



IMPACT OF THE EFFECTIVE USE OF WORKING CAPITAL IN INDUSTRIAL ENTERPRISES ON FINANCIAL STABILITY

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Article history:	Abstract:
<p>Received: 24th December 2023 Accepted: 20th January 2024 Published: 26th February 2024</p>	<p>In this article, the effect of effective use of working capital in industrial enterprises on financial stability is studied by the object of research. The state of use of working capital in ensuring the financial stability of industrial enterprises was analyzed, and scientific suggestions and recommendations were developed to increase the effect on financial stability through the effective use of working capital in industrial enterprises.</p>
<p>Keywords: financial stability, cash, normalization of working capital, own funds, efficiency of working capital</p>	

INTRODUCTION

The main attention is paid to the increase in specific problems associated with the effective use of working capital in the production of industrial enterprises, in particular, macroeconomic fluctuations, depreciation of the national currency, the effective use of working capital directly in industrial enterprises in the growth of the cost of imports of raw materials necessary for production and products consumed.

The lack of working capital or non-compliance with the standard of use in the activities of industrial enterprises, a decrease in the solvency of the enterprise, and this state of affairs affects a decrease in the economic efficiency of the enterprise's activities. In this regard, in world experiments, special attention is paid to the issues of the effective use of working capital in industrial enterprises. Globally, turnover in industrial sectors was recorded as an absolute increase of 9.4% compared to 2017, with € 360 billion in 2018. In the last five years, working capital has caused a 9.6 percent increase in income in the economy [7].

The financial stability of industrial enterprises directly depends on the effective use of working capital. In this regard, the constant provision of working capital and its regulatory provision directly determine the financial superiority of any enterprise. Hence, the role and importance of working capital in any production enterprise increases from year to year.

LITERATURE REVIEW

In research, R. N. Nakozin established that the tasks of ensuring the financial stability of their enterprises and preventing bankruptcy through the effective use of fixed and working capital by enterprises operating in various industries and industries are of urgent importance, turnover emphasized the need for a methodological and statistical-analytical approach as a

solution to the effective use of funds, and that proper management of working capital It is a mechanism that ensures the efficiency of production[1].

N.A. Kolmakova also focused her research on improving the efficiency of working capital management and explained that proper and effective working capital management leads to an increase in the profitability of the enterprise. He stressed that each turnover of working capital in the enterprise is a profit for the enterprise at a certain level, which ensures the profitability of the enterprise. He expressed his views on improving the economic performance of industrial enterprises by reducing costs and optimizing the results achieved, regulating cash flows, and improving the efficiency of resource management at the enterprise[2].

O. V. Golikova and E. G. Nesterenko, direct working capital is considered important for the production activity of the enterprise, it serves to ensure the continuity of the production process of industrial enterprises and improve product quality, at the same time, it improves the financial condition of the enterprise, as well as production efficiency and stressed that it is important to determine competitiveness. However, many industrial enterprises today admit that they do not allocate working capital enough in the production process and do not pay attention to the rational management of working capital[3].

An economist who conducted research on ensuring financial stability and assessing the financial stability of industrial enterprises, Professor A.U.Burkhanov on assessing the financial stability of industrial enterprises, "... the financial stability of enterprises is important for achieving sustainable economic growth in the country. Because financial stability and its



achievement is the key to ensuring the ability of business entities to carry out their activities, as well as the key to its stable position. In this context, financial stability, determining the financial capabilities of an enterprise in the medium and long term are important economic problems." [7].

RESEARCH METHODOLOGY

From the analysis of factors that include determining the main factors of the internal and external environment that affect the effectiveness of working capital management at an industrial enterprise, the main goal is to analyze external and internal factors that affect the effectiveness of using working capital, and measures are developed to eliminate them. General conclusions on the state of working capital are formed at the enterprise, and the implementation of research on the effective management of working capital and the assessment of status is one of the important issues.

ANALYSIS AND RESULTS

As one of the mechanisms to achieve effective management of working capital in the effective use of working capital in industrial enterprises, it is appropriate to spend working capital correctly and comply with regulatory requirements to ensure the continuity of the process of production and sale of products. In this regard, it is necessary to correctly distribute raw materials and funds suitable for

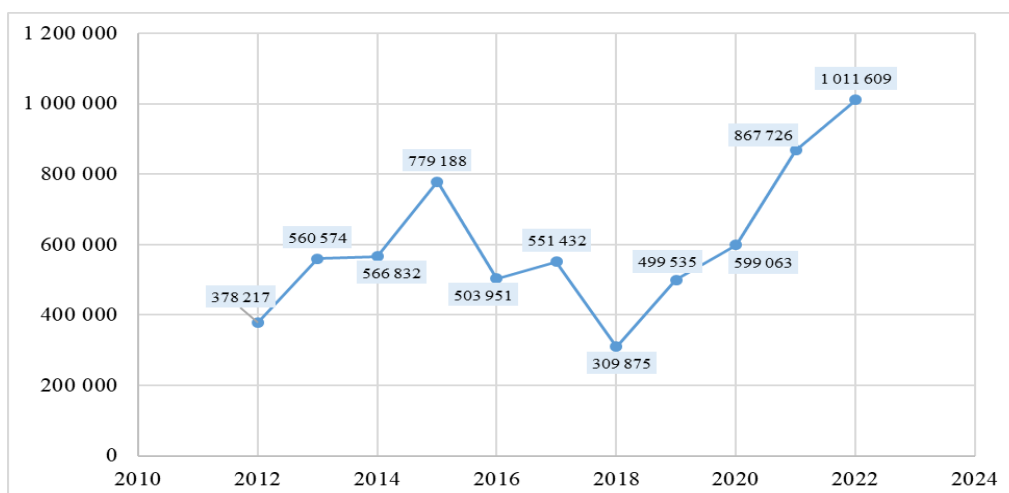
minimum production at all stages of the working capital cycle in industrial enterprises. As a result of these defined tasks, first of all, as a result of normalization of material resources reserves and expenses, the enterprise is ensured to operate efficiently.

- The financial stability of industrial enterprises directly depends on the use of working capital. In this regard, studying and constantly analyzing the movement of working capital in the activities of industrial enterprises, analytically studying the indicators of working capital turnover is one of the urgent tasks for any enterprise. Also, in the analysis of working capital as we mentioned above, it can be seen that they are initially divided into three groups:

- the state of working capital in the enterprise;
- the level of the enterprise's working capital;
- the level of efficiency in the use of working capital in the enterprise.

In particular, the indicators representing the state of working capital in industrial enterprises are: the sum of working capital, the average value of working capital, the share of working capital in total capital, the structural structure of working capital, turnover funds consist of indicators such as the amount of the company's own funds and the dynamics of working capital

Figure 1. Dynamics of change of working capital in "Maxam Chirchik" JSC over the years, million soums



¹ Calculated by the author based on the annual reports of "Maxam Chirchik" JSC.



As for the analysis of the efficiency of working capital use, the analyses were carried out on the basis of the data from the report of JSC "Maxam-Chirchik". Analyzing the dynamics of changes in working capital in JSC Maxam Chirchik for 2012-2022, in 2012 it amounted to 378,217 million soms, as of 2022, the

size of working capital increased 2.7 times or by 633,392 million soms compared to 2012 and amounted to 1,011,609 million soms (Figure 1). If we analyze the composition of the working capital of industrial enterprises, we can see that the sources of working capital have changed over the years.

Table 1
Dynamics of structural change of working capital in
"Maxam Chirchik" joint-stock company, in % ²

Years	Funds	Commodity-material reserves	Accounts receivable	Short-term investments	Total working capital
2012	4,9	33,6	60,6	0,8	100
2013	4,0	29,1	69,2	0,6	100
2014	5,6	28,5	65,4	0,5	100
2015	0,7	18,2	80,4	0,7	100
2016	1,0	26,4	71,9	0,6	100
2017	5,4	26,8	67,6	0,2	100
2018	6,9	64,6	28,2	0,3	100
2019	7,8	69,5	22,6	0,1	100
2020	3,9	69,5	26,6	0,1	100
2021	22,2	61,1	16,5	0,1	100
2022	9,8	76,4	13,6	0,2	100

² Calculated by the author based on the annual reports of "Maxam Chirchik" JSC.



From Table 1 it can be seen that, focusing on the structural change of working capital in the Joint-Stock Company "Maxam Chirchik", in 2012, the share of receivables in the structure of working capital was 60.6%, while commodity reserves were 33.6%. This is evidenced by the fact that during the same period, the share of funds in the volume of working capital fell sharply. In 2015-2016, there was a sharp decrease in the share of funds in the turnover of working capital, with the highest share in the structure of working capital, accounts receivable. This situation affected the turnover of working capital at the enterprise.

Also, as of 2021, the share of cash in the volume of working capital has significantly increased in this period compared to previous years. By this period, the decrease in receivables indicates a positive change for the company.

As for the situation in 2022, it can be seen that the amount of material reserves in the current assets has increased sharply compared to previous years, making up 76.4 percent. This situation caused a large part of working capital to remain idle and affected the turnover of working capital (Table 2).

Table 2
Changes in the composition of working capital in "Maxam Chirchik" joint stock company³

Years	Volume of working capital		Quantity of all assets		Share of working capital in all assets, in %
	million soums	rate of change, percentage	million soums	rate of change, percentage	
2012	378 217	100	620 427	100	61,0
2013	560 574	148,2	746 333	120,3	75,1
2014	566 832	101,1	863 579	115,7	65,6
2015	779 188	137,5	1 080 987	79,8	72,1
2016	503 951	64,7	696 033	155,3	72,4
2017	551 432	109,4	870 420	125,1	63,4
2018	309 875	56,2	676 403	77,7	45,8
2019	499 535	161,2	884 150	130,7	56,5
2020	599 063	119,9	1 034 099	85,5	57,9
2021	867 726	144,8	1 200 089	86,2	72,3
2022	1 011 609	116,6	1 460 923	82,1	69,2

³ Calculated by the author based on the annual reports of "Maxam Chirchik" JSC.



Changes in the volume of working capital in the joint-stock company "Maxam Chirchik" and the share of working capital in the company's share of all assets had a tendency to change from year to year. If we pay attention to the situation in 2012, the share of working capital in all assets was 61.0 percent, and by 2022, the share of working capital was 69.2 percent. From the

analysis, it can be seen that the weight of working capital decreased by 3.1% by 2022 compared to the previous year 2021 (Table 2).

It is advisable to analyze the solvency and financial stability coefficients of the enterprise through the effective use of working capital at JSC "Maxam Chirchik", selected as the object of research.

Table 3
The state of change of coefficients representing the solvency of the Joint-Stock Company "Maxam Chirchik" ⁴

Years	Absolute solvency		Intermediate solvency		Current solvency	
	Standards					
	>0,2<0,7	Norm difference (+;-)	>0,7<1,25	Norm difference (+;-)	>1,25<3	Norm difference (+;-)
2016	0,01	-0,19	0,74	+0,04	1,02	+0,23
2017	0,04	-0,16	1,59	+0,89	0,92	-0,33
2018	0,11	-0,09	0,61	-0,09	1,76	+0,51
2019	0,11	-0,09	0,42	-0,28	1,43	+0,18
2020	0,62	+0,42	0,49	-0,21	1,62	+0,37
2021	1,30	+1,1	2,27	+1,57	5,85	+4,60
2022	0,86	+0,66	2,13	+1,43	9,03	+7,78

⁴ Calculated by the author based on the annual reports of "Maxam Chirchik" JSC.



If we analytically see the state of change of coefficients representing the solvency of the Joint-Stock Company "Maxam Chirchiq", as of 2016, absolute solvency was 0.01 points, 0.19 points less than the norm, intermediate solvency was 0.74 points, 0.04 points higher than the norm, current solvency was 0.23 points higher than the norm with 1.02 points. As of 2022, absolute solvency was 0.86 points, 0.66 points above the norm, intermediate solvency was 2.13 points, 1.43 points above the norm, current solvency was 7.78 points above the norm with 9.03 points.

In 2021-2022, compared to previous years, the solvency coefficients of "Maxam Chirchiq" joint-stock company are at the standard level. Based on the calculations, it is possible to evaluate the financial situation of the enterprise in different periods and compare the financial statements of the enterprise. If the level of solvency indicators of the enterprise is lower than the established standards or worsens, it will cause economic decline or bankruptcy of the enterprise.

CONCLUSIONS AND SUGGESTIONS

- In terms of increasing the efficiency of the use of working capital in industrial enterprises, the following recommendations should be made:

- prevention of immobilization process in the use of working capital in enterprises;
- development of measures to accelerate the circulation of working capital in the enterprise;
- determination of product price based on product quality improvement in the enterprise;
- achieving a reduction in material costs for one soum product in the enterprise;
- modernization and diversification of production activities of the enterprise, wide introduction of modern innovative technologies in production;
- achieving reduction of material capacity, fund capacity and depreciation capacity as a result of rational use of resources in the production activity of the enterprise;
- transition to the production of competitive products in the enterprise's production activities and continuous improvement of the product assortment;
- transition to the use of local raw materials and materials that replace imports based on the program of localization of production, etc.

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