



## IMPROVING THE EFFICIENCY OF CASH FLOW MANAGEMENT AT THE ENTERPRISE

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**DOI:** [https://doi.org/10.55439/EIT/vol11\\_iss5/a17](https://doi.org/10.55439/EIT/vol11_iss5/a17)

### Abstract

The article summarizes the essence and significance of cash flows at the enterprise, reveals the main goals and objectives of cash flow management, analyzes the effectiveness of cash flow management at one of the enterprises of Uzbekistan and puts forward proposals to improve the process of managing cash flows of the enterprise. It is concluded that in order to improve the efficiency of cash flow management, an integrated approach should be used that combines many measures - the development of a detailed budget taking into account all the income and expenses of the enterprise; effective inventory management, accounts receivable and accounts payable; active management of payment deadlines from buyers and suppliers; rational allocation of funds between various investment projects; cost minimization; financial planning and forecasting; automation and optimization of processes, etc.

**Keywords:** financial result, liquidity, financial circulation, cash flow management methods, financial risk, working capital, financial stability.

### Introduction

The economic activity of any enterprise is inextricably linked with the cash flow. Each business transaction causes either the receipt or expenditure of funds. Cash serves almost all aspects of operating, investing and financing activities. The continuous process of cash flow over time is a cash flow, which is figuratively compared with the system of "financial circulation", which ensures the viability of the organization.

According to domestic authors, the implementation of almost all types of financial transactions of an enterprise generates a certain cash flow in the form of their receipt or expenditure. This cash flow of a functioning enterprise over time is a continuous process and is defined by the concept of "cash flow" [1].

Cash flow management is directly related to the mechanism of determining the planned needs of the enterprise for them, their rationing. It is important for the enterprise to correctly determine the optimal need for funds, which will allow with minimal costs to receive the profit planned for a given volume of production. Understating the amount of funds entails an unstable financial condition, interruptions in the production process and, as a result, a decrease in production and profit. In turn, overstating the amount of funds reduces the ability of the enterprise to make capital expenditures to expand production.

The main purpose of cash flow management is to ensure the financial equilibrium of the enterprise in the process of its development by balancing the volumes of cash receipts

and expenditures and synchronizing them in time [2].

The main tasks of cash flow management are as follows:

- forecast of incoming and outgoing cash flows and their management;
- ensuring the liquidity of the enterprise;
- evaluation of various types of investments and placement of surplus funds;
- identification of sources of short-term financing;
- interest rate and exchange risk management;
- determination of the plan for the receipt of funds and their use.

### **Methodology**

The article uses methods of logical analysis, comparative analysis, vertical and horizontal analysis, coefficient analysis, etc.

### **Results**

The cash flow management process can be represented as the following steps:

1. Complete and reliable accounting of cash flows and the formation of the necessary reporting.
2. Analysis of cash flows in the previous period.
3. Planning of cash flows in the context of their various types.
4. Optimization of cash flows.
5. Ensuring effective control over cash flows [3, 4].

Methods of managing cash flows of enterprises contribute to the adoption of more informed and rational decisions by financial managers of organizations. The use of the considered principles of education and cash flow management in the practical activities of enterprises will optimize the structure of payments of enterprises. Optimization of payments of the enterprise is achieved, first of all, by the balance of cash payments, as a result of which the solvency increases and it becomes possible to maintain it at the required level.

Asl Baraka Limited Liability Company has been operating on the territory of the Republic of Uzbekistan since 2013. The subject and purpose of the company's activity is the provision of services for the installation of video surveillance systems and security alarms, equipment of premises for various purposes with engineering systems, finishing works of any complexity and the whole complex of facade works.

We will analyze the financial condition of Asl Baraka LLC. The list of tasks for the analysis of indicators on the financial condition of the enterprise includes the assessment of its solvency and liquidity. Instruments called liquidity ratios help in assessing liquidity.

**Table 1**

#### **Liquidity indicators of the balance sheet of Asl Baraka LLC in 2022-2023 (as of July 1) [5]**

<b>Indicators</b>	<b>2022</b>	<b>2023</b>	<b>Standard</b>
Absolute liquidity ratio	0,00	0,01	$K_{absl} > 0$
Quick (intermediate) liquidity ratio	0,38	0,34	$K_{ql} > 1$
Current liquidity ratio	0,73	0,71	$K_{curl} > 2$

The value of all indicators of the company's liquidity is lower than the normative ones, which confirms the fact that there are many problems with the solvency of the enterprise.

The main factors determining the financial stability of an enterprise include the financial structure of capital (the ratio of borrowed and own funds, as well as long-term and

short-term sources of funds) and the financing policy of individual components of assets (primarily non-current assets and reserves). Therefore, to assess financial stability, it is necessary to analyze not only the structure of financial resources, but also the directions of their investment.

We will calculate and analyze the financial stability indicators of the limited liability company under study (Table 2).

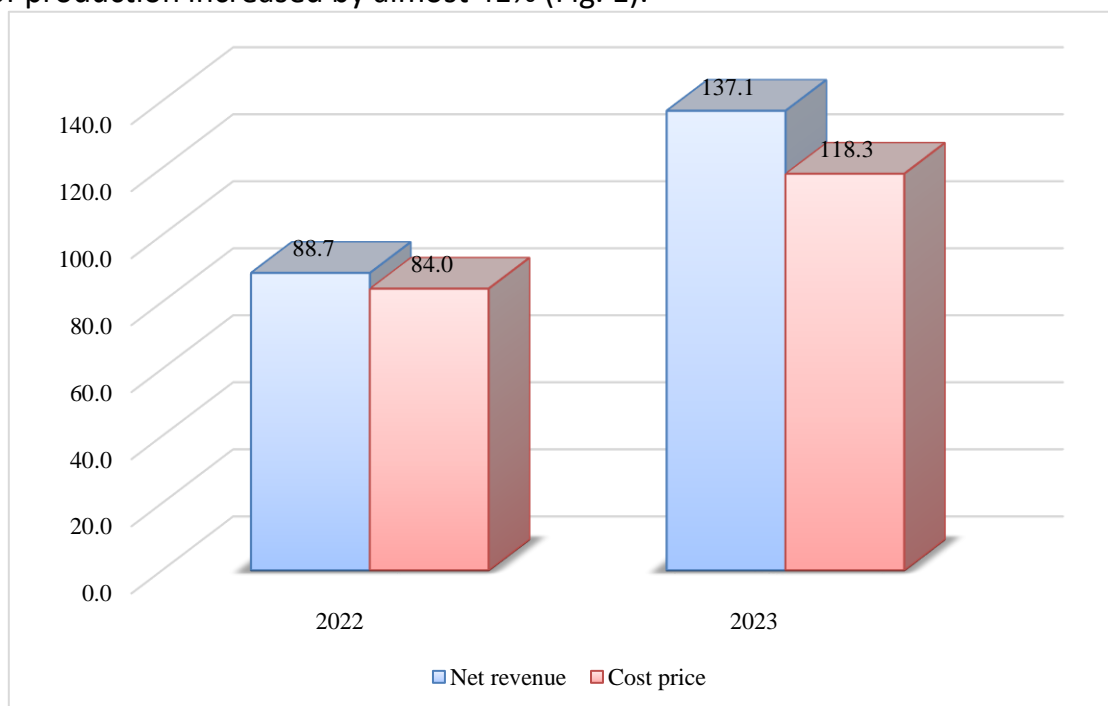
**Table 2**

**Sustainability indicators of Asl Baraka LLC in 2022-2023 (as of July 1) [5]**

Indicators	2022	2023	Standard
The coefficient of autonomy	-0,08	-0,15	$K_{aut} \geq 0$ ,
Funding ratio	-0,07	-0,13	$K_{Fund} \geq 1$
Financial risk ratio	-13,45	-7,60	$K < 0,5$
Maneuverability coefficient of own working capital	-9,79	-5,37	0,1-0,2
Financial stability coefficient	-0,07	-0,14	0,5-0,9

According to calculations, none of the stability coefficients corresponds to the normative value. The analysis allows us to conclude that there are many problems in the organization of the company's activities and the instability of its financial condition.

Analysis. Using the data in Figure 1, it is possible to track the ratio of net revenue and cost of Asl Baraka LLC in 2022-2023. We see that the magnitude of these most important flows tends to increase. Net revenue from the sale of products increased by 55%, while the cost of production increased by almost 41% (Fig. 1).



**Figure. 1 Ratio of net revenue and cost of Asl Baraka LLC in 2022-2023 (as of July 1), billion soums [5]**

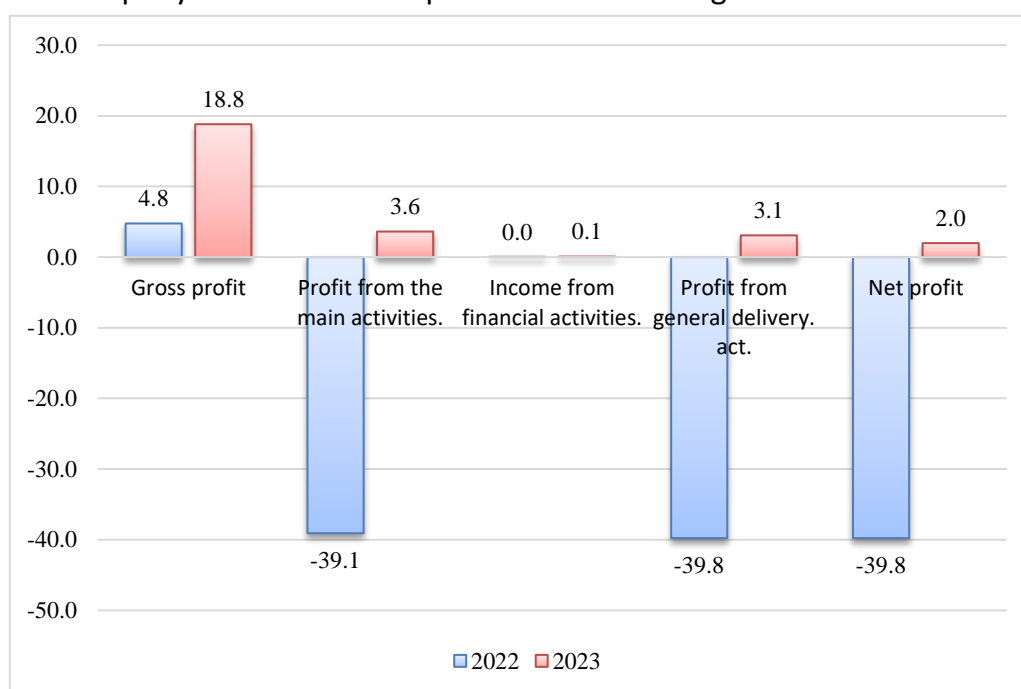
The negative is the fact that the cost of the products produced by the enterprise in 2022 amounted to almost 95% of revenue, at the beginning of 2023 this ratio changed slightly (to 86%). This confirms the fact of a decrease in the share of production costs (Table 3).

**Table 3**

**The share of cost in the revenue of Asl Baraka LLC in 2022-2023 (as of July 1), thousand soums [5]**

Indicators	2022	Fraction, %	2023	Fraction, %
Net revenue	88 709 301	100	137 128 257	100
Cost price	83 950 473	94,64	118 324 942	86,29

Figure 2 shows the structure and dynamics of the financial results of the enterprise under study. We see that the gross profit from the sale of products has increased almost 4 times, income from financial activities has increased 3 times. However, the profit from the main and general economic activities have a negative value. Due to this, the final financial result of the company's activities - net profit - also has a negative value.



**Figure. 2 Financial results of Asl Baraka LLC in 2022-2023 (as of July 1), billion soums [5]**

However, the most important indicator of the effectiveness of cash flow management in an enterprise is not profit, but the value of net cash flow.

Net cash flow characterizes the difference between positive and negative cash flows (between the receipt and expenditure of funds) in the considered period in the context of its intervals. Net cash flow is the most important result of the financial activity of the enterprise, largely determining the financial equilibrium and the rate of increase in its market value.

Cash flow management is the most important element of the financial policy of the enterprise, it permeates the entire management system of the enterprise. It is difficult to overestimate the importance and significance of cash flow management at an enterprise, since its quality and efficiency depend not only on the stability of the enterprise in a specific period, but also on the ability to further develop, achieve financial success for the long term.

The calculation of net cash flow for the enterprise as a whole, its individual structural divisions (responsibility centres), various types of economic activity or individual business operations is carried out according to the following formula:

$$NPV = PDP - ODP, \tag{1}$$

where NPV is the sum of net cash flow in the time period under consideration;

PDP - the amount of positive cash flow (cash receipts) in the time period under consideration;

ODP is the amount of negative cash flow (spending of funds) in the considered time period.

Thanks to the data presented in Table 4, it can be concluded that the net cash flow of 2022 has a negative value, which in absolute terms is about -80 million soums. In 2023, the cash flow has become more efficient and there is a positive net cash flow of about 2 billion soums.

**Table 4**

**Net cash flow of Asl Baraka LLC in 2022-2023 (as of July 1), thousand soums [5]**

Indicators	2022	2023
Cash inflow	90 397 857	138 129 978
Cash flow	169 940 924	136 152 307
Net cash flow	-79 543 067	1 977 671

The study showed that over the past two years, the effectiveness of cash flow management of the enterprise in question has significantly increased, which indicates the effectiveness of the policy pursued by the company's management.

**Conclusion/Recommendations**

Thus, one of the main conditions for the normal operation of the enterprise is the availability of cash, which can be assessed by the analysis of cash flows. The main task of cash flow analysis is to identify the causes of the shortage (excess) of cash, determine the sources of their receipts and directions of use. The purpose of the analysis is to identify, if possible, all transactions affecting cash flow.

The cash flow management system is a decision-making process based on a comprehensive assessment of the company's activities, aimed at optimizing the use of cash in order to obtain resources sufficient to repay obligations and generate additional income.

Cash flow management is an important component of accelerating the company's capital turnover. It allows you to shorten the duration of the financial cycle and reduce the need for borrowed funds through the rational use of your own funds, increase the solvency, financial stability and liquidity of the enterprise.

Improving the efficiency of cash flow management at the enterprise can be achieved by applying the following measures:

1. Budgeting: the development of a detailed budget taking into account all the income and expenses of the enterprise allows you to plan and control cash flows. The budget allows you to determine the priority areas of spending and monitor them.

2. Working capital management: effective inventory management, accounts receivable and accounts payable allows you to reduce the time of cash turnover and minimize losses from inefficient use of capital.

3. Managing payment deadlines: active management of payment deadlines from buyers and suppliers helps to accelerate the flow of funds and delay their payments, which improves the company's position in the cash flow.

4. Investment optimization: rational allocation of funds between various investment projects allows you to achieve maximum return on investment and minimize risks.

5. Cost minimization: cost analysis and their constant reduction help to improve the financial condition of the enterprise and increase its competitiveness.

6. Financial planning and forecasting: the development of long-term financial plans and short-term forecasts allows you to anticipate the need for funds and take timely measures to ensure their availability.

7. Automation and optimization of processes: the introduction of modern information systems and automation of management processes in the field of finance allows you to reduce manual labor, increase the accuracy of accounting and reduce the time for data processing.

8. Diversity of sources of financing: the expansion and diversity of sources of financing of the enterprise allows to reduce risks and ensure the availability of funds in various situations.

9. Monitoring and analysis of financial indicators: regular analysis and monitoring of financial indicators allows you to quickly identify problem areas and take corrective measures to improve cash flow.

10. Staff training and development: professional development of employees and the creation of a team competent in cash flow management contributes to effective financial management of the enterprise.

Effective cash flow management allows you to accelerate the turnover of funds, reduce the need to attract additional borrowed funds, free up additional funds that can be sent to the turnover of the enterprise.

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