

5/2023,
sentabr-
oktabr
(№ 00067)



ENSURING FINANCIAL STABILITY OF ECONOMIC ENTITIES IN THE REPUBLIC OF UZBEKISTAN

Bauetdinov Majit

Tashkent State University of Economics, PhD m.bauetdinov@tsue.uz

DOI: https://doi.org/10.55439/EIT/vol11_iss5/a2

Abstract

Ensuring the liquidity of economic entities is a prerequisite for the expansion, technical and technological re-equipment of their production. Also, ensuring financial stability allows you to timely and fully make payments on the obligations of business entities. The article identifies urgent problems related to ensuring the financial stability of economic entities and develops scientific proposals aimed at solving these problems.

Key words: financial stability, net profit, profitability, asset, capital, inflation, devaluation, cash, accounts receivable, investment, liabilities.

Introduction

The Development Strategy of New Uzbekistan for 2022-2026, approved by the Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. PF-60, further development of the export potential of local industries, introduction of standards that meet foreign markets and international requirements, and popular attracting brands, increasing the share of the private sector in exports to 60%, dramatically increasing the volume of geological exploration, attracting private investors and advanced foreign companies to the industry, continuously providing the economy with electricity, and actively introducing "Green Economy" technologies to all areas of the economy, increasing energy efficiency by 20%, diversifying the activities of enterprises are recognized as necessary conditions for the sustainable development of the country's economy [1].

This, in turn, creates the need to ensure the financial stability of economic entities.

According to S. Tolkacheva's conclusion, the financial stability of enterprises directly depends on the improvement of the cost management system, in which the diversification of production plays an important role. Therefore, it is necessary to choose complex decisions that cover diversification directions. In this case, an option based on the use of two directions can be selected at the same time, and the directions of diversification may change [2].

According to a group of economists, the underdevelopment of financial markets in developing countries and countries with economies in transition does not allow companies to increase the volume of financing costs [3].

According to B. Berkinov and Sh. Ergashkhojaeva's conclusion, transaction costs, regardless of their form, can be defined as costs of economic interaction. Transaction costs include the costs of making decisions, developing plans and organizing activities, negotiating the content and conditions of activities in cases where two or more participants enter into business relations; the costs of changing plans, revising the terms of the transaction and

resolving conflicting issues if required by the changed circumstances; covers the costs of ensuring that participants adhere to the agreements reached. Transaction costs, as well as the inefficiency of joint decisions, developed plans, concluded contracts and established structures; react ineffectively to changed conditions; including any losses arising from ineffective protection of agreements. In a word, this type of costs is not directed directly to the production of economic benefits, but includes any necessary costs that ensure the successful implementation of this process [4].

According to J. Isakov's conclusion, no matter how perfect the procedure and rules for the protection means ensuring the fulfillment of obligations are, as the society progresses and relations improve, the risk of obligation execution, especially for the creditor, the serious problem of collecting the loan amount and accrued interest from the debtor has always remained. Because in the process of lending, any person whose financial condition is highly assessed and who is deemed to have the ability to fulfil obligations, falls into a helpless situation under the influence of objective and subjective reasons in the process of using the loan funds, creates a problem for the creditor to recover not only the extra interest, but also the loan funds. Therefore, the creditor should always insist on perfecting the requirements and rules for the security, which is considered as a guarantee of the performance of the obligation [5].

According to A. Burkhanov, there are indicators indirectly describing the stability of industrial enterprises, the main of which are the following:

- inflation rate;
- rate of depreciation (devaluation) of the national currency;
- level of state budget deficit;
- level of public debt [6].

According to M. Ismailova's conclusion, leasing is the most effective way of financing the production activities of economic entities operating in the agricultural sector [7].

According to Sh.Abdullaeva's conclusion, "while collecting debt from the buyer and preventing credit risk, the factoring company performs the processes related to the export operations of the industrial firm, which functions of a commercial bank and an insurance company at the same time" [8].

According to T. Bobakulov's conclusion, "the low monetization coefficient deepens the problem of non-payment in the economy, weakens the cash flow of economic entities, hinders the stimulation of solvency, and creates a relatively negative effect on the speed of money circulation" [9].

Methodology

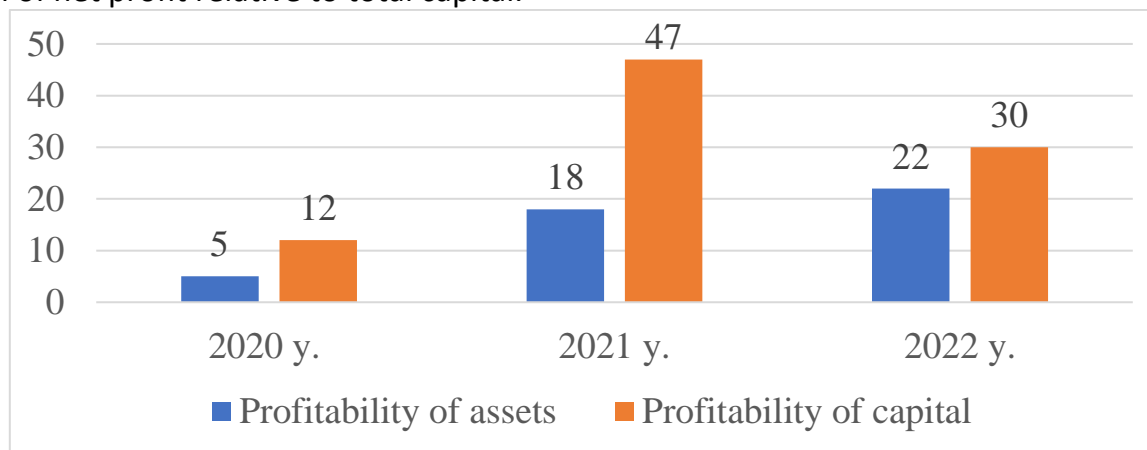
The research methodology includes studies by local and foreign authors on ensuring the financial stability of economic entities and financing their activities, legislation and other regulatory documents of the Republic of Uzbekistan, as well as materials of scientific and practical conferences on these issues. The study was conducted using the scientific method. The methods of logical, comparative and statistical analysis were used to solve problems related to the following mathematical operations.

Analysis and results

In assessing the financial stability of economic entities, indicators of profitability of assets and profitability of capital were widely used.

Both indicators represent the level of net profit. The return on assets ratio represents

the level of net profit relative to total assets, while the return on equity ratio represents the level of net profit relative to total capital.



Pic 1. "Profitability of assets and capital in Uzmetkombinat JSC, in percent

From the data of Figure 1, it can be seen that the profitability of assets in "Uzmetkombinat" JSC had a growing trend in 2020-2022.

From the data of Figure 1, it can be seen that the profitability of capital in "Uzmetkombinat" JSC increased significantly in 2021 compared to 2020, but decreased significantly in 2022 compared to 2021.

The financial stability of economic entities directly depends on the weight of the cost in the volume of income.

1-table

The weight of the cost in the volume of revenue from the sale of products in "Uzmetkombinat" JSC and "Uzbekkomir" JSC, in percent

	2018 y.	2019 y.	2020 y.	2021 y.	2022 y.
Uzmetkombinat	75,5	78,5	81,8	82,8	70,7
Uzbekkomir	58,5	74,4	83,4	66,2	54,3

From the data of Table 1, it can be seen that the weight of the cost in the volume of revenue from the sale of products in "Uzmetkombinat" JSC was high in 2020-2022. This is a negative situation from the point of view of ensuring the financial stability of the enterprise.

From the data of Table 1, it can be seen that the weight of the cost in the revenue from the sale of products in "Uzbekkomir" JSC has a tendency to decrease in 2020-2022. This is a positive situation from the point of view of ensuring the financial stability of the enterprise.

The profitability index of assets is an important indicator describing the financial stability of the enterprise, and it is one of the important factors of ensuring its competitiveness. This is because net profit plays an important role in increasing the ability of enterprises to attract funds and expand their operations; ensuring a stable growth rate of assets plays an important role in expanding and modernizing the activities of enterprises.

Admittedly, the failure to fulfill the tasks set in the localization programs does not allow reducing the level of import dependence of economic entities. In such conditions, the fact that the national currency continues to depreciate and its rate of depreciation is high does not allow to reduce the prices of industrial products.

Also, the high rate of depreciation of the national currency leads to an increase in the price of imports. This has a negative impact on the investment activity of economic entities.

The low profitability of the assets of economic entities prevents them from increasing their credit solvency. This reduces their ability to replenish working capital through short-term loans from commercial banks.

Also, in June 2017, the refinancing rate of the Central Bank of the Republic of Uzbekistan was sharply increased (by 5 percentage points), which led to an increase in the interest rates of commercial banks' loans. This reduced the possibilities of enterprises to use loans from commercial banks.

In 2017, compared to previous years, the refinancing rate of the Central Bank, the average annual interest rate of commercial banks' loans in soums increased dramatically. This creates a negative impact on the financing of the working capital of enterprises through loans from commercial banks. In addition, the increase in the price of the borrowed funds also causes the increase in the cost of loans [10].

Conclusion and suggestions

In our opinion, in order to ensure the financial stability of economic entities, it is necessary to implement the following measures:

1. In order to increase the level of financial stability of economic entities by ensuring the stability of cash flows, first, by forming a reasonable composition of current assets and current liabilities, it is necessary to reach the standard level of the current liquidity coefficient (1.25%); secondly, the formation of short-term investments and ensuring a high growth rate of short-term investments should not be allowed to reduce the weight of money in the volume of current assets; thirdly, it is necessary to improve the theoretical knowledge and strengthen the practical skills of the employees of the treasury department on the basis of subordinating the treasury department to the Supervisory Board of joint-stock companies and organizing continuous training of employees of the treasury department.

2. In order to reduce the weight of the cost of products in the volume of income from the sale of products, first of all, it is necessary to improve the process of forming the innovation portfolio of enterprises; secondly, it is necessary to ensure the proportionality between the growth rate of net profit and the growth rate of assets; thirdly, it is necessary to increase the possibility of financing enterprises' activities aimed at reducing costs by issuing tax credits.

In the tax credit, the tax payer's liability is reduced on the basis of deferral of tax payment.

The tax credit is determined as a percentage of the amount of innovation costs and is deducted from the amount of profit tax.

Tax credits encourage the innovative enterprise to pay taxes on time and in full. Because the amount of the tax credit will be returned to the enterprise and it will use this amount to finance research and development works.

The tax credit increases the enterprise's interest in the development and production of new products. Because shortening this term increases the amount of tax credit.

Support through tax incentives is an effective form of state support for innovative activities.

The advantage of tax policy is that it covers all aspects of innovation-related activities.

To use the support through tax credits, the company must have made expenses in the field of innovation.

Support through tax incentives is aimed at increasing the innovative activity of enterprises, increasing the sources of financing innovative processes from their own funds.

Tax incentives reduce bureaucracy and reduce costs. Because there is no need for state evaluation of the innovative project and enterprise in support through tax incentives.

The state can also support innovative activities of enterprises through state orders. In this, first, the state orders private innovative companies to develop technologies; secondly, the strong competition between innovative active companies allows to increase the quality of state innovative developments and reduce costs.

List of used literature

1. Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. PF-60. About the Development Strategy of New Uzbekistan for 2022-2026//www.lex.uz.
2. Tolkacheva S.V. Scientific and methodological aspects of diversification of bakery industry enterprises. Abstract dissertation for a concingently degree candidate of economic sciences - Voronezh, 2007. – 18 p.
3. Barro Dj.r., Salai-I-Martin X. It is true to economyicheski. Pierre. s English. - M.: M. 2013. - 824 s. Lavrushin O.I. Bankovskoe Delo: Sovremennaya System Coordinuation: Financeovaya academy pri pravielstve RF. -4-e izd., Stereotype. -M.: Knorus, 2008. -264 s. Miller L.R. Sovremennye Dengi i bankovskoe delo. - m.: Infra-m, 2000. – 856p.
4. Berkinov B.B., Ergashkhodzhaeva Sh.D. Scientific-methodological foundations of transaction costs management. - T: "Science and technology" 2016, - 211 б.
5. Isakov J.Ya. Improving credit efficiency in the development of the services sector Dissertation abstract submitted for obtaining scientific degrees of Candidate of Sciences. - Tashkent, 2016. – 79 б.
6. Burkhanov A.U. Directions for ensuring the financial stability of industrial enterprises in the context of deepening economic reforms. Dissertation abstract submitted for obtaining scientific degrees of Candidate of Sciences. - Tashkent, 2011. – 34 б.
7. Ismaylova S.S. Economic foundations for the development of leasing activities in the agro-industrial complex of Uzbekistan. Dissertation abstract submitted for obtaining scientific degrees of Candidate of Sciences.– T.: 2009. – 15 б.
8. Abdullaeva Sh.Z. Money, credit and banks. - Tashkent: Finance, 2000. – Б.159.
9. Bobakulov T.I. In the Republic of Uzbekistan, there are problems with ensuring the stability of the national exchange rate and solutions to Dissertation abstract submitted for obtaining scientific degrees of Candidate of Sciences. - Tashkent, 2008. – Б.74-75.
10. Kulliev I.Ya. Formation and improvement of credit prices. Dissertation abstract submitted for obtaining scientific degrees of Candidate of Sciences. - Tashkent, 2010. – Б. 9.
11. Financial statements of JSC "Uzmetkombinat".