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Theoretical and Practical Aspects and Indicators of Financial Security of Enterprises

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Abstract— *This article explores the theoretical and practical aspects of the financial security of enterprises by studying the experience of scientists from Uzbekistan and foreign countries. It also analyzes the financial security of industrial enterprises operating in the country, and develops scientific proposals and practical recommendations for financial security.*

Index Terms— *Equity, Enterprises, Ensuring Financial Security of an Enterprise, Financial Security, Financial Margin, Increase in the Share of Liquid Assets in Gross Assets, Financial Resources, Financial Risk, Financial Indicators, "Bekabadcement" JSC, Liquidity, Rate of Return.*

I. Introduction

The main objective of the financial security of the enterprise is to ensure its efficient operation and high potential for future growth. In particular, ensuring the financial security of the enterprise is the most important task of the economic security system of the entire state.

Ensuring the financial security of enterprises is one of the key issues of economic development of the Republic of Uzbekistan.

The action strategy in the five priority areas of the development of the Republic of Uzbekistan for 2017-2021 is aimed at increasing the number of employees by increasing the profitability and financial recovery of more than 4400 enterprises in the main sectors of the economy [1].

This creates the need for financial security of industrial enterprises operating in the country. Financial security and enterprise security are a poorly understood problem, and there is no single approach.

II. Discussion

According to Professor I.A. Blank, "the financial security of an enterprise is determined qualitatively and quantitatively to ensure stable protection against internal and external real and potential threats that create the necessary conditions to support the sustainable growth of its financial interests in the current and future periods. represents the level of financial position" [2].

According to R.S. Papekhina, "the financial security of an enterprise is a comprehensive concept that reflects the financial situation of an enterprise, supporting its development while maintaining its financial security under conditions of additional risks".

According to the research of Professor A.V. Gukova [4], the financial security of an enterprise lies in its ability to independently develop and implement financial strategies in accordance with the goals of a corporate strategy in

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the face of uncertainty and competitiveness.

It also determines the financial security of the enterprise in several stages:

- Identify and describe future threats to the financial and economic activities of the enterprise;
- Development of measures and mechanisms to identify threats to the financial security of the enterprise;
- Creating a system of restrictions based on the use of risk indicators of the financial security of the enterprise;
- The formation of measures and mechanisms to ensure the financial security of the enterprise, which can eliminate or mitigate the impact of internal and external threats.

Based on the foregoing, we can say that the financial security of the enterprise is:

- Ensuring the sustainable development of the enterprise;
- A necessary condition for the financial stability of the enterprise;
- The ability to prevent and eliminate potential threats to the financial situation of the enterprise;
- Minimization of risks arising in the business of the enterprise;
- The level of protection of the enterprise from internal and external risks.

An important element of the study of the financial security of the enterprise is the selection of criteria for its assessment. Therefore, it is necessary to establish criteria, norms and limit degrees for indicators used in assessing the financial security of an enterprise.

To do this, it is advisable to study the indicators of the company's liquidity, loss points and financial stability. The level of financial security is determined by indicators. Indicators are considered as the limiting value of indicators that characterize the results of an enterprise in various functional areas related to a specific level of financial security.

According to the approach of V. Zabrodsky [6], the assessment of the financial security of an enterprise is based on the integration of a set of indicators that determine financial security. He uses several methods for integrating indicators and clustering and multivariate analysis. This approach is characterized by a high degree of complexity of 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, actual level of production capacity utilization, coefficient of renewal of fixed assets, production process stability, production rate in GDP, product competitiveness, structure and technical resources of machinery and equipment);
- Financial indicators (portfolio of orders, actual and necessary investments, level of innovation activity, profitability of production, capital production capacities, receivables and payables, provision of own

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resources for financing energy resources, materials and working capital);

- Social indicators (wage rates, average wage arrears, loss of working time, human resources, relative to the average for the economy or industry).

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

1. Coefficient of coverage.
2. The coefficient of autonomy.
3. The degree of financial leverage.
4. Interest rate of collateral.
5. Return on assets.
6. Return on equity.
7. Average cost of capital (WACC).
8. Company development index.
9. The temporary structure of loans.
10. Diversification indicators (share of revenue from one buyer, share of revenue from one supplier)
11. Profit, product sales and asset growth rates.
12. The speed of receivables and payables.

Table 1: Indicators of Financial Security of Enterprises [8]

№	Indicator name	Calculation method	Degree norm
1	Absolute liquidity ratio	(Cash + short-term investments) / short-term liabilities	min 0,2
2	Quick liquidity ratio	Liquid assets / current liabilities	min 1,0
3	Current liquidity ratio	Current assets / current liabilities	min 2,0
4	Financial leverage ratio	Stock / debt obligations	min 0,25
5	Financial margin ratio	Loans / (Assets - Debt obligations)	max 1,0
6	Self-sufficiency ratio	Current Assets / Sources of Capital	min 0,1
7	Asset utilization ratio	Cost / Commodity income from the sale of goods	min 1,6
8	Balance sheet ratio	Gross profit from product sales / Net profit from sales	–
9	Net profit ratio	Net profit / net profit from product sales	–

The achievement of the above indicators is evidence of financial security at the enterprise.

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

From table-1 it is seen that most of the indicators characterizing financial security are indicators with the norm of degree. A comparative analysis of financial analysis is used to evaluate indicators that do not have a norm of degree.

At the same time, the level of this indicator in the current period is compared with the level of previous periods or the level of this indicator of another enterprise.

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Using the above indicators, we can analyze the financial security of Bekabadcement JSC operating in our country.

Table 2: The State of Financial Security of "Bekobodcement" JSC *

№	Indicators	Years							
		2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
1	Absolute liquidity ratio	0,1	0,1	0,004	0,2	0,05	0,1	0,2	0,1
2	Quick liquidity	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 margin ratio	-0,2	-0,002	-0,1	0,1	0,2	0,05	0,3	0,4
5	Financial leverage ratio	1,4	0,1	0,4	1,1	1,2	1,4	2,1	2,4
6	Self-sufficiency ratio	1,3	10,2	2,3	0,6	0,7	0,5	0,5	0,5
7	Asset utilization ratio	0,4	0,8	0,9	3,8	1,8	2,0	2,4	2,5
8	The coefficient of the norm of retained earnings	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: calculated by the author based on annual reports of Bekabadcement JSC.

The data presented in Table 2 show that «Bekabadcement» JSC does not provide financial security in terms of absolute liquidity and operating liquidity in 2010-2017. This is due to the following reasons:

1. The overall liquidity ratio of the enterprise is significantly lower than the normative, mainly due to the fact that liquid assets include only cash (without investments in securities) and, secondly, a very low share of cash in total assets. In 2016, the share of cash in «Bekabadcement's» total assets amounted to only 2.6%, and in 2017 this indicator amounted to 1.5% [9].

2. In the reporting period, «Bekabadcement's» low liquidity ratio was below the norm, primarily due to the small share of liquid assets in gross assets and, secondly, the growth rate of funds lagging behind the growth rate of current liabilities.

In 2017, the share of liquid assets in gross assets amounted to only 1.5%. In 2017, cash flow decreased by 43.4% compared to 2016, and current liabilities increased by 30.7% over the same period [9].

III. CONCLUSION

According to Table 2, the current liquidity ratio in «Bekabadcement» JSC for 2010-2017 is higher than regulatory requirements and in recent years is close to regulatory requirements, which is associated with relatively high growth rates of current liabilities.

Based on this, it is necessary to take the following measures to ensure a normative and qualitative level of financial performance of enterprises:

1. To increase the level of absolute liquidity in enterprises, firstly, it is necessary to increase the rate of turnover of receivables; Secondly, it is necessary to increase the volume of investments in short-term securities issued by highly paid solvent issuers.

2. To achieve the norm of the quick ratio, firstly, the volume of liquid assets in gross assets must be increased; secondly, a decrease in cash flow growth should be avoided compared to the growth rate of current liabilities.

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3. To increase the share of liquid assets in gross assets, it is necessary to invest in highly liquid securities of the enterprise.

So that the growth rate of cash flows does not lag behind the growth of current liabilities, firstly, it is necessary to accelerate the turnover of accounts payable; secondly, it is necessary to accelerate debtor debt in money by introducing modern non-cash forms of payment.

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