

Increasing Financial Security of the Entity Based on Managing its Business Activity

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ABSTRACT

This article discusses the financial security of industrial enterprises based on management of their business activity. Factors of formation of business activity of modern enterprises have been analyzed. Suggestions have been presented for improving the financial security of enterprises and business activity.

KEYWORDS: *enterprise, financial and economic security of the enterprise, business activity of the enterprise*

INTRODUCTION

In the modern economy, crisis phenomena have led to an increase in the importance of issues of management of financial security of enterprises. The dynamism of the external and internal environment requires the management of the enterprise to search for new ways to improve the security of financial activities.

Literature review

The works of many scientists are devoted to the study of the management of the financial results of the activities of enterprises. Some authors have investigated the issues of the influence of a variety of risks on the efficiency of enterprises. However, the issues of organizational and methodological support of the process of increasing the financial security of enterprises have not been sufficiently studied. Many managers of enterprises and their departments often find themselves unable to justify and develop ways to improve the security of the financial activities of their own enterprises.

Increasing the level of financial security of an enterprise is a continuous process; it covers many interrelated procedures that have appropriate requirements for their organizational support and economic justification.

One of the factors in the formation of the financial security of an enterprise is the level of its business activity.

The content of the concept of financial security of enterprises in relation to various branches of activity is presented in the works of Volodina I.G. [1], Golukhov V.N., Reikhart D.V., Shilenko Yu.V. [2], Reznik S.D. [3], Sorokina O.N. [4], Goncharenko L.P., Shlendera P.E., Badaeva O.N., Tsupko E.V. [5] and others.

Summarizing the views of scientists on the definition of financial security of an enterprise, the study offers the following interpretation.

The financial security of an enterprise is a certain financial condition, characterized by its ability and ability to withstand existing and emerging threats of its deterioration.

Most scientists define economic security enterprises in a broad aspect, including in it: financial security, intellectual, personnel, technical and technological, political and legal, information, environmental, power.

The main goal of managing the financial security of an enterprise is to ensure its stable and efficient functioning now and in the future.

The main functional goals of ensuring the financial and economic security of a production enterprise are [6]:

- ensuring high economic efficiency of work (profitability of all types of enterprises);
- ensuring high business activity, and, accordingly, ensuring financial stability and independence of the enterprise.

Methodology of the research

The purpose of our study is to substantiate and develop measures to improve the financial security of enterprises based on the management of their business activity. To achieve this goal, the study solved the following tasks:

- disclosed the essence of financial security of enterprises and the role of business management in ensuring it;
- the analysis of risk factors for the activities of enterprises was carried out;
- an analysis of the business activity of enterprises;
- organizational measures to improve the financial security of enterprises on the basis of business activity management are proposed.

The object of the research is the enterprise; the subject of the research is the process of managing the financial security of enterprises.

Results

It should be stated that an analysis of the efficiency of modern manufacturing enterprises showed that, in the economy as a whole, the profitability of goods, works, and services sold in 2017-2020 was had a growth trend. So, in 2017, the profitability of goods was 7%, and in 2020 it increased to 9.3% (Fig. 1).

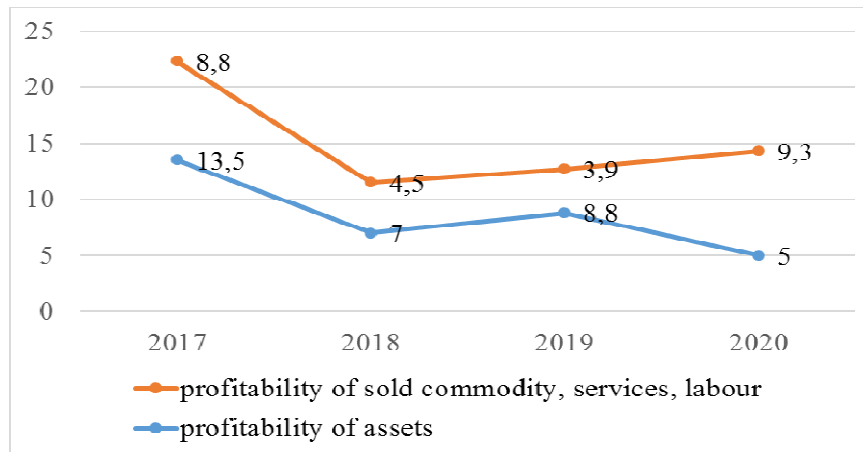


Fig. 1. Indicators of profitability of sold goods (labor, services) and profitability of assets of industrial enterprises in 2017-2020, % [7]

Comparing the results of 2020 with a more prosperous period in economic terms, when the profitability of goods was at the level of 13.5% (2018), we can note the presence of growth reserves for this indicator, as well as the availability of opportunities to reduce costs associated with the production and sale of goods, works and services, and the growth of profit from sales.

The level of business activity of enterprises directly affects their financial and economic situation. Deterioration of business activity of enterprises, or, in other words, a slowdown in the turnover of investments, also reduces the level of financial and economic security. A similar slowdown in the turnover of funds invested in current assets of enterprises is evidenced by the presence and growth of overdue receivables. The amount of overdue receivables in the economy as a whole in 2020 amounted to 2.2 trillion rubles. This is 12% more than in 2019, and in 2019 the indicator increased by 28% from the level of 2018 (Table 1).

Table 1 Accounts payable and receivable of enterprises in 2017-2020 [7]

No	Indicators	2017	2018	2019	2020
1	Total liabilities of enterprises, mln.soums	12178969	58340477	75182475	89014617
2	Creditor liabilities, mln.soums	6389304	27531558	33173617	38925596
	including overdue	956356	1469645	1881316	2428757
3	Receivable liabilities, mln.soums	6331251	26263685	31013596	35736421
	including overdue	855998	1482765	2015920	2275556

The main indicators of the business activity of industrial manufacturing enterprises annually assessed by state statistics are:

- general demand for products (order book);
- release of the main product in kind;
- stocks of finished products.

The analysis of these indicators showed that, according to two of the three indicators, the business activity of industrial production enterprises declined in 2019-2020. Thus, the demand for products, according to the estimates of enterprise managers, decreased only in 2020 by 41.75% on average per year. The output of the main product in 2020 increased by 14.5% and stocks of ready goods decreased by 4.5%.

The following are noted as the main factors limiting the business activity of organizations [7, p. 217]:

- insufficient demand in the domestic market (in 2020, 55% surveyed organizations);
- a high level of taxation (in 2020, it was noted in 40% surveyed organizations);
- –A high percentage of commercial loans (in 2020, it was noted in 30% surveyed organizations);
- lack of financial resources (in 2020, it was noted in 40% of the surveyed organizations);
- lack of skilled workers (in 2020, it was noted in 22% surveyed organizations);
- deterioration and lack of equipment (in 2020, it was noted in 22% surveyed organizations).

The study developed a model for managing the business activity of a manufacturing enterprise, which will allow, through the performance of management functions for each separate type of activity, to obtain the necessary information not only about the state of business activity, but also about the results of its management. In addition, the model assumes the formation of tools and a concept of business management at the same time, the basis for improving the financial and economic security of a production enterprise is the management of its business activity.

The directions of ensuring and maintaining the business activity of a manufacturing enterprise are proposed, including: increasing the volume of sales of profitable products in accordance with market demand; implementation of the economy regime at the enterprise in the direction of reducing all types of costs; improvement of the price mechanism, taking into account the improvement of the quality and competitiveness of products; pursuing a policy of reinvesting net profit in production, thus minimizing the use of long-term borrowed resources; maximization of the autonomy ratio, that is, the share of equity capital in the balance sheet; use, if necessary, of borrowed capital to maintain and develop economic growth, without violating, at the same time, the financial stability of the enterprise; ensuring the acceleration of asset turnover by optimizing the ratio of non-current and current assets (with an increase in the share of the latter), which will reduce the relative need for them.

Conclusion

Summing up, it can be said that the financial security of an enterprise is a certain financial condition, characterized by its ability and ability to withstand existing and emerging threats of its deterioration. Additionally, increasing the level of financial security of an enterprise is a continuous process; it covers many interrelated procedures that have appropriate requirements for their organizational support and economic justification.

One of the factors in the formation of the financial security of an enterprise is the level of its business activity.

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