

# Theoretical and Practical Aspects of Financial Security of Industrial Enterprises

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## Abstract:

In the article have been investigated the scientific-theoretical and practical aspects of financial safety of enterprises and ensuring its. Also, analyzed the state of financial safety at industrial enterprises operating in our country and elaborated scientific proposals and practical recommendations for ensuring their financial safety.

**Keywords:** financial security, enterprise financial security, liquidity, profitability rate, financial margin, equity, financial resources, financial risk,

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## Introduction

The main objective of the enterprise's financial security is to ensure that it is operating effectively and has high potential for future growth.

The Strategy of Action on the five priority areas of development of the Republic of Uzbekistan for 2017-2021 aims to increase the number of workers by improving the level of profitability and financial recovery of more than 4,400 enterprises in the basic sectors of the economy [1]. This creates a need for financial security of industrial enterprises operating in the country. The financial security and security of enterprises is a poorly understood issue and there is no uniform approach.

### Critical analysis of thematic literature.

According to Professor IA Blank, "financial security of the enterprise is quantitatively and quantitatively determined to provide stable protection from internal and external real and potential threats, which create the necessary conditions to support sustainable growth of its financial interests in the current and future periods. represents the level "[2].

R.S. Papexin concludes that "financial security of an enterprise is a complex concept that reflects the financial position of the enterprise, which can sustain its development while maintaining its financial security in the face of additional risks."

Professor A.V.Gukova's research [4], financial security of an enterprise is its ability to independently develop and implement financial strategies in accordance with corporate strategy goals in an environment of uncertainty and competitiveness.

According to N.W. Yakushina [5], the essence of the financial security of an enterprise, in the context of ambiguities in the environment, is as follows:

- independently develop and implement financial strategies that are consistent with the overall strategy of the enterprise;

- Responding to changes in the value of indicators approved under the developed financial strategy and conducting tactical planning of financial security based on rapid evaluation.

It also identifies financial security of the enterprise in a number of stages:

- Identify and describe future threats to the financial and operating activities of the enterprise;

- Development of measures and mechanisms for identification of threats to financial security of the enterprise;

- establishment of a system of restrictions based on the use of risk indicators of the enterprise's financial security;

- Formation of measures and mechanisms for financial security of the enterprise, which can eliminate or mitigate the impact of internal and external threats.

Based on the above, in our opinion, financial security of an enterprise is:

- ensuring sustainable development of the enterprise;
- The necessary condition of financial stability of the enterprise;
- Ability to prevent and eliminate potential threats to the financial condition of the enterprise;

- minimization of risks arising in the business of the enterprise;

- the level of protection of the enterprise against internal and external risks.

An essential element of an enterprise financial security research is the selection of criteria for its evaluation. Therefore, it is necessary to establish criteria, norms and thresholds for the indicators used in assessing the financial security of an enterprise.

For this purpose it is necessary to study the indicators of enterprise liquidity, points of loss and financial stability. The level of financial security is determined by indicators. Indicators are considered as the marginal value of indicators that characterize an enterprises performance in a variety of functional areas that meet a certain level of financial security.

According to V. Zabrodsky's approach [6], an enterprise financial security assessment is based on integrating a set of indicators that determine financial security. It uses multiple methods for integrating indicators, such as cluster and multivariate analysis of indicators. Such an approach is characterized by a high degree of complexity of the analysis using mathematical analysis. In some other studies, the following indicators are used to assess the level of financial security of an enterprise [7]:

- Production indicators (production dynamics, real level of utilization of production capacities, rate of renewal of fixed production assets, production process stability, GDP growth rate, competitiveness of products, the structure and technical resources of the park of equipment and machinery);

- financial indicators ("portfolio" of orders, actual and necessary investment volume, level of innovation activity, profitability of production, capital cost of production, accounts receivable and creditor debt, provision of energy resources, materials, working capital financing) degree);

- social indicators (wage rates, average wage debt, loss of working hours, human resources), relative to the average in the economy or industry.

#### **Research methodology.**

A number of economists' studies [4] have suggested that the financial security of an enterprise can be assessed using the following indicators:

1. Coefficient of coverage.
2. Coefficient of autonomy.
3. Financial leverage.
4. Percentage of collateral interest rate.
5. Profitability of Assets.
6. Return on equity.
7. Average Cost of Capital (WACC).
8. Company Development Index.
9. Temporary structure of loans.
10. Diversification indicators (share of revenue per buyer, share of one supplier in revenue).
11. Profit, product sales and asset growth rates.
12. Speed of accounts receivable and accounts payable.

**Table 1.****Indicators of financial security of enterprises [8].**

No	Indicators	Method of calculation	Normative level
1	Absolute liquidity ratio	(Cash + Short-term financial investments) / Short-term liabilities	Min 2.0
2	Rapid liquidity ratio	Liquid Assets / Current Liabilities	Min 1.0
3	Current liquidity ratio	Current assets / current liabilities	Min 2.0
4	Financial leverage ratio	Equity / Debt Obligations	Min 0.25
5	Financial margin ratio	Loans / (Assets - Debt Obligations)	Max 1.0
6	Level of self-sufficiency	Current assets / Sources of equity	Min 0.1
7	Asset use ratio	Cost of Income / Commodity Income from Sales of Goods	Min 1.6
8	Balance Sheet Ratio	Gross Profit from Sales / Net Profit from Sales	-
9	Net Profit Ratio	Net Profit / Net Profit from Product Sales	-

Achieving the abovementioned indicators is evidence of financial security at the enterprise.

Based on the above, it is advisable to use a number of indicators that have clear criteria and criteria for assessing the financial security of an enterprise (Table 1).

**Analysis and Results**

The majority of the indicators describing financial security from Table 1 are indicators with normative levels. Comparative analysis of financial analysis is used to evaluate indicators that do not have normative levels. At the same time, the level of this indicator in the current period is compared with that of the previous levels or the level of that indicator of another enterprise.

**Table 2.****Status of financial security of JSC "Uzavto".**

No	Indicators	2012	2013	2014	2015	2016	2017	2018	2019
1	Absolute liquidity ratio	0,1	0,1	0,004	0,2	0,05	0,1	0,2	0,1
2	Rapid liquidity ratio	0,1	0,1	0,002	0,2	0,04	0,1	0,1	0,1
3	Current liquidity ratio	8,5	8,8	4,5	2,3	2,0	2,2	2,1	1,5
4	Financial leverage ratio	-0,2	-0,002	-0,1	0,2	0,05	0,2	0,3	0,4
5	Financial margin ratio	1,4	0,1	0,4	1,1	1,2	1,4	2,1	2,4
6	Level of self-sufficiency	1,3	10,2	2,3	0,6	0,7	0,5	0,5	0,5
7	Asset use ratio	0,4	0,8	0,9	3,8	1,8	2,0	2,4	2,5
8	Balance Sheet Ratio	0,4	0,6	0,6	0,6	0,5	0,3	0,5	0,5
9	Net Profit Ratio	0,2	-0,5	0,2	0,3	0,1	0,003	0,1	0,02

**Source: Information of JSC "Uzavto" annual reports**

As can be seen from the data in Table 2, Bekabacement JSC does not provide financial security in terms of absolute liquidity and operational liquidity ratios in 2012-2019. This is:

1. The overall liquidity ratio of the enterprise is significantly lower than the normative one, primarily due to the fact that liquid assets comprise only cash (no investment in securities) and, secondly, a very low share of cash in total assets. In 2017, the share of cash in the total assets of Bekabacement was only 2.6%, in 2019 this figure was 1.5%.

2. In the period under review, Bekobodcement's low liquidity ratio was lower than the norm, primarily due to the small share of liquid assets in gross assets and, secondly, the rate of growth of cash flows lagging behind growth rates of current liabilities.

In 2019, the share of liquid assets in total assets was only 1.5%. In 2019, cash flow declined by 43.4% compared to 2016, with current liabilities increasing by 30.7% during the same period [9].

According to the Table 2, the current liquidity ratio in Bekabacement JSC for 2012-2019 is higher than the normative requirements and in recent years it is close to the standard requirements, which is explained by the relatively high growth rate of current liabilities.

"Uzavto".JSC provided financial security in 2012-2019 on financial margin, financial leverage and asset efficiency ratios (Table 2).

In our opinion, the following measures should be taken in order to ensure the normative and qualitative levels of financial performance of enterprises:

1. To increase the level of absolute liquidity in enterprises, first of all, it is necessary to increase the rate of debt receivables turnover, and secondly, investments in short-term securities issued by high-performing issuers.

2. The ratio of liquid assets to gross assets should be increased to achieve a standard rate of rapid liquidity ratio; Secondly, it is important to keep pace with the growth of cash flows beyond the growth rates of current liabilities.

3. In order to increase the share of liquid assets in gross assets, it is necessary to invest in the high liquid securities of the current account balance of the enterprises. First, it is necessary to increase the accounts payable to ensure that the rate of growth of cash flows does not fall behind the growth of current liabilities; Secondly, it is necessary to accelerate the conversion of accounts receivable into money by introducing modern cashless payment forms.

### Conclusion

Using the proposed financial support mechanism for enterprises' foreign economic activity will result in the following opportunities: Specifically:

- high level of efficiency of ongoing foreign economic operations;
- financial independence manifested in the ability to control or mobilize available financial resources;
- Fulfill foreign trade agreements and monetary obligations in compliance with the established national legislation and international banking rules and traditions;

We believe that the aforementioned opportunities will directly contribute to the effective mechanism of financial support of economic activity of economic entities if they are directly or indirectly introduced into the foreign economic activity of enterprises.

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