



FINANCEMENT OF WORKING CAPITAL OF ENTERPRISES

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ABSTRACT

This article highlights the scientific and theoretical foundations of the formation and management of working capitals of the enterprise and the corresponding scientific conclusions were suggested.

KEY WORDS: *working capital, current capital, development of the real sector, receivables, product sales.*

DISCUSSION

The practice of financing the working capital is considered one of the important circumstances for ensuring the continuity of production activities of enterprises. For this reason, marked attention is paid to ensure the continuity of financing of working capital of enterprises in international practice. An entrenched contractual connection between large industrial enterprises and small or medium-sized enterprises in France plays an important role in ensuring the continuity of the financing of working capital of small and medium-sized enterprises.

In the financing of working capital, the USA, Germany and France have a significant place, owing to the presence of a well-developed turnover of commercial bills and the practice of collection of receivables.

The Strategy of Actions for the Further Development of the Republic of Uzbekistan for 2017-2021 sets the task of increasing the competitiveness of the national economy by means of the modernization and diversification of its leading

industries. In the real sector of the economy, this successively leads to the need to increase financial stability and solvency of enterprises. At the same time, with the increase in financial stability and solvency of these enterprises, it becomes necessary to improve the efficiency of management of their working capital.

Nowadays, problems related to increasing the efficiency of managing the working capital of enterprises appears in the republic. The most significant problems are the large amount of receivable and payable accounts between enterprises, weak cash flow and low level of use of loans from commercial banks at enterprises.

The research results on the formation and financing of working capital of enterprises and the scientific views of scientists-economists manifested that:

- While the production volume indicates the aggregate demand, sufficient funds are needed to ensure the continuity of production;



- It is urgent to improve the investment volume through maintaining a low and stable level of interest rates for loans to commercial banks and, on this basis, to ensure stable economic growth;
- The introduction of new technologies into the production process is a prerequisite for increasing the share of innovative products. In order to reach this aim, it is necessary to stimulate savings and investments, as well as to strengthen the attraction of foreign investment;
- There is a significant correlation between the development of the financial and real sectors of the economy: the higher the development level of the financial sector in the country, the higher the development level of the real sector;
- The interest rate policy of the Central Bank helps to prevent "overheating" of the economy, and the reduction of the deficit through the budgetary policy of the government is important in ensuring the stability of economic growth;
- The ratio of absolute and current liquidity remains low from the standard level in the oil and gas industry of the country. In particular, the volume of short-term liabilities of enterprises is much larger than cash and current assets in certain years;
- Provision of normative levels of indicators characterizing the financial stability of economic entities occupies an important place in the development of their activities.

The increase in the volume of working capital leads the enterprise to have temporarily free flowing capital, and unnecessary financing costs. As a result, the amount of profit received will decrease.

Hence, the strategy and tactics of working capital management must ensure agreement between liquidity risk and operational efficiency. In this case, two important tasks are solved:

1. **Solvency is warranted.** This process does not occur if the company cannot pay off its debts on the accounts, cannot fulfill its obligations and, possibly, will declare its bankruptcy. An enterprise that does not have a sufficient level of working capital may be at risk of insolvency.
2. **An acceptable amount, structure and return on assets is ensured.** Diverse levels of different current assets can affect earnings in different ways. For example, high levels of production and inventories equally require high operating costs, will contribute to an increase in the volume of sales of finished goods in a wide range and an increase in income.

To increase the efficiency of managing the working capital of enterprises and a significant

amount of receivable and payable accounts between enterprises are among today's pressing issues.

In the real sector of the republic's economy, for increasing the practice of financing current assets of enterprises, we believe that the following measures should be taken:

1. Increasing the share of cash in the current assets volume through accelerating the turnover of accounts receivable and stocks in order to ensure the financial stability of enterprises in the real sector of the economy by increasing the stability of their cash flows, increasing these enterprises in the volume of short-term financial investments in highly liquid securities, ensuring a relative proportion between current assets and current liabilities, based on the lowest standard level of the current liquidity ratio, in order to ensure the financial stability of enterprises in the real sector by increasing the stability of the cash flows of these enterprises. The weakening of operating cash flow may be the result of an increase in balances of accounts receivable and inventory.
2. It is urgent to improve the solvency of enterprises by ensuring relatively high and stable levels of the working capital ratios of these enterprises. In turn, increasing the level of solvency of enterprises gives them the opportunity to increase the level of use of loans from commercial banks. Increasing the level of use of loans from commercial banks allows replenishing the working capital of the enterprise and increases the flow of funds.
3. It is necessary to reduce accounts receivable between enterprises by introducing a method for assessing cash flow based on comparing the income and consumption of working capital in order to ensure a stable level of turnover ratios of enterprises' working capital and improve the assessment of the efficiency of using working capital of industrial enterprises. In developed countries, the cash flow assessment method is used to determine the stability of the cash flow. Here the focus is on assessing the level of total cash flow in relation to the total debt of the enterprise. The total cash flow of a company is defined as the difference between cash inflows and outflows.
4. It is necessary to arrange for large industrial enterprises to make payments for goods sold to small enterprises through documentary letters of credit. Currently, the bulk of non-cash payments between enterprises falls on payments with payment orders. This indicates that the practice of using forms of non-cash payments with documentary letters of credit is imperfect. Late delivery of goods will lead to a decrease in the real value of the



- deposited funds. It takes into account changes in inflation and devaluation levels.
5. For improving the assessment of the effectiveness of the working capital of the above enterprises to identify the break-even point of the activities of enterprises and a real assessment of the working ratios, it is necessary to announce the industry average indicators of these ratios.

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