



# SAARJ Journal on Banking & Insurance Research (SJBIR)

(Double Blind Refereed & Peer Reviewed International Journal)



DOI: **10.5958/2319-1422.2021.00018.7**

## THE MAIN CRITERIA FOR MAKING FINANCIAL DECISIONS ON THE FINANCING OF WORKING CAPITAL OF THE ENTERPRISE

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### ABSTRACT

*This article examines the scientific basis of the formation and management of working capital of the enterprise and provides relevant scientific conclusions. For example, the need for additional production inventories may be related to supporting the maintenance of high levels of sales during the seasonal current trading period. At the same time, the volume of receivables will increase with the development of sales. The Action Strategy for the further development of the Republic of Uzbekistan for 2017-2021 sets the task of deepening structural changes, increasing its competitiveness by modernizing and diversifying the leading sectors of the national economy.*

**KEYWORDS:** *Working Capital, Current Capital, Real Sector Development, Receivables, Product Sales, Liquidity Level, Sources Of Financing, Own Credit, Profitability*

### INTRODUCTION

Currently, in a number of developing countries there are current problems related to improving the practice of financing working capital of enterprises (high inflation, high depreciation of the

national currency, high imports of raw materials, low access to commercial bank loans, etc.). presence is observed.

The well-developed circulation of commercial promissory notes in the United States, Germany, and France, and the existence of receivables collection practices, play an important role in the financing of working capital of companies.

The Action Strategy for the further development of the Republic of Uzbekistan for 2017-2021 sets the task of deepening structural changes, increasing its competitiveness by modernizing and diversifying the leading sectors of the national economy. This creates the need to increase the financial stability and solvency of enterprises in the real sector of the economy. In turn, increasing the financial stability and solvency of these enterprises requires improving the practice of financing their working capital.

At present, there are problems related to improving the efficiency of working capital financing of enterprises of the country. The current problems in this area are the large amount of receivables and payables between enterprises, their weak cash flow, the low level of use of loans by commercial banks.

The amount of working capital is determined not only by the needs of the production process, but also by random factors. It is therefore recommended to divide working capital into constant and variable types.

There are two main interpretations of the concept of “permanent working capital” in financial management theory. According to the first interpretation, working capital is a constantly needed part of accounts receivable and production reserves throughout the entire operating period. This is, for example, the amount of current assets that an entity has at its disposal on an average time parameter.

According to the second interpretation, constant working capital is the minimum amount required to carry out production activities.

This approach means that a company needs certain minimum working capital to carry out its activities, such as the balance of funds in my current account, which are some analogues of reserve capital. In subsequent descriptions of the data, we follow the second interpretation.

The variable working capital category reflects additional current assets that are needed during the busiest period of the process or as an insurance reserve. For example, the need for additional production inventories may be related to supporting the maintenance of high levels of sales during the seasonal current trading period. At the same time, the volume of receivables will increase with the development of sales. Additional cash is needed to supply raw materials and supplies, as well as to pay for pre-employment activities prior to the high-level entrepreneurial period.

The purpose of working capital management was to determine the amount and composition of working capital, their sources of coverage and the ratios between them, sufficient to ensure the long-term production and efficient financial performance of the enterprise.

When working capital is low, production activity is not provided at the level of demand. As a result, there is a possibility of liquidity loss, periodic interruptions in work and low profit margins. In the optimal period of working capital, income is at its maximum.

As a result of further increase in the amount of working capital, the enterprise will have a temporarily vacant, immobile current capital, as well as additional costs associated with financing. As a result, the amount of profit is reduced.

Thus, the working capital management strategy and tactics should ensure a balance between the risk of liquidity loss and operational efficiency. This solves two important issues.

1. Provide solvency.

Such a condition does not arise if an entity is unable to pay its debts on accounts, fulfill its obligations, and possibly declare bankruptcy. An enterprise that does not have a sufficient level of working capital may be at risk of insolvency.

2. Ensuring a reasonable composition and profitability of assets.

It is known that different levels of different current assets affect profits in different ways. For example, high levels of production and inventories require correspondingly high current costs. At the same time, a wide range of finished products can then pave the way for increased sales and revenue growth.

Every decision regarding the maintenance of a moderate level of cash, receivables and inventories must be taken into account in terms of the profitability of these types of assets and the optimal structure of working capital.

The possibility of a decrease in the level of liquidity or a decrease in efficiency due to the volume and composition of working capital can lead to the following events:

1. Lack of funds.

2. Lack of own credit.

Cases involving the risk of insufficient working capital financing include:

1. High level of creditor indebtedness.

When an entity acquires tangible assets on credit, a creditor indebtedness arises in connection with certain maturities.

Perhaps the company has bought large amounts of reserves in the near future that it does not need or at an expensive price. As a result, at a time when the amount of credit and the amount of unused reserves is too large, the enterprise will not have the funds to repay the debts. This, in turn, leads to non-fulfillment of obligations.

2. The imbalance between sources of short-term and long-term debt.

Although long-term resources are typically more expensive, in some cases, they can generate significant returns when liquidity growth is less. For many business managers, the efficient use of different sources of money is a relatively new challenge.

3. The large share of long-term debt in liabilities.

Long-term loans play an important role in the technical and technological re-equipment of enterprises. However, the high share of long-term debt in the volume of liabilities leads to an increase in the amount of costs associated with covering them.

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