Spanish Journal of Innovation and INTEGRITY
ISSN: 2792-8268
Volume: 38, Jan-2025
http://sjii.indexedresearch.org

Mechanism for Financial Assessment of Business Activity of An Enterprise

Aziza Tokhirovna Akhmedova
Assistant, professor Samarkand Institute of Economics and service

Mukhtarov Shokhrukh Ravshanovich
Student. FIT-121, Samarkand Institute of Economics and service

Abstract: *The article discusses the mechanism for financial assessment of the business activity of an enterprise, which includes a systematic approach to the analysis of financial indicators and parameters of economic activity. The study proposed methods and tools to identify strengths and weaknesses in the financial condition of an enterprise, as well as assess its profitability, liquidity and investment attractiveness.*

This study examines the mechanism for financial assessment of the business activity of enterprises, emphasizing the importance of systematic analysis of financial indicators to evaluate profitability, liquidity, and investment attractiveness. It highlights the critical role of business activity management in ensuring financial stability, particularly through effective cash flow management, asset turnover, and strategic pricing policies. Despite the growing importance of these mechanisms, knowledge gaps persist in understanding how financial indicators can be optimized to prevent insolvency and ensure long-term business continuity.

A qualitative methodology was employed, incorporating financial ratio analysis, trend evaluation, and diagnostic techniques to assess the financial stability and business activity of enterprises. The findings reveal that poor liquidity, increasing payables, and overstocking are early warning signs of financial instability, often leading to insolvency if not addressed through effective anti-crisis management. Furthermore, the study identifies significant inefficiencies in current bankruptcy prevention measures, as only 2.4% of enterprises undergoing external management in 2020 regained solvency.

The results underscore the necessity for enterprises to adopt robust financial analysis frameworks that integrate business activity assessments with continuity planning and risk management systems. Policymakers and enterprise managers must prioritize early diagnostics of financial instability and implement strategies to improve liquidity, reduce costs, and enhance operational efficiency. Future research should explore the integration of advanced financial technologies, such as artificial intelligence, in predictive analysis and anti-crisis management, offering innovative solutions to strengthen the financial resilience of enterprises.

Key words: *financial condition, business activity, asset turnover, cash flow, pricing policy.*

Introduction

Management of business activity and cash flows of the organization is an important aspect of ensuring the efficiency of its functioning, since the creation of a positive cash flow underlies the formation of the profitability of the enterprise.

The organization's cash flow management mechanism should be built in such a way as to, on the one hand, minimize the amount of cash outflow, and on the other hand, create conditions for maximizing cash inflow to the enterprise. From a methodological point of view, liquidity in its simplest form is the rate of transformation of assets into their most liquid form, that is, into money. How high the level of liquidity of the organization's assets depends on how quickly it can pay off its debts, that is, liquidity determines the rate of solvency of the enterprise. Liquidity indicators characterize the financial condition of the organization. If an organization has high liquidity, then it has priority over other organizations that are engaged in the same activity, in obtaining loans, in selecting suppliers, and so on. The organization pays wages to workers on time, pays taxes to the budget, repays loans on time.

The stable financial position of an enterprise in a market economy is determined to a large extent by its business activity.

The business activity of an enterprise depends on many internal and external factors, which include:

- demand factors;
- price factor;
- production, scientific, technical and macroeconomic factors (monetary, price, depreciation policy and other measures of state regulation).

The decline in business activity in various sectors of the economy, in particular, in manufacturing, indicates the crisis state of a significant part of enterprises and the need to overcome the crisis. Various methods and technologies are used to bring organizations out of a crisis state. In the practice of anti-crisis management, in accordance with the Law "On Insolvency (Bankruptcy)", the following procedures are applied:

1) observation;

2) financial recovery external management;

3) bankruptcy proceedings amicable agreement.

In many cases, these procedures do not lead to the restoration of the solvency of enterprises, but, as a rule, end with bankruptcy proceedings and their liquidation. Thus, during the “external management” procedure in 2020, the solvency of enterprises was restored only by 2.4% of the total number of cases in which this procedure was carried out. This indicates the inefficiency of the measures and technologies used in the process of bankruptcy proceedings.

Method

Anti-crisis management is an action plan aimed at improving the efficiency of a business and implementing its development strategy in a difficult competitive and financial situation, including aimed at overcoming the bankruptcy of an enterprise. In the course of anti-crisis management, the business activity of the organization should increase, ensuring its financial stability.

The main goal of the anti-crisis program is the financial stabilization of the company, it is necessary to assess the degree of the company's crisis situation. The crisis situation can be characterized as insufficiently effective management of assets, receivables and payables, which causes an outflow of funds from owners and may ultimately lead to incomplete satisfaction of creditors' claims.

To stabilize the financial condition of the enterprise, economists distinguish two stages of possible stabilization:

1) elimination of insolvency (reducing the amount of current external and internal financial liabilities of the organization in the short term; increasing the amount of funds that ensure the repayment of overdue

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and the fulfillment of urgent obligations by transferring part of liquid current assets and part of non-current assets into cash);

2) restoring the financial stability of the organization (reducing the consumption of financial resources, increasing its own financial resources); ensuring financial balance in the long term (introduction of new types of profitable products, improving the quality of products, improving their consumer properties; reducing the time for selling products; reducing costs through the use of new efficient technologies; accelerating the turnover of current assets; etc.). In turn, strengthening the financial stability of the organization is possible only as a result of increasing its business activity. Evaluation of business activity allows you to identify how efficiently the company uses its funds. To indicators characterizing business activity, we include indicators of dynamics (profit, revenue and assets), turnover ratio and profitability.

The assessment of business activity involves an analysis of the results and effectiveness of the current main production activities; however, it must also be used in assessing the continuity of the organization's activities.

The continuity assessment methodology includes, as constituent elements, an analysis of financial characteristics, an analysis of production characteristics, and an analysis of market characteristics. This technique contains the indicators of business activity discussed above. “Assessment and management of continuity should be linked to the diagnosis of bankruptcy; built into the organization's risk management system.

In our opinion, it is necessary to diagnose the signs of bankruptcy. From the point of view of the scientist A.P. Garnova [1], “the diagnosis of the bankruptcy of an organization always begins with the identification of early signs of financial insolvency.

These signs include: a sharp decrease in funds in the accounts of the organization; significant growth of receivables and payables; a significant reduction in receivables with a simultaneous increase in the balance of finished products (overstocking); imbalance of receivables and payables; simultaneous reduction of receivables and payables; presence and growth of losses; reduction in sales revenue; lack of own working capital. With express diagnostics, in addition to identifying early signs, it is also necessary to determine the structure of the enterprise's balance sheet (satisfactory or unsatisfactory). To assess the probability of bankruptcy of an organization, two criteria are used: - current liquidity ratio; - coefficient of security with own working capital.

The main role in the analysis of the bankruptcy of an enterprise is played by financial analysis, during which coefficients are calculated for arbitration managers that characterize: the solvency of the debtor, financial stability and business activity of the debtor.

Thus, the assessment of business activity indicators and forecasting the probability of bankruptcy are an integral part and contribute to the construction of a unified system of anti-crisis management of the activities of commercial organizations.

The primary goal of financial analysis of financial stability and business activity is the determination of the most priority indicators that represent the most complete and objective picture of the financial condition of the organization. Such indicators can be fluctuations in the structure of assets and liabilities, the value of the financial result, the value of the return on equity, assets, sales, changes in the turnover of assets and equity, as well as settlements with creditors and debtors

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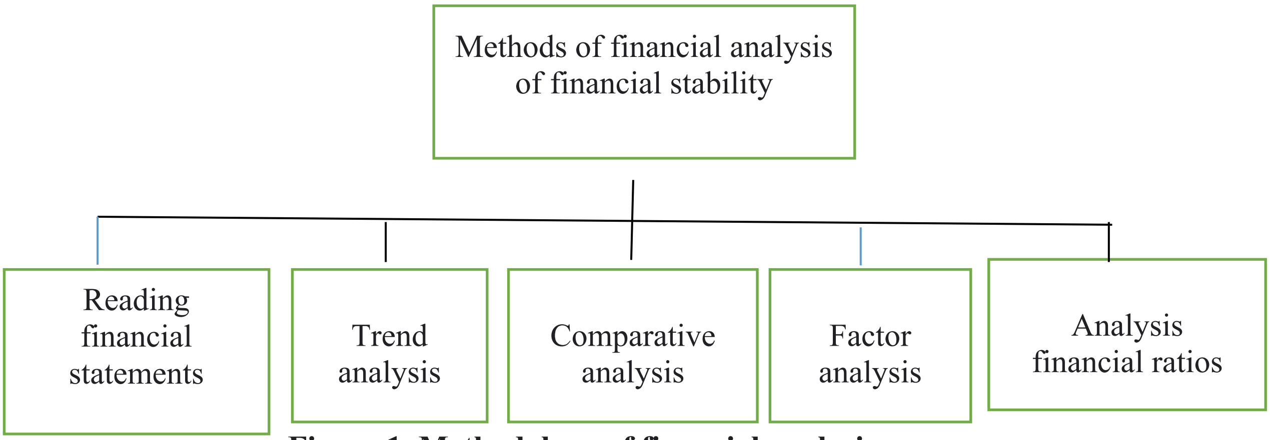

Figure 1. Methodology of financial analysis.

In addition to the current financial condition, top managers of the company may also be concerned about its forecast for the near future.

Result

The financial assessment of business activity plays a pivotal role in maintaining the stability and continuity of enterprises. The study highlights the importance of financial stability as a determinant of business activity, focusing on liquidity management, asset turnover, and profitability. The findings reveal that many enterprises, particularly in transitioning economies like Uzbekistan, face significant challenges related to poor liquidity, unbalanced receivables and payables, and inadequate asset utilization. These challenges are exacerbated by inefficient crisis management strategies, as evidenced by the fact that only 2.4% of enterprises undergoing external management regained solvency in 2020. This underlines the urgent need for more effective tools and mechanisms for financial assessment and anti-crisis management.

From a theoretical perspective, there exists a notable knowledge gap in the integration of financial analysis with predictive diagnostics and anti-crisis strategies. Current approaches primarily rely on traditional financial indicators such as liquidity ratios, profitability margins, and asset turnover ratios, which are insufficient to provide a comprehensive view of an enterprise's long-term viability. Deep theoretical research is required to develop models that incorporate advanced analytics, such as artificial intelligence and machine learning, for predictive insolvency diagnostics and risk mitigation. These models can provide a dynamic understanding of financial stability by analyzing complex interrelations among financial indicators, market conditions, and operational factors.

Practically, enterprises must adopt more proactive measures for diagnosing early signs of financial instability. The study emphasizes that indicators such as growing payables, declining sales revenue, and overstocking are critical precursors to insolvency. Addressing these issues requires a comprehensive financial analysis framework that integrates trend analysis, factor analysis, and comparative benchmarking. Additionally, enterprises should focus on improving their cash flow management to enhance liquidity and ensure timely repayment of debts. Strengthening financial stability also involves reducing production costs through the adoption of innovative technologies and improving the quality and market competitiveness of products.

Another critical area identified is the lack of robust anti-crisis management frameworks. Current procedures, such as bankruptcy proceedings and external management, often fail to restore the financial health of enterprises due to their reactive nature. Future research should explore the development of predictive anti-crisis models that enable early intervention. This includes incorporating diagnostic tools for assessing the probability of bankruptcy, evaluating the impact of market dynamics, and formulating tailored recovery strategies. Furthermore, policymakers should establish supportive regulatory frameworks that encourage the adoption of modern financial analysis tools and provide incentives for enterprises to invest in their financial resilience.

The study's implications suggest that enterprises must prioritize business activity assessments to enhance financial stability and ensure long-term sustainability. This involves adopting advanced financial analysis methodologies and integrating them into broader risk management systems. Policymakers and financial institutions also have a critical role to play in promoting financial literacy, facilitating access to advanced diagnostic tools, and fostering an environment conducive to innovation and growth.

In conclusion, addressing the knowledge gaps and practical challenges in financial assessment and anti-crisis management is essential for enhancing the resilience and competitiveness of enterprises. By leveraging advanced analytical tools and adopting proactive financial management practices, enterprises can better navigate economic uncertainties and achieve sustainable growth. Further research should focus on the role of emerging technologies in transforming financial assessment and anti-crisis management, offering innovative pathways for enterprises to thrive in dynamic market environments

Thus, for financial analysis of financial stability and business activity, information obtained from financial statements is usually used, the assessment of which contributes to the reproduction of the most significant details of transactions, as well as financial and production activities.

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