



Opportunities for Increasing the Efficiency of Use of Working Funds in Industrial Enterprises of Uzbekistan

Burkhanov Aktam Usmanovich¹

¹ Doctor of Economical Sciences (DSc), professor,
International School of Finance and Technology, Tashkent, Uzbekistan
E-mail: aktam.b@isft.uz

Abstract:

The article describes the theoretical and methodological foundations of normalization of the use of working capital in industrial enterprises. Also, the state of using working capital in ensuring the financial stability of industrial enterprises in Uzbekistan was analyzed based on statistical indicators, suggestions and recommendations were developed with a scientific approach to increase the efficiency of working capital use in industrial enterprises.

Keywords: working capital, cash, working capital standardization, own funds, working capital efficiency

Citation: Burkhanov A. (2024). Opportunities for Increasing the Efficiency of Use of Working Funds in Industrial Enterprises of Uzbekistan. American Journal of Economics and Business Management, 7(5), 12-17. Retrieved from <https://globalresearchnetwork.us/index.php/ajebm/article/view/2759>

Received: 21 February 2024

Revised: 29 February 2024

Accepted: 20 March 2024

Published: 28 April 2024



Copyright: © 2024 by the authors. This work is licensed under a Creative Commons Attribution- 4.0 International License (CC - BY 4.0)

Introduction

One of the urgent tasks is to ensure sustainable development by increasing the competitiveness of branches and industries and their economic efficiency by developing the economy of our country at a priority level in the conditions of a fierce competitive environment. It is important to improve the efficiency of the use of working capital in the production of industrial enterprises.

The financial stability of industrial enterprises directly depends on the effective use of working capital. In this respect, the constant supply of working capital and its regulatory supply directly determines the financial superiority of any enterprise. Therefore, the role and importance of working capital in any production enterprise is increasing.

In the process of effective organization of economic activity of industrial enterprises, correct organization of financial activities in timely payment of service fees to suppliers or suppliers of manufactured products to customers, as well as working capital in the enterprise's own account. Properly organize its circulation, accelerate the circulation of working capital paid for payment and pay constant attention to regulating the mechanism of normalizing the use of working capital.

Analysis of literature on the topic

V. D. Gribov, one of the scientists of the CIS, who conducted research on the regulation of working capital. V.P.Gruzinov, V.A.Kuzmenko explained the development of the reserve amount for days and several years when determining the standard of working capital in the enterprise. He also stated that working capital reflects the number of days from the payment of bills for materials and transfer to production, until the finished product is sent to the warehouse for sale [2].

According to the definition given by N.N. Bondar, it is important for the enterprise to fulfill its obligations under the contract, to produce economically based volumes of working capital allocated for the formation of inventories and to ensure timely fulfillment. The minimum volume of material assets in the form of money, which is necessary to ensure the normal operation of the enterprise, is called the norm of working capital [3].

In determining and regulating the demand for working capital in the activities of industrial

enterprises, the enterprise determines the norms for working capital based on its internal capabilities. The main goal of normalization of working capital in the enterprise is the effective use of funds directly attracted to the enterprise in the process of long-term production and circulation [4].

Research methodology

In ensuring the working capital ratio in industrial enterprises, it is calculated on the basis of the amount of money corresponding to the unit of the product being produced, describing the minimum reserves of the company's material resources, and the reserve days and reserve norms. Also, the rate of working capital is determined by multiplying it by a specified indicator and, according to the rule, is measured in the form of cash, and it can be calculated based on the following formula [5]:

$$Naym.m = Nich.z.m + Ntich.m + Ntm.m$$

(1)

here:

Naym.m – standard of working capital,

Nich.z.m – standard of production reserves,

Ntich.m – rate of work in progress,

Ntm.m – finished product standard.

One of the important issues in ensuring the financially stable operation of industrial enterprises is to ensure compliance with the regulatory requirements for the use of working capital in production sectors, and to carry out research on increasing the efficiency of the use of working capital.

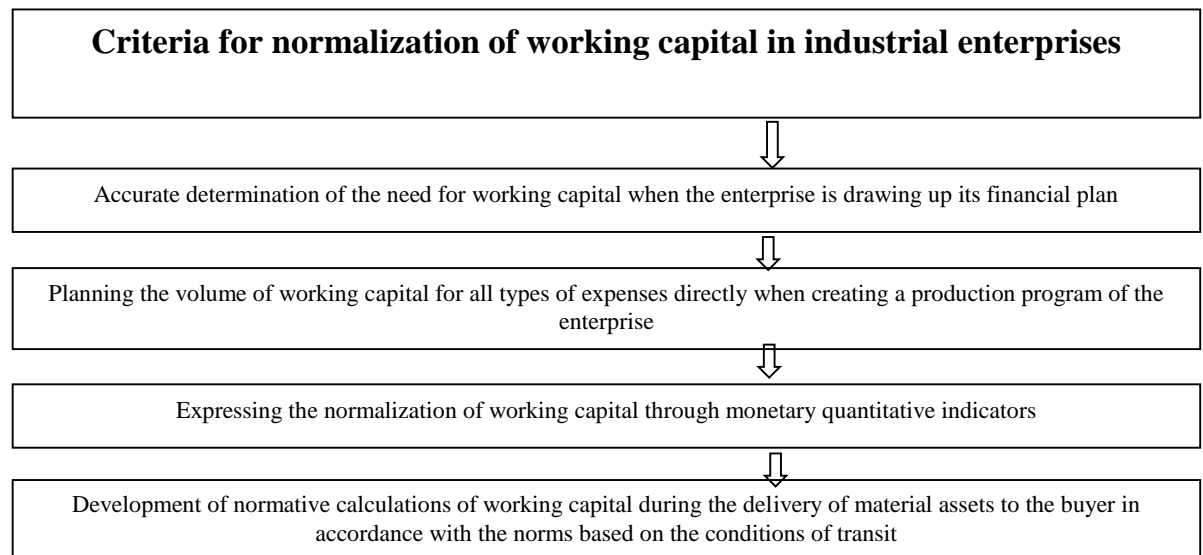
Analysis and results

It is desirable to consistently continue reforms in the sustainable development of industrial enterprises, which are one of the leading sectors of the economy. From this point of view, the urgent tasks of following the standardization methods and the legal documents regarding the established standardization in order to attract large amounts of funds to industrial enterprises, to effectively use the available working capital, are waiting for their solution.

In the decision No. 108 of the Cabinet of Ministers of the Republic of Uzbekistan "On regulations of working capital of ministries, agencies and enterprises", strengthening the financial situation of direct enterprises, rational use of material and financial resources, speeding up the circulation of working capital, Ministries, agencies, associations and enterprises: development of differentiated norms of working capital based on the nature of the production activities of the associations and enterprises under their control, development of measures aimed at ensuring the integrity of working capital, speeding up their circulation, and the responsibility of enterprise managers in this regard and issues of increasing responsibility are defined [1].

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.

In determining and regulating the demand for working capital in the activities of industrial enterprises, the enterprise determines the norms for working capital based on its internal capabilities. The main goal of normalization of working capital in the enterprise is the effective use of funds directly attracted to the enterprise in the process of long-term production and circulation [4].



Source: compiled by the author based on the study of regulatory and legal documents related to the field.

Figure 1. The main criteria for normalization of working capital in industrial enterprises

The norms of working capital in industrial enterprises consist of following normative procedures in the production activities of the enterprise and forming the volume of goods and material reserves necessary for production.

The criteria for normalization of working capital in direct industrial enterprises mainly include the following, i.e.: clearly defining the need for working capital when the enterprise is drawing up its financial plan, all kinds of directly when drawing up the enterprise's production program planning the amount of working capital for expenses, expressing the normalization of working capital through quantitative indicators in money, and developing normative calculations of working capital when delivering material assets to the buyer in accordance with the norms based on transit conditions output and adherence to these norms are important issues (Figure 1).

The following methods of calculating working capital standards are used in industrial enterprises: analytical method, coefficient method, direct calculation methods. Analytical (analytical) method of calculating the ratio of working capital includes direct calculations of working capital in the amount of actual average balances. In this method, the factors that directly influence the attraction of working capital in the enterprise and the factors that affect the activity of the enterprise are analytically studied.

The coefficient method for calculating the rate of working capital is determined based on these standards, taking into account changes in the plan of production and sales of products by the enterprise, as well as changes in the circulation of working capital.

The direct method of calculating the rate of working capital is the most appropriate and complex method of calculation, and it is advisable to use it constantly by the enterprise [3].

Normalization of working capital in industrial enterprises should focus on the resources that ensure continuous operation of the enterprise, that is, it is expressed in the determination of funds necessary for the formation of minimum but sufficient reserves of material wealth and other resources. It makes it possible to identify internal stocks, shorten the duration of the production cycle and sell the finished product faster.

But as we know, in production practice, not all working capital of enterprises is constantly normalized. In this regard, working capital is divided into normalized and non-normalized types. The list of normalized working capital of the enterprise includes the quality of the production stocks available in the warehouses of the enterprise (raw materials, various basic and auxiliary materials, fuel resources, etc.), unfinished production objects, costs of the next period and finished goods in the warehouse of the enterprise. products are also included.

The non-standardized working capital of the enterprise consists of finished products or goods given directly to customers, money in the account number of the enterprise. Normalization of working capital is important in this case, as production reserves make up 85-90 percent of the total

working capital of enterprises. In this regard, the normalization of working capital allows to directly follow the economy procedure of the enterprise and to use the material resources of the enterprise effectively.

The process of standardization of working capital in industrial enterprises consists of several specific stages, and the standard of production reserves is developed for each element of working capital. The rate of production reserves consists of their scientifically based planned volume, which ensures the continuity of the production process, and it directly depends on the following conditions:

- short and long period of product production at the enterprise;
- the season of receiving goods and materials for the production of products at the enterprise;
- taking into account the distance of suppliers for the production of products at the enterprise;
- the totality of the raw materials supplied by the suppliers and their delivery in the planned volume;
- quality of raw materials delivered to the enterprise;
- timely settlement of the enterprise with suppliers and buyers.

The calculation of the ratio of working capital to be allocated to the production stock of existing material resources in industrial enterprises is expressed by the following formula [7]:

$$May = E \times U \times B \quad (2)$$

here:

M – working capital ratio,

E – daily need for working capital,

U – average interval distance,

B – the price of a working capital unit.

At the end of the year of activity of all types of enterprises, the report of unfinished production facilities is kept. From this point of view, on the basis of the normalization of working capital according to the state of unfinished production of enterprises, it is carried out according to the groups of items available in production, and it can be determined based on the following formula:

$$Mt = Xo \times U \times Kx \quad (3)$$

here:

Mt – rate of working capital for work in progress,

Xo – the rate of one-day costs for product production,

U – the length of the repetitive process of production,

Kx – coefficient of growth of costs in production.

As a research object, the activity of Maksam-Chirchik JSC operating in Uzbekistan was selected. Regarding the analysis of the efficiency of the use of working capital, analyzes were carried out based on the report data of "Maksam-Chirchik" JSC. In 2022, the volume of working capital of the enterprise will be 1011609 mln. amounted to 867,726 million soums in 2021. amounted to soums (Table 1).

The analysis shows that the main part of the existing working capital of the enterprise in 2022, i.e. 76.3 percent or 771959 mln. Soums corresponded to the contribution of material reserves, 13.9% of receivables, 9.5% of cash (cash and bank account balances) and 0, Short-term investments accounted for 2 percent.

Table 1
Dynamics of working capital and its structure of "Maksam-Chirchik" JSC enterprise, mln. soum

Year	Total working capital (Y)	From this			
		Funds (X_1)	Stocks of goods (X_2)	Debt funds (X_3)	Short-term investments (X_4)
2012	378 217	18 684	126 871	228 992	3 670
2013	560 574	16 627	157 732	382 568	3 646
2014	566 831	31 973	161 018	370 231	3 609
2015	779 188	6 380	142 374	626 859	3 575
2016	503 951	5 221	133 283	361 931	3 516
2017	551 433	29 856	147 797	373 299	481
2018	309 875	21 249	199 970	87 147	1 509
2019	499 535	38 748	347 381	112 817	589
2020	599 063	23 074	416 136	159 826	27
2021	867 726	192 324	530 578	144 469	355
2022	1 011 609	96 458	771 959	140 928	2 264

Source: Compiled based on the reports of Maksam-Chirchik JSC.

der to improve the efficiency of the use of working capital in industrial enterprises and follow the norms of the use of working capital, it is necessary to pay attention to the following:

- compliance with the standards of expendable working capital;
- formation of consumption of raw materials and material resources supplied to the enterprise based on production demand;
- constant monitoring of compliance with the terms of the contract when selling goods produced by the enterprise to customers;
- participation in transactions with solvent enterprises;
- taking measures to reduce the receivables;
- effective management of working capital movement in the enterprise;
- control of compliance with the requirements of criteria established in the formation of production reserves in the effective use of working capital in the enterprise;
- to study ways of attracting foreign investors to increase the volume of working capital;
- proper formation of sources of financing of working capital (preventing the increase in the volume of credit funds);
- conducting periodic internal audits on the volume of working capital and the purposes of its use in the enterprise, etc.

Conclusions and suggestions

In the conditions of intensifying competition, inefficient use of working capital in the enterprise or non-compliance with the norms of working capital, on the one hand, leads to a decrease in the level of solvency of the enterprise, and on the other hand, it leads to a state of financial distress of the enterprise. In this regard, it is desirable to increase the efficiency of the use of working capital in ensuring the stable operation of the enterprise, to control the adherence to the developed working capital norms, and to take the necessary measures in this regard in a timely manner.

Inefficient use of working capital in industrial enterprises or non-compliance with the norm of working capital causes a decrease in the level of solvency of the enterprise, and the enterprise falls into a state of bankruptcy. In order to ensure the stable operation of industrial enterprises, it is desirable to increase the efficiency of the use of working capital and to constantly monitor compliance with the norms of working capital, and to take the necessary measures in this regard in a timely manner.

References:

1. Resolution No. 108 of the Cabinet of Ministers of the Republic of Uzbekistan "On regulations of working capital of ministries, departments and enterprises". 25.02.1997. <https://lex.uz/docs/475379>
2. V.D. Gribov. V.P.Gruzinov, V.A.Kuzmenko. Economics of an organization (enterprise): textbook. – 10th ed., St.-M.: KNORUS, 2016. – 416 p.
3. N.N. Bondar. Enterprise Economics: Textbook. manual for higher students textbook establishments. - K.: MAUP, 2007. - 432 p.
4. Taspanova A.K. Improving the practice of financing working capital of enterprises. Ph.D. in Economics (PhD) thesis abstract. - T.: 2019. p. 50.
5. R.S.Muratov, I.A.Djalilov, S.Sh.Oripov. Enterprise economy. Textbook.-T.: "Science and technology" publishing house, 2014, page 424.
6. V.D. Gribov. V.P.Gruzinov, V.A.Kuzmenko. Economics of an organization (enterprise): textbook. – 10th ed., St.-M.: KNORUS, 2016. – 416 p.
7. T. S. Malikov. Finance of financial entities. Study guide.-T.: "ECONOMY-FINANCE", 2009, page 288.
8. A.U. Burkhanov. The method of assessing the financial stability of industrial enterprises. Scientific electronic magazine "Economy and innovative technologies". No. 6, November-December, 2018. Page 18.