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Assessment and Improvement of Liquidity of Business Entities

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A B S T R A C T
Ensuring the liquidity of business entities is a prerequisite for ensuring uninterrupted financing of their activities, timely fulfillment of obligations. The article identifies topical problems related to ensuring the liquidity of economic entities and develops scientific proposals aimed at solving these problems.

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Introduction

Increasing the export potential of the republic by actively continuing the system of supporting the activities of exporting enterprises in the "Development Strategy of the New Uzbekistan for 2022-2026" approved by the Decree of the President of the Republic of Uzbekistan No. PF-60 of January 28, 2022, making full use of the available opportunities to further develop the export potential of local industries, to introduce standards that meet foreign market and international requirements and to attract famous brands, to increase the share of the private sector in exports to 60%, to further liberalize the leading sectors of industry and the economy, and to complete the transformation processes, energy resources and natural gas markets liberalize it by defining social protection guarantees, widely attract private investments in the sector and introduce social consumption norms to protect the needy population, develop industrial cooperation between large industrial sectors and regional enterprises, widely introduce programs to increase labor productivity in industrial sectors, to develop the country's economy in a long-term and sustainable way recognized as necessary conditions [1]. This, in turn, creates the need to ensure the liquidity of economic entities.

Analysis of literature on the topic.

According to the definition given by K. Timofeeva and D. Pomelov, liquidity is the ability of inventories to quickly and without problems turn into cash, in which liquid assets retain their nominal value [2].

According to A.Kurilov's conclusion, insufficient liquidity for the owners of the enterprise means a decrease in profit, loss of control, partial or complete loss of capital investment. Inadequate liquidity for creditors means delay in paying the principal amount and interest, partial or complete loss of the value of the loan [3].

According to a group of economists, methods of increasing the liquidity of the enterprise include:

- creation of an effective resource management system to optimize production due to redistribution of working capital, reduction of reserves, increase of liquid assets;
- application of the financial stabilization mechanism, which allows to reduce financial obligations and

increase monetary liquid assets necessary for their provision;

- refinancing of receivables and increasing funds based on the use of factoring and forfeiting, increasing the turnover rate of receivables;
- intensive use of current assets to increase profit, profitability, income;
- extinguishing receivables and limiting the growth of non-current assets [4].

According to V. Kovalyov, when choosing options to improve the company's liquidity indicators, first of all, it is necessary to quantitatively evaluate their effectiveness, that is, the costs associated with their implementation should be compared with the projected amount of profit [5].

According to E. Zubova's conclusion, there are standard measures aimed at improving the liquidity and solvency of the enterprise. Their essence is manifested in ensuring the growth of profits, reducing the value of tangible assets and the amount of receivables, choosing the optimal composition of capital [6].

According to V. Borodin's conclusion, factoring plays an important role in ensuring the liquidity of enterprises, because the receivables must be available in order to release the receivables. Or at least there must be reliable information about a receivable that is certain to occur in the future [7].

According to Sh.Abdullaeva's conclusion, "while collecting debt from the buyer and preventing credit risk, the factoring company performs the processes related to the export operations of the industrial firm, which functions of a commercial bank and an insurance company at the same time." [8].

According to T. Bobakulov's conclusion, "the low monetization coefficient deepens the problem of non-payment in the economy, weakens the cash flow of economic entities, hinders the stimulation of solvency, and creates a relatively negative effect on the speed of money circulation." [9].

Research methodology

The research methodology includes studies of local and foreign authors on ensuring the liquidity of business entities and financing their activities, legislation and other normative legal documents of the Republic of Uzbekistan, as well as scientific and practical conferences on these issues. The research was conducted using the scientific method. Logical, comparative and statistical analysis methods were used to solve the problems related to the following mathematical operations.

Analysis and results

In the practice of our republic, the following three indicators are widely used to assess the liquidity of economic entities with the status of a legal entity:

- liquidity ratio;
- coverage ratio;
- accounts receivable turnover rate.

We evaluate the liquidity of "Uzmetkombinat" JSC using the information in the table below. (see the table 1).

From the data presented in Table 1, it can be seen that in 2020-2022, the liquidity ratio of "Uzmetkombinat" JSC had a decreasing trend. In addition, the coverage ratio also had a downward trend during this period. This is a negative situation from the point of view of ensuring its liquidity.

1-table "Liquidity ratio, coverage ratio and turnover rate of receivables of Uzmetkombinat JSC[1]

Indicators	31.12.2020 y.	31.12.2021 y.	31.12.2022 y.
Liquidity ratio	1,5	1,8	1,2
Coverage ratio	2,2	1,7	1,3
Turnover rate of receivables, in days	107	114	190

[1] "The calculation was made by the author based on the financial report data of Uzmetkombinat JSC.

From the data presented in Table 1, it can be seen that in 2020-2022, the rate of turnover of receivables of "Uzmetkombinat" JSC was observed to slow down. This is a negative situation from the point of view of ensuring its liquidity.

It is worth noting that the liquidity of economic entities directly depends on the weight of funds in the volume of current assets.

2-table "Composition of current assets of Uzmetkombinat JSC, in percent[2]

Current assets	years				
	2018	2019	2020	2021	2022
Inventory	48,2	42,5	28,5	28,2	28,6
Дебитор қарздорлик	43,8	55,9	57,5	56,9	68,2
Funds	8,0	1,6	14,0	14,9	3,2
Current assets - total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

From the data presented in Table 2, it can be seen that in 2020-2022, the amount of cash in the volume of current assets of "Uzmetkombinat" JSC was small. Moreover, this indicator has significantly decreased in 2022 compared to 2018. This is a negative situation from the point of view of ensuring its liquidity.

From the data presented in Table 2, it can be seen that in 2020-2022, the largest share of current assets of "Uzmetkombinat" JSC was taken by receivables.

The large amount of receivables among economic entities in Uzbekistan is explained by the fact that, in our opinion, the level of the country's economy is provided with funds and the interest rates of commercial banks' loans are high.

3-table The main indicators characterizing the economy of Uzbekistan with funds[3]

Indicators	years				
	2018	2019	2020	2021	2022
The degree of monetary support of the economy, %	20,5	17,8	18,5	19,6	21,2
Inflation rate, %	14,3	15,2	11,1	10,0	12,3
GDP growth rate, %	5,5	6,0	2,0	7,4	5,7
Average annual interest rate of loans of commercial banks in national currency, %	20,5	24,2	22,3	20,8	21,9

Table 3 data shows that the level of monetary support of the economy of Uzbekistan has increased significantly in 2022 compared to 2018. However, during the analyzed period, the monetary supply of the country's economy remained at a low level.

Table 3 data shows that the inflation rate in our republic has been on a downward trend in 2018-2021, but, in 2022, it has increased significantly compared to 2021. The growth rate of GDP in our republic has increased significantly in 2022 compared to 2018. The interest rate of loans issued in national currency by commercial banks of our republic was higher during the period of analysis.

Conclusions and suggestions

We have formulated the following conclusions in the research process:

- while insufficient liquidity for the owners of the enterprise means a decrease in profit, loss of control, partial or complete loss of capital inflow, insufficient liquidity for creditors means a delay in payment of the main amount and percentage of debt, partial or complete loss of the value lent;
- In 2020-2022, the fact that the liquidity ratio of JSC" Özmetkombinat " has a downward trend, and the compensation coefficient in this period also has a downward trend, is considered a negative situation in terms of ensuring its liquidity;
- The fact that in 2020-2022" Uzmetkombinat " JSC slowed the rate of rotation of the receivable is

[2] Calculations were made by the author based on the financial report data of Uzmetkombinat JSC.
[3] Compiled on the basis of statistics of the Central Bank of the Republic of Uzbekistan.

considered a negative situation in terms of ensuring its liquidity;

- The fact that in 2020-2022 the balance of funds in the volume of current assets of JSC "Özmetkombinat" was small and significantly decreased this indicator in 2022 compared to 2018 is considered a negative situation in terms of ensuring its liquidity.
- The level of monetary support of the economy of Uzbekistan in 2022 has increased significantly compared to 2018, however, during this period, the monetary support of the country's economy has remained low;
- the interest rate of loans issued by commercial banks of the Republic in national currency was higher in 2018-2022.

In our opinion, the following measures should be carried out in order to ensure the liquidity of economic entities in our republic:

1. To ensure the current liquidity of business entities, first, it is necessary to increase the turnover rate of receivables at the expense of increasing the level of cash supply of the economy and expanding the scope of banks ' use of overdraft loans; secondly, it is necessary to ensure the proportionality between the growth rate of liquid assets and the growth rate of current liabilities; third.
2. Improving the procedure for assessing the liquidity of business entities, in addition to the composition of the indicators used in order to assess liquidity (current liquidity ratio, compensation ratio, debtor debt turnover ratio), it is necessary to include the following indicators:

- fast liquidity ratio;
- term liquidity ratio;
- turnover ratio of commodity reserves;
- Creditor Debtor turnover ratio.

According to the methodology recommended by experts of the International Bank for reconstruction and development, the absolute liquidity ratio is determined as follows:

(M + STFM) : CP (1)

Here:

M - Money

STFM – short-term financial inflows

CP – current passives

This indicator should be in the range from 0.2 to 0.5.

The term liquidity ratio is determined by the following formula:

(M +STFM+DD) : CP (2)

Here:

M – Пул маблағлари

STFM – short-term financial inflows

DD – debtor debtor

CP – current passives

This indicator should be in the range from 0.7 to 1.0.

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