Nuaimi and Al-Basha, 2018, 562).

Although the term financial sustainability is widely used, there is no definitive and consistent definition that economists have unanimously agreed upon. Linguistically, financial sustainability is defined as the ability to survive and continue (Al-Helou and Hamid, 2021, 219).

There have been many concepts of financial sustainability, some of which were based on the link between the definition of financial sustainability and the time constraint of the budget, explaining that the condition of financial sustainability according to the time constraint of the budget requires that the government achieve in the future a surplus in the budget sufficient to pay off this volume of public debt. Achieving financial sustainability is linked to the ability to repay debts and the quality of government revenues and expenditures in the present and the future (Al-Nuaimi and Al-Basha, 2018, 562).

However, the definition of financial sustainability may differ significantly between for-profit and non-profit units, depending on the nature of the business, the type of revenue, and the overall objective of the economic unit of both for-profit and non-profit units. The financial capacity consists of the resources that give it the ability to exploit all opportunities and avoid unexpected threats while maintaining the general operations of the economic unit. Management capabilities reflect the revaluation of assets in response to opportunities and threats. Financial sustainability refers to the ability to maintain financial capacity over time. Regardless of whether the unit is for-profit or non-profit, the challenges of creating financial capacity and financial sustainability revolve around the organizational function of the economic unit. (Mahfoud, 2018, 31)

Financial sustainability has been defined as the ability to maintain the current financial position without making any adjustment in the tax or spending policy in order to ensure appropriateness in a specific way in the current value budget constraints (Prassetya, 2012). It also defined as the unit ability to maintain its current financial policies in a reliable position in the long term (ANNEX, 2020).

Mahuder believes that financial sustainability is the state in which the borrower can, without default, continue to pay his debts without the need to make a fundamental change in future revenues and expenditures (Mauder, 2020, 16).

The two researchers believe that financial sustainability is the ability of the economic unit to meet current and future obligations without the need to bear financial burdens that would burden the economic unit. In addition, it is able to generate revenues that cover its expenses and pay future obligations to ensure the continuity of the economic unit.

The importance of financial sustainability.

Financial sustainability plays an instrumental role in improving the performance of the economic unit through the following (Bani Laam, 2018, 476-481), (Ibrahim, 2020-20):

Enhancing the ability of the economic unit to obtain funding sources:

By adopting the aspects of financial sustainability in periodic reports and the performance of the unit that results in better strategic performance. This, in turn, will be reflected on performance towards improving investment returns and the ability to attract capital, especially in long-term financing methods and providing better financing conditions.

Profitability and Growth:

This is carried out by creating financial value for the unit by investing appropriate opportunities to increase income, reduce costs, and manage risks, enhance measures and strengthen cooperation with clients. It contributes to a deeper understanding of their needs. This directly affects the direction of financial sustainability, competitiveness development and innovation

Correcting work plans and reducing obstacles:

Knowing how to manage sustainability leads to closely identifying the obstacles in an integrated manner. This leads to the development of strategies that reduce the obstacles, which is reflected on the unit ability to strategic planning for the long term. It also helps the funders to identify the ability of the unit to achieve its goals towards financial sustainability.

Improving the type of services provided by the non-profit unit:

Like for-profit units, non-profit units rely on their efforts to market their services in order to improve their services and maintain their continuity. It highlights the importance of leaving a good impression on customers in a way that makes it work clearly and continuously to communicate the mission of the unit and the services provided in a way that distinguishes it from other units and its services, objectives and development. The characteristics and features, that make individuals from outside the unit satisfied with its services, will be provided in a consistent and continuous manner by developing a marketing plan that helps to communicate a social message that builds trust between the unit and customers.

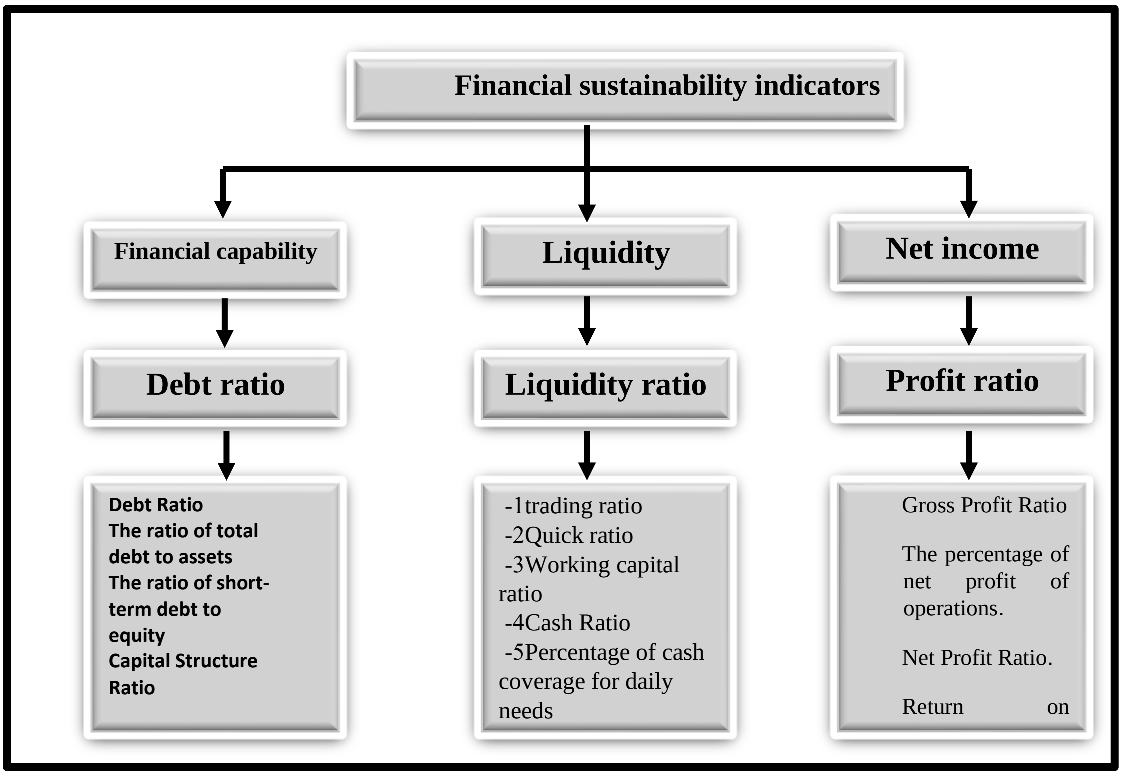
Measuring and evaluating financial sustainability in economic units

Sustainability is a measure of the economic unit ability to achieve its vision and objectives and to serve the beneficiaries permanently and continuously. In addition, it measures the units that provide products and services. Financial sustainability means more stable sources of funds, leading to a greater ability to provide services to the target community permanently. For the purpose of measuring and monitoring financial sustainability, there are three measures, which are (Al Mufreh, 2016: 8):

- Net Income: The excess of income after deducting expenses.
- Liquidity: the ability to provide the cash required to pay any requirements and bills.
- Financial capacity: the relationship between assets, debts and receivables.

In the researcher’s opinion, for the purpose of measuring the above indicators, we will use financial ratios for the purpose of measuring sustainability in economic units, as follows:

1. Profitability ratios: One of the basic objectives that economic units seek to fulfill is to achieve the highest rate of profitability, which is the final outcome of many operations and decisions related to all aspects of activity. That is why several measures of profitability are used because any specific measure may be greatly affected by a certain aspect of the business or by certain policies. Therefore, all activity profits and net profit must be measured in order to be able to distinguish between the results of production and operating policies and financial decisions. (Daniela and Brain, 2010, 782)
2. Liquidity ratios: These ratios measure the financial feasibility of the facility in the short term, or in other words, measures the ability of the facility to pay short-term financial obligations. The short-term feasibility of the enterprise shows the extent to which current liabilities are covered by the current assets of the enterprise. This entity can convert these assets into cash in a period of time equal to the maturity of the current liabilities. (Al-Amri and Al-Rikabi, 2007, 115).
3. Indebtedness ratios: These ratios help to identify the funding sources on which the establishment relied in financing its various assets. Through this set of ratios, it is possible to identify the relative importance of each source of financing, and the extent of security available to creditors (Al-Aghaat, 2015, 23).



Source: The figure is prepared by the researcher

Figure 1. shows the indicators for measuring financial sustainability

Measuring financial sustainability is insufficient. The financial sustainability of the economic unit must be evaluated through the following:

Assess the current and future financial situation

- Get sources of income and expenses for the past 3 years
- What are the expectations regarding income and expenses for the coming years?
- Analyze workload trends, use indicators such as number of clients, etc.)
- Calculate the total unit costs
- Get information on workload and income for each cost center.
- Are there additional sources of funding obtained by the economic unit?

Revision of the financial/accounting system

- Obtaining the annual financial statements for the past three years.
- Obtaining the last audited financial report.
- Does the company use any computer system?
- Does the system track costs according to each cost center? What is the type of system used?
- Are there cost centers?
- How are cost centers identified, and how are ongoing operating costs allocated?
- What types of costs are allocated to each cost center?
- What types of costs are not allocated to cost centers?
- Are cash flow forecasts prepared? Is it prepared for each cost center? And who prepares it?
- Is budget/cost information reported for each location/cost center? And how often?
- Are variance analyzes and reports regularly performed? And who does this work? Is it sent to each cost center?
- What are the weaknesses in the accounting system (costs are not fully allocated, there are no cost centers, facility managers do not understand costs, etc.)? What is required to maintain a full allocation of costs to each facility?

Funding from other parties

- What are the other sources of funding? What is the funding received from each of them?

- What is the nature of funding from the donor? Is the funding used for specific activities?
- Were there any problems in fulfilling other financing requirements?

Management at the level of departments, branches and centers

- How independent is the team? What kind of decisions can they make? How do they participate in budgeting and team decision making, etc.?
- Do you prepare your own budget? How do you keep track of budget and cost information?
- Human Resource Policies: How are salaries compared to the private sector? Is there a performance-based hooves system? Are employees promoted from within the unit based on performance? What is the rate of replacement and replacement of employees?

Management Information System

- What type of data is collected in each site?
- What is the method of keeping records? What kind of records are kept? What type of team is it responsible for?
- How this data is collected, classified and used.

The situation in the market

- What is the availability and quality of public services in the areas in which the economic unit operates?
- Are there economic units that offer the same products and services?
- What kind of services are provided by other parties?
- How are the prices when compared with the prices of other units that provide similar services?
- What is the socio-economic status of the unit clients?
- How is the reputation and people's opinion of the services provided by the unit?
- What is the percentage of new clients in relation to the total clients?
- How does the external environment represent the opportunities and risks of the unit?
- How does the unit promote its services?

Study additional income opportunities

- How do managers and the team react to adding new products to increase income?
- What type of products are being considered or under study?
- What are the investment costs of the different types of products under study?
- What are the sources from which the unit can obtain investment financing?
- What is the target market for the new products?
- What is the expected demand for products?
- What are the risks associated with offering these products?
- What are the ongoing requirements for operation (new employees, new facilities, etc.).
- How is the unit ability to manage the operation of the proposed new products?
- What is the financial feasibility of the opportunities under consideration? Will it have a positive contribution to net income? Analyze specific risks (demand is less than expected, need for new staff, etc.)
- What are the recommendations regarding the issue of adding new products?

For the purpose of knowing the extent of the financial sustainability of the economic unit, it is to calculate the financial resources of the unit and the extent to which they cover the total costs.

1 The importance of imposing continuity in the economic unit.

It is essential to maintain the continuity of the economic unit for the internal users of financial statements and outsiders in order to maintain the flow of profits from investments, to maintain the contribution of the economic unit to economic and social development and to increase the welfare of society. The importance of the report of imposing continuity is due to (Al-Khasawneh, 2021):

1. There is concern among the users of the financial statements regarding the auditors' failure to provide early warning signals about the risks of the facility failure in the near future.
2. Exposure to legal obligations due to auditors’ mistakes related to expressing their opinions regarding the unit ability to continue the activity, in addition to affecting their credibility.

The importance of this hypothesis stems from the fundamental goal that establishments always strive to achieve, which is the good conduct of their business, the continuation of their activities for an unlimited period and a continuous rise in the business environment unless there is a tendency to the contrary. It was necessary to unite all efforts in order to achieve this stability, which leads to the achievement of its goals with strength and steadfastness. The management responsibility when preparing its financial statements has a pivotal and essential role in reporting and disclosing the necessary information to all internal and external parties. The internal and external auditor also has an integrated role and responsibility parallel to the responsibility and the role of management in reporting when reviewing and auditing the financial statements. Thus, the roadmaps become clear to all parties about the performance of the economic unit and the judgment that it continues in its activity (Nour et al., 2022).

The impact of financial sustainability on the continuity of the economic unit

An introduction to the General Company for Food Products

This company is one of the formations of the Ministry of Industry and Minerals and one of the largest companies specialized in this field. On 1/1/2016, the General Company for Food Products was formed in its current form after merging each of the following companies:

1- The General Company for the Vegetable Oil Industry was established in (1940 - 1969)
2- The General Company for Dairy Products was established in (1953 - 1982)
3- The General Company for Sugar Industry was established in (1959-1970)
4- The General Company for Tobacco and Cigarettes, founded in 1963.
5- Starch and Dextrin Factory, founded in 1973.

The General Company for Food Products is a self-financed economic production unit fully owned by the state and enjoys legal personality and financial and administrative independence. The capital of the company consists of (8601593,000) eight billion six hundred and one million five hundred and ninety three thousand dinars.

Measuring and evaluating the financial sustainability of the General Company for Food Products

We will measure and evaluate the financial sustainability as the company is self-financing by using only 55% of its revenues and the rest of the revenues go to the Ministry of Finance in addition to other resources, borrowing and investment.

- *Measuring the financial sustainability of the General Company for Food Products:*

We have previously shown indicators for measuring financial sustainability in economic units, which are net income, liquidity, and financial capacity. Financial ratios that express these indicators will be used because numbers are the best way to measure the company financial performance and reflect a realistic picture of the company condition.

- *Profitability ratios.*

These ratios show the extent of the company ability to achieve profits, and to identify the expected return on their invested money. They examine the company ability to generate profits from sales, assets and property rights. Profits are a measure of the effectiveness of the company operating, investment and financing policies. Among the most important ratios that are used to measure profitability in the General Company for Food Products are:

• Gross Profit Ratio: This ratio shows the relationship between the price of the product and its costs. It can be found from the following equation:

Gross Profit Ratio = Gross Income / Net

- Net Profit Ratio: This ratio shows the extent of the possible decrease in the selling price before the company begins to incur losses. Therefore, this ratio is seen as a general measure of operational efficiency. It can be found from the following equation:

Gross Profit Ratio = Net Income / Net Sales

•Return on investment: or the return on assets and measures the overall efficiency of the administration in achieving profits from its total investments in assets. It can be found from the following equation:

Return on Investment = Net Income / Assets

• Return on equity: It measures the rate of return achieved on the owners' investment and reveals the management performance. It can be found from the following equation:

Gross Profit Ratio = Net Income / Equity

Table (1) shows the above ratios for the General Company for Food Products for the years 2019, 2020, 2021

Table 1. Profitability ratios for the General Company for Food Products

Details	2019	2020	2021	Notes
Gross Income Ratio	0	0	0	The company made a total loss
Net income ratio	4%	7%	3%	Low ratios
Return on investmen t ratio	0.02 %	0.29 %	0.22 %	Very low rates
Return on equity	7%	7%	5%	Low ratios

Source: Table prepared by the researcher based on financial reports

From Table (1), it is noted regarding the percentage of total income, the company achieved total losses for the years 2019, 2020, 2021 amounting to (72037399474, 63882644759, 60940642732 dinars, respectively). This indicates the company failed to achieve profits from its main activity, which covers the cost of production. As for the percentage of net income, the performance of the year 2020 is better than the year 2021, where profits decreased by (12,878,0947 dinars). This is not a good indicator for the company, i.e. there is fluctuation in net income during years. This means that every dinar of the company sales during the years achieves profits between (3%-7%). These percentages are low, which means that there is an increase in costs or a decrease in sales, or both, and for the company, both. The rate of return on investment for years of research is very low. This is a bad indicator and shows the operational inefficiency of the company management in using the assets efficiently in generating profits.

As for the return on equity, we notice an improvement in performance for the year 2021 compared to previous years, but the percentages are also low. This indicates the inability of the company management to maximize the return on investors, and the management failure to use equity profitably. Accordingly, it can be said that the financial sustainability index of the net income is very low. This indicates the company dependence on other sources of funding, which will incur burdens in the future.

• **Liquidity ratios:** These ratios show the company financial feasibility in the short term, as it shows the company ability to pay off short-term financial obligations on the due date. The higher this ratio, the greater the company ability to pay its debts. The lack of sufficient liquidity in the company will increase the financial risks. Among the ratios that measure the liquidity index in financial sustainability are:

• **Trading Ratio:** It shows the extent of the company ability to pay its short-term obligations from its current assets, and the increase in this ratio is considered a positive indicator of short-term repayment ability. It can be found from the following equation:

Trading Ratio = Trading Assets / Trading Liabilities demands

• Quick ratio: It measures the company ability to pay its short-term obligations from its current assets, which are characterized by their rapid transformation into cash. Inventory is excluded due to its slow transformation into cash, as well as prepaid expenses.

Quick Ratio = Trading Assets - Inventory / Trading requirements

• Net working capital: represents the surplus of trading assets over trading requirements, the increase of which indicates the company ability to repay in the short term.

Net on-working capital = trading assets - Trading requirements demands

• Cash Ratio: This ratio shows the company ability to pay its short-term obligations from its cash assets only. This is done by excluding accounts receivable, notes receivable, inventory and prepaid expenses. It can be found from the following equation:

Cash Ratio = trading Cash Assets / Trading requirements

• Cash coverage ratio for financial needs: This ratio measures the time capacity in which the company can continue its operations based on the existing liquidity. The ratio is measured by the following equation:

Coverage ratio for daily needs = (trading assets - inventory) / average of daily costs
Average daily costs = production cost + administrative costs excluding depreciation + marketing costs / 360

able (2) shows the above ratios for the General Company for Food Products for the years 2019, 2020, 2021.

Table 2. Liquidity ratios for the General Company for Food Products

Details	2019	2020	2021	Notes
Trading ratio	0.65	0.71	0.74	Very low
Quick ratio	0.47	0.54	0.56	Very low
Net working capital	-61337169498	-55175575694	-510450322 38	Short-term financing sources are used for financing
Cash Ratio	0.13	0.12	0.12	Very low
Percentage of daily coverage of cash needs	474.34	530.55	560.15	High

Source: The table was prepared by the researcher depending on financial reports.

Through Table (2) we notice that most of the ratios and indicators are low, which means that the company is unable to fulfill its obligations, and also notice that the trading ratio is very low. It is common knowledge that whenever the percentages become more than (2), this would mean the company ability to meet the short-term liabilities of its current assets and for the company current situation is not good. The same goes for the quick ratio. As for the net working capital, it indicates that the company uses short-term funding sources to finance its assets and the company operational activity. The cash ratio indicates that the company cash covers between (12%-13%) of the obligations, which means that it does not have sufficient liquidity to cover the obligations. The same applies to the daily coverage of cash needs, as we note from Table (2) that for the purpose of covering costs during the research years, it needs (474 days, 530 days, 560 days) respectively, which are supposed to be covered during a financial year (360 days). Thus, it is very high, which means that the company costs are too high to be covered during one financial year. In general, it can be said that the liquidity index for financial sustainability is low, which puts the company under the burden of entering into financial commitments from external sources for the purpose of the company business continuity.

1.1.1. 3- Debt ratios.

Debt rations is also called leverage ratios. Leverage is the extent to which debt (loans) are used in a company financial structure. These ratios measure the extent of the company dependence on debts in financing its assets and investments, and knowing which sources of funding the company used to finance its assets, whether they are from internal sources from the owners or from external sources from others (debts and loans). Of the ratios that measure the financial capacity for financial sustainability:

• **Total Debt to Assets Ratio:** This ratio indicates the extent to which short- and long-term debts contribute to financing assets. If it increases, it would indicate that the company relies on debt to finance its assets. It can be found from the following equation:

Total Debt to Assets Ratio = Total requirements/Assets

• **Ratio of short-term debt to equity:** This ratio measures the extent to which the company depends on the debts of others in comparison with the rights of shareholders and owners. The higher this percentage indicates that the company depends on the debts of others more than on the contributions of the owners to finance its needs. It can be found from the following equation:

Debt to Equity Ratio = Total requirements/Equity

• **Capital Structure Ratio:** This ratio indicates the importance of long-term debt in relation to long-term funding sources that have been obtained from third parties. This ratio is an indicator of financial risk. It can be found from the following equation:

Capital Structure Ratio = Long-Term requirements / Long-Term Financing Sources.

Long-Term Funding Sources = Long-Term Requirements + Preferred Stock + Capital.

Table (3) shows the above percentages of the General Company for Food Products for the years 2019, 2020, 2021.

Table 3. Indebtedness ratios for the General Company for Food Products

Details	**2019**	**2020**	**2021**	**Notes**
The ratio of total debt to assets	0.39	3.91	3.82	High
The ratio of total debt to equity	82.80	88.39	89.04	High
Capital Structure Ratio	0.98	0.99	0.99	High

Source: The table is prepared by the researcher depending on financial reports.

We note from Table (3) that the debt ratios are very high, which indicates that the company relies on external funding sources. This will carry the company additional burdens through higher debt service. The lower the debt ratios, the better the safety margin for the company. This contradicts the financial sustainability, as the company should not bear any new financial burdens to meet the obligations. Since the debt ratios are high, this means entering into new obligations that burden the company.

Evaluating the financial sustainability of the General Company for Food Products:

After the company financial sustainability was previously measured according to the indicators that were determined, namely net income, liquidity, and financial capacity, as well as determining the company financial sustainability percentage. In this paragraph, the company financial sustainability will be evaluated.

- Evaluating the current and future financial situation

In the previous paragraph, we dealt with the process of measuring financial sustainability.

At the same time, it is an assessment of the company past and current situation, in the light of which we assess the future situation. As we previously indicated, according to financial ratios and indicators, the company relies on external long- and short-term funding sources. This is what carries the company debt service burdens. If the situation remains as it is now, the company will continue to rely on the same sources, especially with the high costs of production. Table 4 shows these sources.

Table 4. Funding Sources General Company for Food Products (amounts in dinars)

2019	2020	2021	Details
474692746935	474167746936	473597746936	Loans received from others
3270000000	2870000000	2800000000	Short term loans
158398616653	170389736071	176838333422	Creditors

Source: The table is prepared by the researcher depending on financial reports.

In order to indicate whether the company is able to cover its expenses from the self-financing sources of the company, we will calculate the company financial sustainability percentage according to the following equation:

The financial sustainability ratio of the company = own financial resources / total costs of the company

It is noted from Table (5) that the sustainability rate is very low and that the internal financial resources are insufficient to cover the company costs. This will increase its financial burden in the future

Table 5. Financial sustainability ratios for the General Company for Food Products

2019	2020	2021	Details
449726412	592273191	463492244	Net income before distribution
5151964309	4298266611	4728329407	Depreciation
0	36473577	40000000	Allotments
5601690721	4927013379	5231821651	The company self-financing
65650560287	55660217994	56938584257	Production costs
1511960037	13928061493	13822433856	Marketing costs
1684665966	3188739455	3285759384	Administrative costs
68847186290	72777018942	74046777497	Total costs
0.081	0.068	0.071	Financial Sustainability Ratio

Source: The table prepared by the researcher, based on financial reports.

Reviewing the accounting system.

After reviewing the company accounting system, the company relies on the unified accounting system and the government accounting system. The company has an electronic program for the company accounts. The company uses cost accounts associated with the unified accounting system, which divides the company into cost centers and categorizes them into four main groups: production cost centers, production services cost centers, a marketing center, and finally an administrative one. The numbers 5, 6, 7 and 8 have been given, respectively. Each main group has a sub-group of cost centers. The main and sub-groups of cost centers in the General Company for the Vegetable Oil Industry are as follows:

A- Production centers: The company has been divided into several factories, each factory producing several products or a specific product. Each factory includes a number of departments, and each department or stage includes a number of sub-stages or production lines. Each of them represents a cost center and is denoted by a specific number.

B- Production service centers: all the company centers that are not related to the service of the product itself, but are indirectly linked.

C- Marketing cost centers: These centers are represented by the marketing departments in which research and marketing operations and outlets for the company products are carried out. Each has its own symbol, where the company owns many centers and outlets distributed in different regions, as well as outlets in companies affiliated with the Ministry of Industry and Minerals.

d- Administrative cost centers: the services centers of the financial, administrative, commercial, supervision, control, planning, follow-up and legal departments, where each has its own symbol. The cost elements are allocated and distributed to all centers (production, service, marketing and administrative) according to the principles used by the costs division according to traditional principles. This is one of the things that leads to increased costs in the company. The researcher believes that the company reliance on the procedures and divisions of the costs elements stated in the unified accounting system because it is legally obligated to do so because it is a public sector company that is owned and managed by the state. However, dividing the company into factories and then dividing each factory into cost centers, adopting the method of the variable theory in the preparation of the company cost lists may facilitate some of the procedures for calculating the costs of products. Moreover, it provides an opportunity for the possibility of studying and evaluating each product separately and in each of its factories.

1.1.2. Financing from other parties.

The basic source of funding is the state general budget and revenues from selling products after the Ministry of Finance handed over 45% of its revenues, in addition to borrowing from external parties. Table (4) shows some sources of funding. The amounts are disbursed according to the budget items on the operational and investment activities, and salaries are paid from them as well.

1.1.3. Management at the level of departments, branches and centers.

After merging, the burdens on the parent company increased, in addition to an increase in the centralization of the company position. There are administrative and financial decisions that are taken after consulting with the managers of departments, branches and factories. Planning budgets are prepared within the financial departments of each of the merged companies and are collected and consolidated at the company center. Factories are monitored through audit balances on a monthly basis and direct follow-up. As for the salaries granted to employees, it is according to the salary scale of government units, the company follows a system of incentives and rewards according to performance.

1.1.4. The management information system of the company.

Various data and information are collected from departments and branches, financial and administrative information and statistics about employees. Each department saves its information, as there is an archiving system for each department. All data is collected according to its type. The financial data is collected through the periodic and administrative statements regarding other work procedures through computers and floppy disks.

1.1.5. The company position in the market.

All branches of the company provide public services to citizens, there are private sector factories that provide the same products in addition to importing the private sector. The prices of the company products are close to the products in the market, and the quality of the products provided by the company is better, according to the evaluation of the Central Organization for Standardization and Quality Control. There is a diversity of customers, as there are government departments that market products to them. There are customers, shop owners, small companies, and others. The products offered by the company have won customer satisfaction. There are new customers in addition to the company customer list, where customers have increased by 20%. There are many opportunities that the company should exploit, especially since its products enjoy customer satisfaction by expanding its production to increase revenues. At the same time, there are risks threatening the company represented by the ill-considered import of the same type of company products. There is a promotion of the company products through posters and advertisements and through webpages on social networking sites and the company official website on the Internet, in addition to its participation in international exhibitions.

1.1.6. Studying additional income opportunities

For the purpose of increasing the company resources, it is necessary to study the opportunities to add a new product or develop existing products in terms of the internal and basic specifications of the products, in terms of the colors of its products, the external shape of the packaging for all products in line with the requirements of the markets and the tastes and desires of customers in order to continue and maintain the market share. The company sells its products in the local market due to the low demand for purchasing products by customers. The reason is the presence of the importer whose prices are lower than the company products, but there is a difference in the quality of the product. The products of the company are of higher quality. The company management has a desire to develop its products for the purpose of obtaining more space in the local market. This helps in increasing the company income, and consequently an increase in funding sources, especially. The company suffers from a lack of self-resources that do not cover the company costs.

After evaluating and measuring the financial position of the General Company for Food Products, it is an insufficient tool to judge the company, as it may be that its financial position is weak and for reasons beyond the control of the company. There are other aspects of the company performance is good. Therefore, the sources of funding are considered the basis for the company continuation in the market. Thus, financial sustainability affects the continuity of the general company of the economic unit.

Conclusions

1. Financial sustainability is the ability to generate revenues that cover its expenses and pay future obligations to ensure the continuity of the economic unit.
2. For the purpose of knowing the financial sustainability of the economic unit, it is done by calculating the unit own financial resources and the extent to which they cover the total costs.
3. The measurement of financial sustainability is insufficient to measure the ability of the economic unit to continue its activity
4. There are no indicators to measure financial sustainability in profit-oriented economic units, as most studies dealt with indicators at the macroeconomic level.
5. The financial sustainability index of the net income in the General Company for Food Products is very low. This indicates the company depend on other sources of funding, which will carry burdens in the future.
6. The liquidity index of the financial sustainability of the General Company for Food Products is low. It puts the company under the burden of entering into financial commitments from external sources for the purpose of the company continuity of work.
7. The debt ratios are very high, which indicates that the company depends on external funding sources. This will load the company with additional burdens.
8. We note that the financial performance of the company is very low, and even non-financial, but this does not mean that the company has no economic and social

feasibility in the work environment. The decline in the position of the company is due to many reasons, some of which are related to the company, i.e. internal reasons, and others are external reasons.

Recommendations

1. Realizing the importance of the financial sustainability of the governmental unit in particular, its application and absorption that preserves and develops the resources of the economic unit.
2. Economic units must constantly evaluate their financial performance, as it helps to find new sources of financing for the unit activities.
3. Measuring and evaluating the financial sustainability of economic units through the model that has been developed helps the units improve financial performance.
4. The General Company for Food Products should improve its financial position by working to increase its own resources by finding new products or developing existing products.
5. The General Company for Food Products should not rely heavily on external funding sources, but rather work to increase sales by promoting its products more broadly.
6. Improving and increasing the company profits by working to reduce costs, increase sales, and work to raise weaknesses and strengthen the company.
7. Finding modern ways of allocating costs and working to reduce them through the use of modern methods of cost accounting.
8. Working on finding new self-financing sources without resorting to external sources of financing that would burden the company and incur new costs.

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