MAIN INDICATORS OF TEXTILE ENTERPRISES’ FINANCIAL SECURITY ASSESSMENT

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Abstract: The relevance of the topic of developing indicators for ensuring financial security for textile enterprises increased especially during the Covid-19 pandemic. The world has developed a situation where supply and demand simultaneously stopped. The magnitude of the global economic loss due to the Covid-19 pandemic has not yet been determined. The financial security assessment takes into account external and internal threats of the enterprise. In this paper were examined the scientific, theoretical and practical aspects of financial security of enterprises and their maintenance. Due to the specific nature of textile enterprises, financial security indicators are listed. The level of financial security of textile enterprises operating in Uzbekistan has also been assessed and analyzed, and scientific proposals and practical recommendations have been developed to ensure their financial security. Proposed methodic were implemented on private enterprise "OSBORN TEXTILE" and Joint-Venture "UZTEX TASHKENT" operating in Uzbekistan. Based on secondary accounting data of enterprises, the financial security situation of enterprises was analyzed and proposals for staying off threats were elaborated.

Keywords: Financial security, textile enterprise, liquidity, financial resources, capital, net profit.

1 INTRODUCTION

One of the most important conditions for ensuring sustainable growth and the formation of positive results of its financial activities is the existence of an effective financial security system for any enterprise, including a textile enterprise. The formation of the positive results of the enterprise financial activities is the existence of an effective system of financial security, which will protect the company from external and internal threats. But in order to form a system for ensuring financial security and evaluate the effectiveness of the entire system, it is necessary to have tools for assessing the financial security of an enterprise.

Textile industry is one of key fields of world economy, according to world statistics textile products account for 5.0% of world trade and 6.4% of industrial exports [1]. At the end of 2017, the use of production in this industry amounted to 88.0% in India, 81.2% in the Netherlands, 81.0% in China and 78.9% in Turkey. [2, 3]

In recent years, Uzbekistan has pursued a policy of accelerated modernization of the textile industry. However, the level of utilization of production capacities of textile enterprises in the republic remains low. Incomplete use of available production capacities at textile enterprises negatively affects the financial condition of the enterprise, which leads to a decrease in the return on investment.

The Strategy for Action on Five Priority Directions of Development of the Republic of Uzbekistan in 2017-2021 defines priority tasks for “further modernization and diversification of the industry by moving it to a qualitatively new level, aimed at accelerating the development of high-tech manufacturing sectors, primarily for the production of finished products with high added cost based on deep processing of local raw materials” [4]. Based on the foregoing, the relevance of the topic is determined by the need to develop indicators to ensure the financial security of textile enterprises. In this study, the authors developed a methodology for assessing the financial security of textile enterprises.

2 LITERATURE REVIEW

Research related to the methodology of ensuring the financial stability of enterprises is carried out in the world's leading research centers and higher education institutions, including the American Institute for Economic Research [5], International Bank for Reconstruction and Development [6], World Bank [7], World Finance [8], World Acceptance Corporation [9], Mc Finance, World Acceptance Corporation, Columbia University (USA) [10], International Valuation Standards Council [1], LEK Consulting, Oxford University [11], UK, International Bank for Economic Cooperation,
The European Group of Valuers' Associations, Strategic Management Society (Europe) [12], Russian Research Financial Institute (NIFI) [13], Moscow State University, Faculty of Finance [14], St. Petersburg University of Economics [15]. Research has been conducted in higher education schools.

A number of scientific results have been obtained as a result of research on the methodology of financial security and management of enterprises. In particular, the American Institute for Economic Research (USA) developed a methodology for valuing enterprise assets; developed a method for assessing the impact of the concept of enterprise value management on its growth (McKinsey & Co.[1], L.E.K. Consulting, HOLT Value Associates-USA); developed the principles of financial accounting of real estate (World Finance-USA); developed a conceptual framework for the presentation of fundamental values in the financial statements (Oxford University, UK, Higher School of Economics, Russia); developed profitable and cost-effective methods of valuation of the enterprise (International Valuation Standards Council-UK); The Economic Value Added method (University of Harvard-USA) was used to assess the share of investment and innovation projects in the value of enterprises. Lawrence Haar, Laura N. Haar [16], Angela C. Lyons [17], Weimin Li [18] and others analyzed the population aging and financial security and problems of financial option perspective on energy security and strategic storage. The theoretical foundations of financial security, as part of economic security, are dealt with by many economists. P.F. Drucker [19], R. Mayer [20], A. Blank [28], consider both the theoretical foundations and practical approaches to implementing financial security at the enterprise. R.S. Papkehin [29] analyzed methods and indicators for assessing the level of financial security of an economic entity. The problems of strategic planning of financial security at the enterprise are studied by A.V. Kirov and others [30]. The author's definition of the financial security of an enterprise expresses a certain financial condition of an enterprise, characterized by its ability to withstand existing and emerging threats, which is ensured by constant monitoring and diagnostics of its level, as well as the formation of a set of preventive and control measures.

The main objective of the financial security of the enterprise is to ensure its continued and maximum efficient functioning today and high potential for future development [21]. By economists J.F. Shao, Y. Li [22], T. Koltai, K. Stecke [23], B.O. Tursunov [24, 25] were researched some aspects of textile enterprises, as well as: production capacity, decision making in planning and others. In the other side, issues of financial security of investment funds and indicators to assess financial security of the banks were investigated by A.U. Burkhanov [26, 27].

In the process of analyzing of scientific literature, it was determined that in economic theory, financial security of an enterprise is considered, as a rule, in two aspects, or as one of the components of economic security. The main condition for ensuring a favorable and safe financial condition of the enterprise is its ability to withstand threats. The level of financial security of the enterprise will depend on how effectively its management and managers are able to identify possible threats in advance and avoid them, and neutralize the damage from their impact. But in all the abovementioned researches, indicators of financial security assessment of textile enterprises was not considered, and we made an attempt to classify indicators and criteria's of financial security assessment of textile enterprises, which was implemented on the textile industry.

3 ANALYSIS AND RESULTS

The financial security of enterprises largely depends on how much and how much money is at the disposal of the enterprise and in what direction they are invested. The funds of the enterprise are divided into own and borrowed funds, depending on the direction of capital used. An integral element of the study of financial security of the enterprise is its evaluation criteria. Therefore, it is necessary to form the criteria and normative levels of indicators used in the assessment and analysis of the financial security of the enterprise. There is more than one criterion for assessing a company's financial security. A system of indicators to assess the financial security of enterprises will be developed based on the characteristics of their activities.

In our opinion, the peculiarity of the textile industry is that, firstly, the production and demand are seasonal, secondly, the resources and resources in the textile industry are important, and thirdly, the external and external competition in this industry is not limited to external competition, appropriate to the purpose (Table 1).
Based on the above indicators, we assess and analyze the financial security of textile enterprises private enterprise "OSBORN TEXTILE" and Joint-Venture "UZTEX TASHKENT" operating in Uzbekistan.

Table 2 shows that in the analyzed years, the textile enterprise private enterprise "OSBORN TEXTILE" has met the regulatory requirements for financial leverage, capital adequacy, return on equity, financial independence (except 2014) and return on assets. This is a positive development in terms of ensuring the financial security of the Company. However, regulatory requirements for operational liquidity, absolute liquidity and asset utilization efficiency ratios have not been met. This is explained by the following reasons:

1. The non-fulfillment of the normative requirement on the liquidity ratio in the enterprise is explained by the absence of short-term investments in 2018, 2019 and a sharp decrease in the amount of cash, while short-term liabilities have a high growth rate. In 2019, the growth rate of short-term liabilities at the textile enterprise private enterprise "OSBORN TEXTILE" compared to 2018 amounted to 2.1 times, while cash decreased by 9.1 times.

2. Non-compliance with the normative requirement for absolute liquidity at the textile enterprise private enterprise "OSBORN TEXTILE" is explained by a sharp decrease in the amount of funds in 2019 compared to 2018 and the lack of short-term financial investments.

3. Non-compliance with the normative requirement on the coefficient of efficiency of use of assets at the textile enterprise private enterprise "OSBORN TEXTILE" is explained by the fact that the growth rate of income from the sale of goods is lower than the growth rate of inventories.

4. The financial margin ratio is one of the profit indicators that reflects the results of the main and additional activities. Margin, in contrast to profitability, is only necessary for the analysis of the internal situation of the enterprise and does not allow comparison with other enterprises.

The fact that the coefficient of financial margin at the textile enterprise private enterprise "OSBORN TEXTILE" for the analyzed years is 0.0 and negative is explained by the imperfection of the company’s practice of attracting loans and borrowings. In the analyzed years, the Company did not attract loans from commercial banks at all. Nor were his securities available.

Based on the results of the above analysis, in our opinion, the following measures should be taken to ensure that the financial security of the textile enterprise private enterprise "OSBORN TEXTILE" is met at the level of regulatory requirements:

1. In order to ensure a stable growth rate of the capital of enterprises, it is necessary to increase the volume of capital through the formation of the enterprise's issue income and retained earnings by ensuring the investment attractiveness of ordinary and preferred shares.

2. In order to ensure that the enterprise has fast and absolute liquidity ratios at the level of normative demand, first of all, it is necessary to increase the volume of short-term financial investments and cash; second, the amount of funds should not be allowed to decrease compared to the previous year; third, it is necessary to ensure that the growth rate of current assets does not lag behind the growth rate of current liabilities.

3. It is necessary to achieve a normative level of asset efficiency of enterprises by preventing the growth rate of inventories from exceeding the growth rate of gross profit from the sale of goods and increasing the turnover of inventories.

Based on the coefficients given in Table 1, the financial security status of the textile enterprise Joint-Venture "UZTEX TASHKENT" was calculated in Table 3.

Table 1

<table>
<thead>
<tr>
<th>№</th>
<th>Name of the indicators</th>
<th>Calculation method</th>
<th>Normative degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Absolute liquidity ratio</td>
<td>(Cash + Short-term financial investments) / Current liabilities</td>
<td>min 0.2</td>
</tr>
<tr>
<td>2</td>
<td>Rapid liquidity ratio</td>
<td>Liquid assets / Current liabilities</td>
<td>min 1.0</td>
</tr>
<tr>
<td>3</td>
<td>Current liquidity ratio</td>
<td>Current assets / Current liabilities</td>
<td>min 1.25</td>
</tr>
<tr>
<td>4</td>
<td>Financial leverage ratio</td>
<td>Equity / Debt liabilities</td>
<td>min 0.25</td>
</tr>
<tr>
<td>5</td>
<td>Financial margin ratio</td>
<td>Loans / (Assets - Debt liabilities)</td>
<td>max 1.0</td>
</tr>
<tr>
<td>6</td>
<td>Self-sufficiency ratio</td>
<td>Current assets / Sources of own funds</td>
<td>min 0.2</td>
</tr>
<tr>
<td>7</td>
<td>Asset utilization rate</td>
<td>Income from the sale of goods / Value of inventories</td>
<td>min 1.6</td>
</tr>
<tr>
<td>8</td>
<td>Return on equity</td>
<td>Net profit / Equity</td>
<td>min 0.15</td>
</tr>
<tr>
<td>9</td>
<td>Financial independence ratio</td>
<td>Sources of own funds / Balance asset</td>
<td>min 0.5 (optimal degree 0.65-0.75)</td>
</tr>
<tr>
<td>10</td>
<td>Asset return ratio</td>
<td>Net profit / Assets</td>
<td>min 0.0</td>
</tr>
</tbody>
</table>

Source: Compiled by the author on the basis of the sites [6-8].
# Table 2 Financial security of the textile enterprise private enterprise "OSBORN TEXTILE"

<table>
<thead>
<tr>
<th>Name of the indicators</th>
<th>Years</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute liquidity ratio</td>
<td></td>
<td>0.62</td>
<td>0.05</td>
<td>0.01</td>
<td>0.01</td>
<td>0.40</td>
<td>0.02</td>
<td>0.04</td>
</tr>
<tr>
<td>Rapid liquidity ratio</td>
<td></td>
<td>0.62</td>
<td>0.05</td>
<td>0.01</td>
<td>0.02</td>
<td>0.40</td>
<td>0.02</td>
<td>0.04</td>
</tr>
<tr>
<td>Current liquidity ratio</td>
<td></td>
<td>1.71</td>
<td>2.02</td>
<td>1.31</td>
<td>1.27</td>
<td>1.84</td>
<td>1.98</td>
<td>2.10</td>
</tr>
<tr>
<td>Financial leverage ratio</td>
<td></td>
<td>0.77</td>
<td>0.83</td>
<td>0.65</td>
<td>0.64</td>
<td>1.10</td>
<td>0.70</td>
<td>1.20</td>
</tr>
<tr>
<td>Financial margin ratio</td>
<td></td>
<td>-1.80</td>
<td>-0.10</td>
<td>-0.40</td>
<td>-0.90</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Self-sufficiency ratio</td>
<td></td>
<td>0.41</td>
<td>0.51</td>
<td>0.23</td>
<td>0.42</td>
<td>0.46</td>
<td>0.49</td>
<td>0.52</td>
</tr>
<tr>
<td>Asset utilization rate</td>
<td></td>
<td>0.70</td>
<td>0.40</td>
<td>0.70</td>
<td>0.40</td>
<td>0.70</td>
<td>0.60</td>
<td>0.50</td>
</tr>
<tr>
<td>Return on equity</td>
<td></td>
<td>0.20</td>
<td>0.40</td>
<td>0.30</td>
<td>0.20</td>
<td>0.40</td>
<td>0.40</td>
<td>0.40</td>
</tr>
<tr>
<td>Financial independence ratio</td>
<td></td>
<td>0.51</td>
<td>0.39</td>
<td>0.55</td>
<td>0.72</td>
<td>0.70</td>
<td>0.65</td>
<td>0.71</td>
</tr>
<tr>
<td>Asset return ratio</td>
<td></td>
<td>0.10</td>
<td>0.04</td>
<td>0.08</td>
<td>0.09</td>
<td>0.10</td>
<td>0.09</td>
<td>0.10</td>
</tr>
</tbody>
</table>

Source: Calculations of authors on the basis of the annual report of textile enterprise private enterprise "OSBORN TEXTILE."

# Table 3 Financial security of the textile enterprise Joint-Venture “UZTEX TASHKENT”

<table>
<thead>
<tr>
<th>Name of the indicators</th>
<th>Years</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute liquidity ratio</td>
<td></td>
<td>0.15</td>
<td>0.90</td>
<td>0.06</td>
<td>0.006</td>
<td>0.04</td>
<td>0.09</td>
<td>0.12</td>
</tr>
<tr>
<td>Rapid liquidity ratio</td>
<td></td>
<td>0.14</td>
<td>0.90</td>
<td>0.02</td>
<td>0.003</td>
<td>0.02</td>
<td>0.01</td>
<td>0.14</td>
</tr>
<tr>
<td>Current liquidity ratio</td>
<td></td>
<td>1.47</td>
<td>1.67</td>
<td>1.46</td>
<td>1.51</td>
<td>1.60</td>
<td>1.70</td>
<td>1.90</td>
</tr>
<tr>
<td>Financial leverage ratio</td>
<td></td>
<td>0.43</td>
<td>0.36</td>
<td>0.67</td>
<td>0.58</td>
<td>0.70</td>
<td>0.70</td>
<td>0.50</td>
</tr>
<tr>
<td>Financial margin ratio</td>
<td></td>
<td>0.39</td>
<td>0.47</td>
<td>0.24</td>
<td>0.23</td>
<td>0.21</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>Self-sufficiency ratio</td>
<td></td>
<td>0.32</td>
<td>0.40</td>
<td>0.32</td>
<td>0.67</td>
<td>0.80</td>
<td>1.10</td>
<td>1.30</td>
</tr>
<tr>
<td>Asset utilization rate</td>
<td></td>
<td>0.50</td>
<td>1.02</td>
<td>0.70</td>
<td>0.70</td>
<td>1.90</td>
<td>2.20</td>
<td>2.70</td>
</tr>
<tr>
<td>Return on equity</td>
<td></td>
<td>0.20</td>
<td>0.03</td>
<td>0.06</td>
<td>0.03</td>
<td>0.11</td>
<td>0.19</td>
<td>0.30</td>
</tr>
<tr>
<td>Financial independence ratio</td>
<td></td>
<td>0.31</td>
<td>0.37</td>
<td>0.45</td>
<td>0.42</td>
<td>0.41</td>
<td>0.35</td>
<td>0.49</td>
</tr>
<tr>
<td>Asset return ratio</td>
<td></td>
<td>0.01</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.02</td>
<td>0.01</td>
<td>0.02</td>
</tr>
</tbody>
</table>

Source: Calculations of authors on the basis of the annual report of textile enterprise Joint-Venture “UZTEX TASHKENT."

**Figure 1** Diagram of financial security of the textile enterprise private enterprise "OSBORN TEXTILE"  
**Figure 2** Diagram of financial security of the textile enterprise Joint-Venture “UZTEX TASHKENT”
In the Table 3 showed that in the analyzed years, the textile enterprise Joint-Venture “UZTEX TASHKENT” met the regulatory requirements for financial leverage, capital adequacy and return on assets. This is a positive development in terms of ensuring the financial security of the Company. However, the regulatory requirements for rapid liquidity, absolute liquidity, asset utilization efficiency and financial independence ratios have not been met.

This is explained by the following reasons:

1. Non-compliance with the normative requirements of liquidity and absolute liquidity ratios at the textile enterprise Joint-Venture “UZTEX TASHKENT” is explained by the small level of short-term investments and cash relative to current liabilities. For example, in 2019, the ratio of short-term investments and cash to current liabilities was only 10.4%.

2. Non-fulfilment of the normative requirement on the coefficient of financial independence of the enterprise is explained by the loss of capital in the enterprise.

3. Failure to comply with the regulatory requirements for the coefficient of efficiency of use of assets is explained by the fact that the growth rate of income from the sale of goods at the textile enterprise Joint-Venture “UZTEX TASHKENT” is lower than the growth rate of inventories.

4 CONCLUSIONS

Based on the results of the above analysis, in our opinion, the following measures should be taken to ensure the financial security of the textile enterprise Joint-Venture “UZTEX TASHKENT” at the level of regulatory requirements:

1. In order to ensure the normal level of liquidity ratio in the enterprise, in order to ensure that the growth rate of cash assets does not lag behind the growth rate of current liabilities, first, it is necessary to increase the rate of turnover of creditors; secondly, the company should focus on ensuring the growth of current assets by increasing the volume of short-term loans and investments of commercial banks; third, to increase profits by reducing the cost of the product or increasing the price of the product, it is necessary to take measures to drastically reduce the amount of all assets relative to revenue.

2. In order to increase the absolute liquidity ratio in the enterprise, firstly, it is necessary to increase the turnover of receivables, and secondly, to increase the volume of investments in short-term securities issued by highly solvent issuers.

3. In order to meet the normative requirement of the coefficient of financial independence of the enterprise and to ensure a stable growth rate of capital, it is necessary to prevent the erosion of capital by reducing operating costs.

Also, the current liquidity, equity and return on assets of textile enterprises of private enterprise “OSBORN TEXTILE” and Joint-Venture “UZTEX TASHKENT”, which were assessed and analyzed above, have shown a steady growth trend in recent years. We analyze the factors influencing these coefficients.

The following main factors influenced the growth of the level of self-sufficiency in the textile enterprises of private enterprise “OSBORN TEXTILE” and Joint-Venture “UZTEX TASHKENT”:

- increase in the amount of own funds, in particular, in the private enterprise “OSBORN TEXTILE” in 2019 the amount of own funds increased by 18.0% and, accordingly, in the Joint-Venture “UZTEX TASHKENT” by 42.5%;
- decrease in the amount of current accounts payable, in particular, in 2019 in the Joint-Venture “UZTEX TASHKENT” current accounts payable decreased by 22.3% compared to 2013;
- decrease in the share of receivables from current working capital, in particular, the share of receivables in Joint-Venture “UZTEX TASHKENT” in 2013 amounted to 38.2%, by 2019 this figure decreased to 11.1% and reached 27.1%;
- Increasing the number of solvent buyers.

The analyzed liquidity of private enterprise “OSBORN TEXTILE” and Joint-Venture “UZTEX TASHKENT” in the textile enterprises is higher than the norm, which is positive on the one hand, and insufficient use of current assets by enterprises and obstacles to obtaining short-term loans. The following main factors influenced the growth of the current liquidity ratio in the textile enterprises of “OSBORN TEXTILE” and Joint-Venture “UZTEX TASHKENT”:

- increase in the amount of own funds of enterprises, in particular, in the “OSBORN TEXTILE” in 2019 compared to 2013 the amount of own funds increased by 8.7%, respectively in the Joint-Venture “UZTEX TASHKENT” increased by 2 times;
- decrease in the amount of short-term liabilities, in particular, the amount of short-term liabilities in Joint-Venture “UZTEX TASHKENT” in 2019 compared to 2013 decreased by 34.5%;
- increase in income from sales of products, in particular, the amount of income from sales of products in “OSBORN TEXTILE” in 2019 compared to 2013 increased by 52.2%;
collection of receivables, in particular, in Joint-Venture "UZTEX TASHKENT" in 2019 compared to 2013 the amount of receivables decreased by 47.9%.

It is known that the change in the rate of return on assets of the enterprise is influenced by the following factors:

- organizational and technical level of production;
- asset structure;
- intensive use of production resources;
- composition and volume of manufactured products;
- benefits by type of activity, etc.

The growth rate of return on assets during the analyzed years in the textile enterprises of private enterprise "OSBORN TEXTILE" and Joint-Venture "UZTEX TASHKENT" is based on the high level of production, operating costs and exchange rate differences.

ACKNOWLEDGEMENTS: We are thankful for rector of Tashkent State University of Economics professor Sharipov Kongratbay Avezimbetovich for his supporting this research. Also, we are hereby to vice-rector D.Sc. of Tashkent State University of Economics Eshov Mansur Pulaevich for his advices in preparing in methodology of this research.

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