
IMPROVING THE FINANCIAL SUSTAINABILITY OF TEXTILE ENTERPRISES

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Annotation. Process of development the strategy of financial stability includes definition of the most effective directions according to the solution of goals which is followed by search and an assessment of alternative versions of possible strategic financial decisions on criterion of increase in level of financial stability of enterprises of textile industry.

Keywords: Financial stability, corporation, financial controlling, monitoring, financial strategy, competitive advantage, marketing research, investment activity.

The most important role of profit amplifying with the development of the market relations in the Republic of Uzbekistan defines the need in its correct calculation as successful financial and economic activity of the enterprise depends on the rate of how authentically the anticipated profit is defined.

Calculation of anticipated profit has to be economically reasonable that will allow to carry out timely and full financing the investments, a gain of own current assets, the corresponding payments to workers and employees, and also prompt calculations with the state budget, banks and suppliers. Therefore, the correct planning of the profit at the enterprises of textile and light industry has a key value not only for businessmen, but also for the state's economy in general.

Profit projections assume the development of forecasts for the extent of profit and to the directions of its use, the routine and operational planning, formation, distribution and use of profit of an enterprise. The process of forecasting the profit consists in development of the management policy of the enterprise' profits of on a row of the forthcoming years which defines the system of long-term aims of formation and distribution the profit according to the development strategy of the enterprise.

Routine planning assumes development of concrete plans based on target indicators of the enterprise, the planned volumes of production, investment and financial activity, the developed system of norms and standards of expenses of separate types of resources, the operating tax rates, and results of the profit analysis for the previous period. Main type of the current plan of the profit is the plan of the income at the enterprise.

First of all to plan the income and expenses to find the balance and net profit at the enterprise, it is necessary to analyze the output and sales of production.

The volume of the sold products generally depends on the output and production. Therefore the analysis of implementation of the plan and dynamics of product sales leans on the results of the produced volume of articles analysis. The wholesale prices are used at the

enterprises (net - revenue) of textile and light industry to define the implementation the plan for the product volume sales accepted in the plan. However, initially it is necessary to study the validity of the plan of realization to define the implementation of the plan for product sales.

As we see, for the last two years the percent of implementation the output plan and its realization made up 100% that indicates the financial stability of the enterprises of textile and light industry included into association “Uztextile industry”.

At the present stage of the development of the textile industry in the Republic of Uzbekistan an increasing number of the enterprises of this branch of economy recognize need to develop perspective financial activity on the basis of the scientific research allowing to carry out the forecast of its directions according to overall objectives of the enterprise’s development and the changing conditions of the external financial environment.

The productive instrument of the development the perspective financial activity at the enterprise subordinated to realization the purposes of its general development in the conditions of essential changes in the field of state regulation of market processes, macroeconomic indicators, structure of the financial market represents financial strategy which is presented in Figure 1.

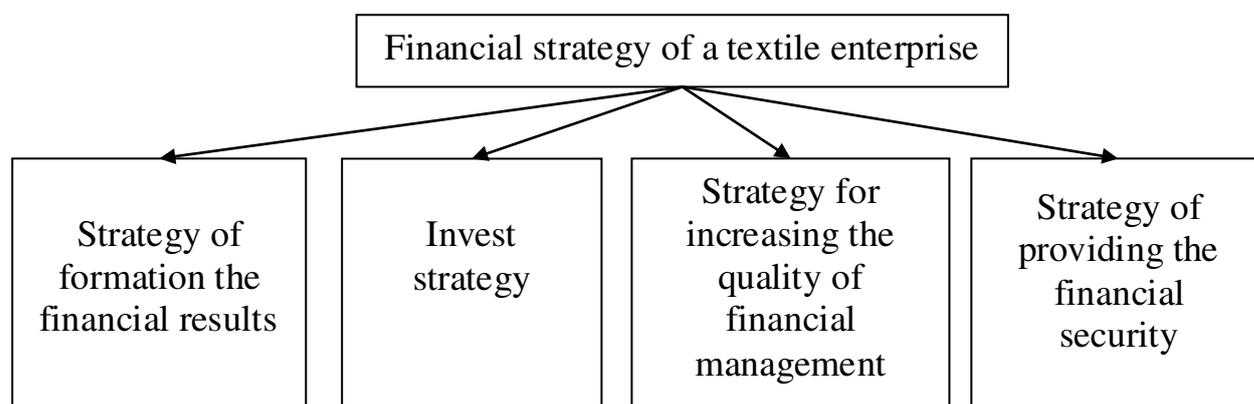


Figure 1. Financial strategy of textile enterprise

That is, the enterprises must not be concentrated only on the current state, but also develop the expected directions of its development which will allow reacting to the changes of external and internal environment. Regulation and use of financial resources allow to maximize the profit in a short-term period and to support the condition of financial stability in the long-term period that is a basis of effective strategy of financial stability of the enterprise.

Therefore ensuring the financial stability is among the priority directions of its activity. Change of consumers’ demand, expansion of opportunities for business, development of means of communication and connections, wide extension of modern technologies, change of the role of human resources and other factors have increased the value of formation the strategy of financial stability of the enterprise. It is in this connection expedient to define the place of financial strategy of sustainability in the financial strategy of the enterprise.

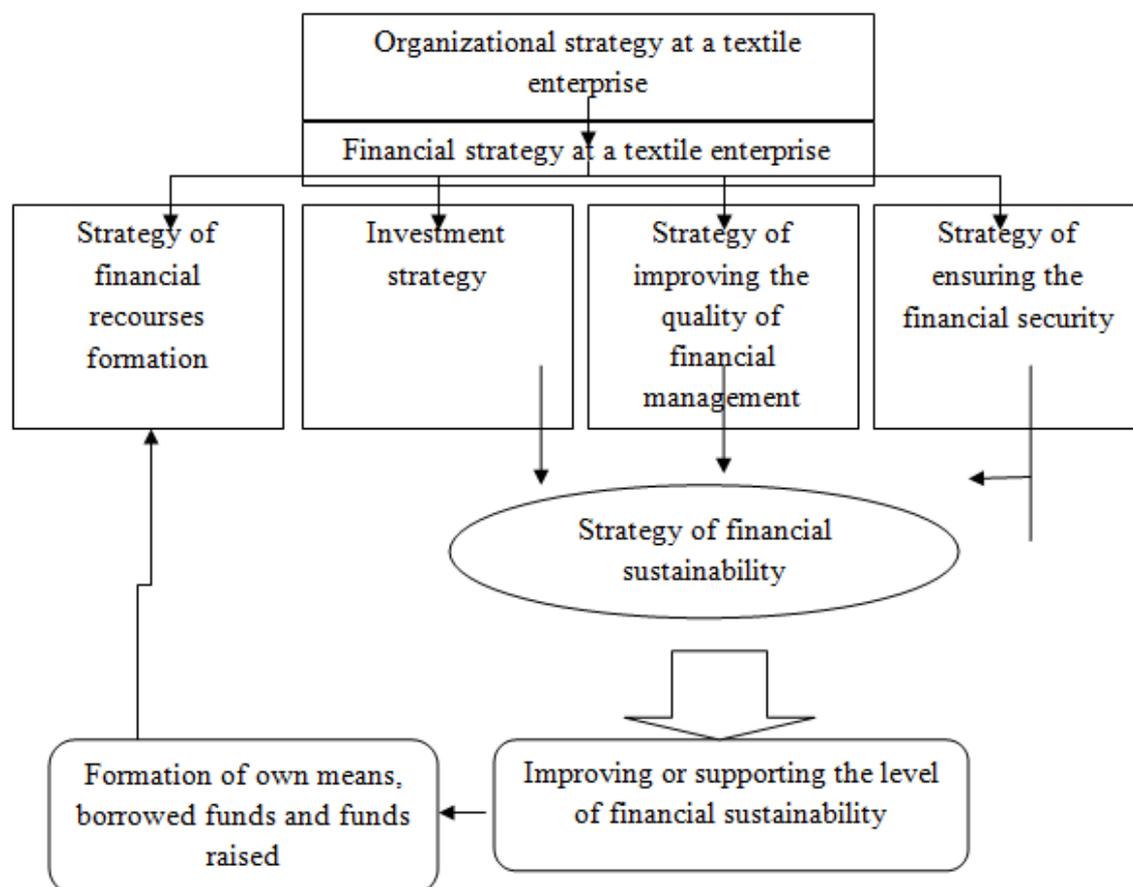


Figure 2. Realization the strategy of financial sustainability at the enterprises of textile industry.

Realization the strategy of financial stability is possible only at complex interaction with all directions of financial strategy of the enterprise: so, for example, the size of own, loan and raised enterprise assets depends on the strategy of formation of financial resources; investment strategy allows using effectively available funds of the enterprise, promoting the increase the level of its financial stability (Figure 2).

The strategy of improvement the quality of financial management is connected with regulation the quality of financial management, and the strategy of ensuring the financial safety is directed to the maintenance the indicators of financial stability of the enterprise in the course of realization the financial strategy of the enterprise in general. To achieve the results under the influence of factors of the external environment organizations need to react more quickly to the changing market conditions, than to the competing organizations, improving the positions on quality, the assortment and the price of production or services.

As practice shows, it is difficult to compete without operate obtaining information concerning the competitors, market condition and new preferences of consumers. At the same time all actions must be coordinated and concentrated on achievement of certain long-term goals.

For this purpose each textile enterprise needs to form its own strategy of financial stability which will define a current state of financial resources and the direction of their distribution and use in the future. Therefore, the corporation must define the strategy's direction of financial stability depending on the level of financial stability which has developed at the time

of strategy formation. This direction can be connected either with increase, or with maintenance at the previous level of financial stability of the enterprise.

Having generalized theoretical approaches of researchers and based on practice of organizations' activities, we will formulate the following definition of strategy of financial stability of a textile enterprise: it is the program of stage-by-stage actions and activities provided by the financial strategy of the enterprise and directed to increase and maintenance the level of its financial stability. Content of the strategy of financial stability of an enterprise consists in creating for it a potentially flexible position allowing this economic subject to achieve goals despite negative influence of factors of the internal and external environment.

Ensuring the financially steady activity of a textile enterprise assumes the existence of a constant flow of reliable, full and timely information (the internal reporting, data of market researches) which gives the chance to make decisions in due time and to accumulate data about the external environment at the enterprise.

Internal information is formed as a result of economic entity's activity and constantly changes under the influence of transformation the main indicators and is directed to full reflection of the current activity of the enterprise, including production, marketing, financial, personnel and other capabilities.

Studying the external environment of an organization is carried out in three directions:

- an assessment of changes of the external environment making an impact on various parties of financial stability strategy;
- a research of the factors which negatively influence the realization of the strategy of financial stability at the enterprise. Monitoring of activity of competing organizations allows the organization to develop actions for neutralization of potential threats;
- definition of the factors giving more opportunities to achieve strategic objectives of the enterprise by updating the plan of financial stability strategy.

The analysis of the external environment gives the chance to estimate results of activity of the enterprise, to predict the prospects of development, to make the action plan in case of approach the unforeseen circumstances, to create the actions allowing preventing emergence of possible threats.

In the strategic financial analysis the opportunities and threats, interfering the development of the enterprise, are grouped in system of PEST analysis (Figure 3):

- P - political and legislative environment;
- E - economic environment;
- S - social and cultural environment;
- T - technological environment.

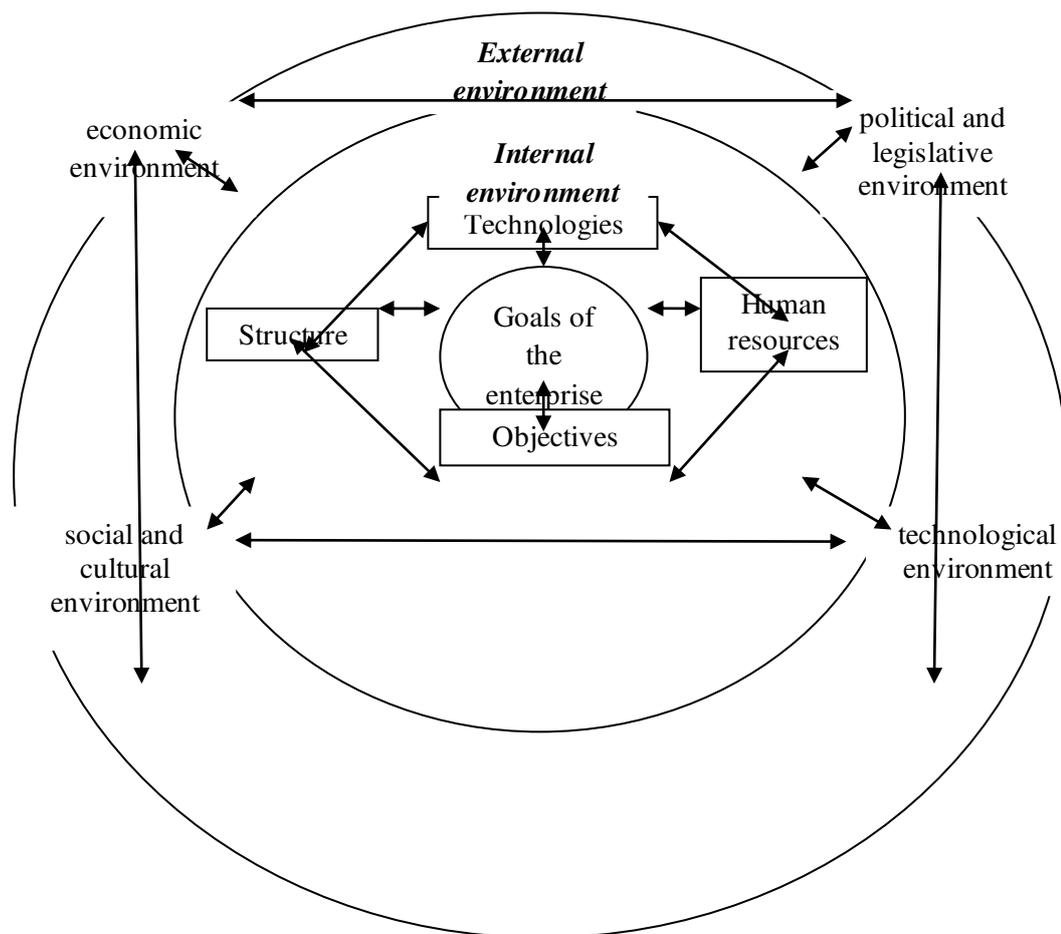


Figure 3. Factors of external environment influencing on the financial sustainability of a textile enterprise

The financial condition of a managing unit is in direct dependence on volume and dynamic indicators of the movement of production. Growth of the output improves the financial condition of the enterprise, and its reduction, on the contrary, worsens. But the financial state in its turn also influences the production: slows down it if worsens, and accelerates if increases.

The legislative, political, social and technological environment makes impact on formation and realization the strategy of financial stability at the enterprises. The legislative and political environment is connected with state regulation of the financial market, monetary circulation in the country, the state policy of separate branches. The correct legislative basis of the state leads not only to financial development of the enterprises of textile industry, at the expense of the provided privileges and preferences from the state, but also to attraction of foreign investments and increase in the export which by the end of 2019 had grown up to \$1,4 billion. And this with the fact that in the conditions of crisis the price of raw materials and main types of textile production considerably fell.

For instance a large number of privileges and privileges was applied to the joint and foreign ventures:

— It was possible to buy cotton and fiber with a 15% discount and by installments for a period of 90 days;

- The enterprises were exempted from taxes and fees in the state budget, except value added tax;
- The right to reduce taxable base by the sum of the funds allocated for a modernization of hardware;
- Remission of the property tax with a five-year term for the new enterprises;
- The enterprises exporting more than 80% of production were exempted from payment of tax duties.

Above-mentioned privileges and preferences had led to increase in net profit at the enterprises of the textile industry for 24% for the end of 2019, however, did not provide to use fully all the investment opportunities and therefore attraction of the foreign capital in the textile industry happened not so actively in comparison with the competing export countries.

Therefore, the Resolution No. RP-2687 on December 21, 2016, the Program of measures for further development the textile and sewing and knitted industry for 2017 — 2019 the President ShavkatMirziyoev expressed a desire to support the policy of involvement the foreign investors in the textile industry and opened great opportunities for its export beginning since January 1, 2017:

- having cancelled the obligatory sale to of a part of proceeds from export of nonfood consumer goods to authorized banks;
- having exempted the textile enterprises from customs payments (except charges for customs registration) the imported technological equipment and component parts which are not produced on the territory of the Republic of Uzbekistan that gives a huge help to modernize the manufacturing equipment;
- having exempted textile workers from payment of income taxes, property and uniform tax payment for micro firms and small enterprises, and also obligatory contributions to Republican road fund, in view of the fact, that the saved funds will also be allocated for improvement the technological equipment at the enterprises of the textile industry;
- having promised rendering of marketing, information and consulting services to the enterprises of textile industry, including small business and private business. In other words, it is possible to expect support at the organizations of advertizing activities, representation of the export potential at the international exhibitions and in printing editions and promotion of production of the enterprises of textile industry under direct contracts through trading houses abroad.

This Presidential Resolution has shown up the results for the end of the I quarter 2019 in the form of the increase in the production of cotton yarn up to 92,3 thousand tons (growth rate of 116,8%), fabrics – 53,8 million sq.m (125%), a knitted cloth – 15,5 thousand tons (118,9%), raw silk threads – 301,2 tons (114,1%).

With a view to furthering the well-being the financial stability of the textile enterprises it is necessary to realize the tasks, the main of which is the implementation of 132 investment projects on production of finished export-oriented textile and sewing and knitted goods for the total amount of 2204,6 mln. US dollars to the organization, modernization and reconstruction of the enterprises. These projects will be carried out not only on the basis of own means and the credits of commercial banks, but also due to foreign investments which specific weight makes 36,2% in the total cost of the projects.

Social and cultural impact on financial activity and financial stability of corporation is shown in the educational and cultural level of the population, its relation to the undertaken market reforms.

Direct impact from factors of the external environment on the enterprises of the textile industry is made by the competitive environment which research is carried out in several steps:

- the analysis the objectives of rival organizations;
- an assessment the strategy of the competing organizations;
- a research on the directions of the development of the competing organizations and branches in which competitors function;
- identification and studying of strong and weak positions of competitors.

The analysis of the external environment allows revealing threats and opportunities which the organization can face as a result of influence of external factors.

The research of the external environment includes definition the extent of impact of each factor on the strategy of financial stability at the enterprises of the textile industry. After the end of the analysis of factors of the external environment the enterprises of textile industry should carry out the assessment of strong and weak position. For sustainable development of their activity it is necessary to have information about strong and weaknesses of competitors, and also about the opportunities of development of the internal enterprises of this branch and and also their threats. External factors make a long impact as on financial stability, so on financial and economic activity of the enterprises in general that it is necessary to consider during the developing and realization the strategy of financial stability.

According to the statistical data provided by kommersant.uz, Uzbekistan takes the fifth place in the world market of cotton raw export and is the second exporter of final textile goods therefore to raise or, at least, to hold the reached positions, it is necessary to analyze external competitive environment. So, the main competitors of Uzbekistan in production of finished textile goods are China, India, Italy, Germany and Bangladesh.

Analyzing weak and strengths of the Chinese market of textile production, it should be noted that the textile industry in China has been for a long time a stronghold of its economy owing to the advantages in factors of production and scales of the market. Today competitive advantage of the textile industry of China in front of Uzbekistan substantially depends on its considerable production basis and low costs.

In comparison with the foreign colleagues, the textile industry of China shows competitive advantage in such aspects, such as, firstly, a great abundance in factors of production such as manpower and raw materials for production of textile production as they. There are two main features of the Chinese manpower, first of all - its low price and high quality. The average level of education of the Chinese workers makes up 10 years that is the average level for developing countries, and educations of workers in the developed countries are about 4 years less. At the same time the salary of the Chinese workers is much lower, than in other countries, having at the same time separately for each region a certain rate (Figure 4).

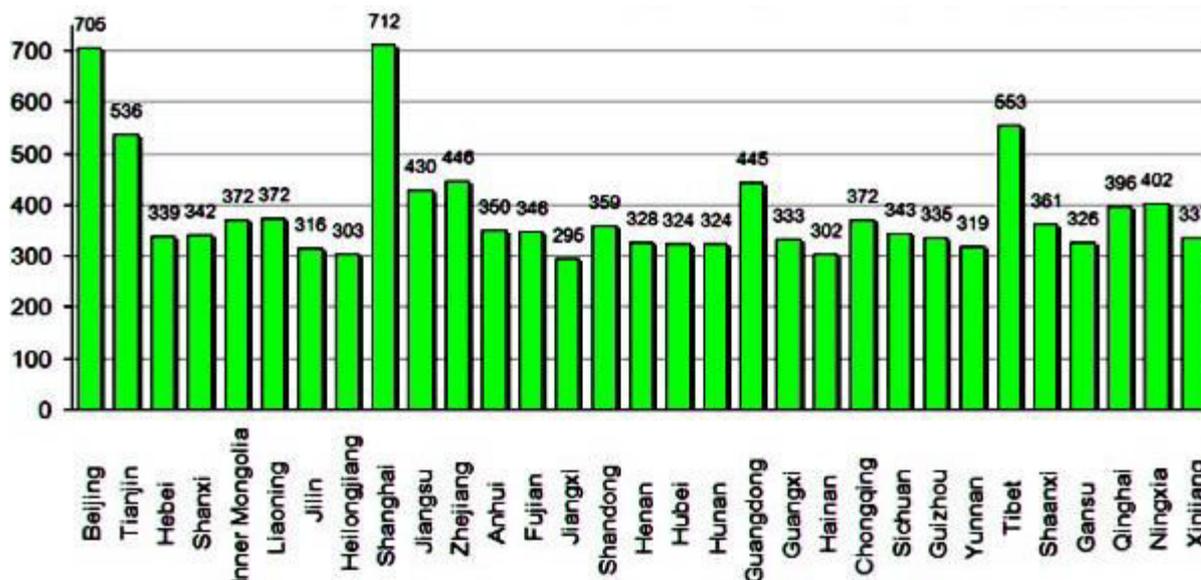


Figure 4. Monthly salaries of Chinese workers of textile industry, on provinces, US dollars

The salary of workers of the textile industry averages at the moment 300 US dollars, as is the main advantage of this industry before such developed countries, such as the USA where the salary of workers is higher nearly by 20 times or England – with a size of average salary 10 of times bigger.

The second feature is stability of manpower. Expansion of urbanization and improvement of the higher education in China provides the industry by a large number of good, but inexpensive experts. So growth of experts guarantees training of workers and technological support for further development of the textile industry of China.

Mainly, China concentrates on difficult and hi-tech productions. The Chinese authorities are not interested any to be a supplier of low-quality production for the whole world. Many harmful productions have already been transferred to neighboring countries, such as Vietnam, Indonesia, Cambodia, Bangladesh which offer lower prices therefore even despite the outlined tendency of emergence of the new world centers of cheap production, the mass outcome of the companies from China will not be in the near future.

As the developed production infrastructure which occurs in convenient division into districts of production allows to reduce a lot of time and to choose the optimum supplier. There are whole cities specializing in production of a concrete textile product. For example, Beijing, Anhui, Hunan, Henan, Shandong, Shanxi and Taiwan – the provinces and the cities specializing in production of the textile industry.

Any country from the group of the countries which are considered as cheap alternative to China "the mighty five" cannot offer it (MITI-V: Malaysia, India, Thailand, Indonesia and Vietnam). Moreover, in China the internal logistics which for few days allows to deliver a load to seaports which are conveniently located along east and southern coasts of the People's Republic of China is very accurately delivered, it does not wonder as such a solid operation of ports has been developed for decades. Such a big flow of loads provides the attractive prices of transportation of loads and absence of any time delays. Also in comparison with Uzbekistan, China has been opened to the world market more than 30 years, many Chinese producers have learned to understand requirements of foreign clients. And this lies not only on the knowing

English to negotiate, but also in business culture in general, which in China is different from ours.

And even now during the work with Chinese there is a misunderstanding and many difficulties, but progress is huge. If earlier it was possible only to dream of independent work with Chinese, today many businessmen without intermediaries successfully adjust chains of deliveries from China.

If some goods of textile industry still can be made in other Asian countries, but in the sphere of textile technological production there are no alternatives to China, with such equipment and technologies. China has been the world leader of robotization for several years that allows qualified engineers to automate the production in China and realize a huge number of quality products in short terms.

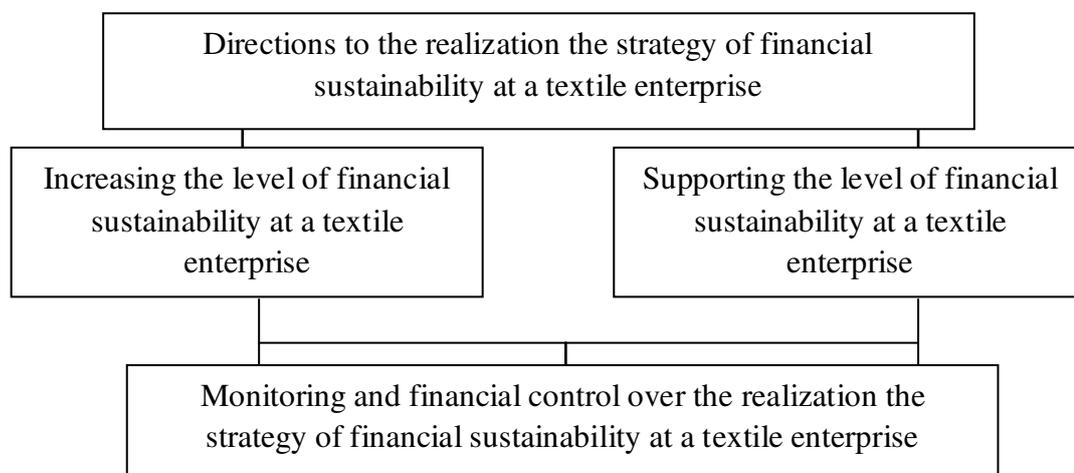
Developing the strategy of financial stability at the enterprise the following link of adoption reasonable operational decisions is diagnostics of financial stability which allows to define the possibility of improvement the use of financial resources and to give justification to the directions of development of a textile enterprise.

The assessment of a strategic financial position of the enterprise is the following stage of formation the strategy of financial stability. As a result of carrying out such assessment the key parameters are identified defining the opportunities and restrictions of sustainable development of financial activity of a textile enterprise (efficiency of systems of financial planning, the analysis and control operating at the enterprises of the textile industry).

Efficiency of financial stability strategy at a textile enterprise is defined by the applied principles, methods and ways of management, functions, competences and skills of personnel, formation and use of the mechanisms and tools complying with the market conditions.

In case the steadily development at a textile enterprise with rather high level of financial stability, its main strategic direction represent maintenance of financial stability at the current level, in contrast it is expedient to define the direction connected with increase in level of financial stability of the enterprise.

At the subsequent stages of formation the strategy of financial stability at a textile enterprise the choice of the directions of realization of strategy is carried out (Figure 5).



The assessment the developed directions of the financial stability strategy of the enterprise have to be carried out in the following parameters:

- compliance to financial policy of the enterprise;
- coherence with financial and organizational strategy, alleged changes of external financial environment and internal capacity of the enterprise;
- internal balance of the indicators defining efficiency of strategy of financial stability;
- strategy feasibility of financial stability at a textile enterprise.

In the course of realization the strategy of financial stability at a textile enterprise the new administrative decisions caused by unforeseen changes of factors of external economic environment are formed and made along with earlier developed strategic actions.

The final stage to form the strategy of financial stability is carrying out monitoring of indicators of financial stability at the enterprise. Without use of modern tools which act as monitoring the indicators of financial stability of the textile enterprise it is impossible to achieve a stable development the conditions of fast change of the external environment.

For the purpose of observation and indicators control in the course of realization of the strategy of financial stability and the relevant administrative decisions adoption, monitoring of indicators of financial stability at the enterprise provides a continuous process of collecting, studying and estimating the financial information at all stages of life cycle.

The main objective of monitoring of indicators of financial stability of the enterprise consists in creation of conditions and opportunities to realize the strategy of financial stability. Monitoring is intended to solve the following objectives:

- continuous observation of the processes realized in the organization of business activity;
- timely identification of the internal environment changes at textile enterprises and the factors which can cause them;
- prevention of negative situations;
- an assessment of the current situation for timely adoption of administrative decisions.

The role of monitoring of financial stability indicators consists in performing early diagnostics for the purpose of the prevention and responding negative tendencies in activity of corporation that exerts impact on realization of its financial stability strategy. The monitoring is expedient to carry out on the certain algorithm (Figure 6).

The first stage of monitoring the indicators of financial stability at the enterprise is directed to formation of indicators on the basis the assessment of efficiency realization of the financial stability strategy, but it should be noted that during definition of indicators it is necessary to consider features of activity of a textile enterprise. The choice of indicators for monitoring the indicators of financial stability of a textile enterprise is directed to an assessment of strategy realization efficiency.

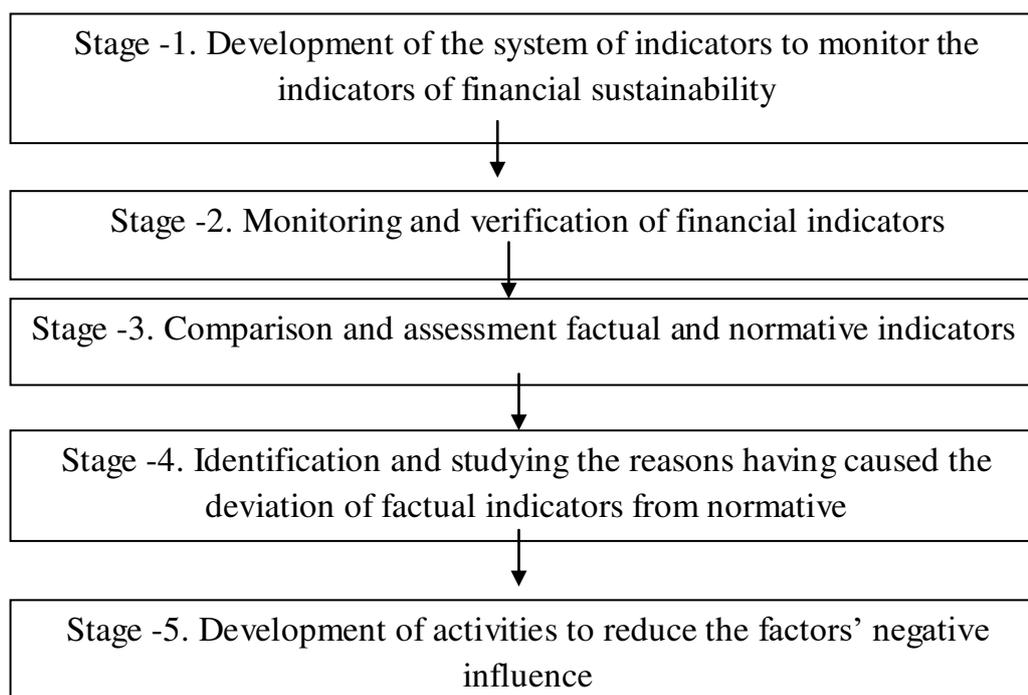


Figure 6. Algorithm of monitoring the indicators of financial sustainability at enterprises of textile industry

At the second stage observation and control of the indicators defining a condition of financial stability of corporation are carried out. The third stage consists in carrying out a comparison and an assessment of the actual indicators with standard. In case if the real condition of the actual indicators appears better or corresponds set ones, the realization of financial stability strategy is implemented.

Decrease the actual indicators relatively to set ones the fourth stage of monitoring of indicators of financial stability of corporation is implemented, which reveal and investigate the reasons which have caused a deviation of the actual indicators from standard. The fifth stage of monitoring is connected with development of the actions directed to the decrease in influence of the negative reasons, promoting a deviation of the studied indicators from standard values. Set of indicators for carrying out monitoring of indicators of financial stability of corporation is presented in Table 1.

Table 1
INDICATORS TO IMPLEMENT THE MONITORING OF FINANCIAL
SUSTAINABILITY OF A TEXTILE ENTERPRISE

Objective of monitoring the indicators of financial sustainability	Indicators of the monitoring	Content of monitoring
Level of forming the enterprise's own funds	Coefficient of financial independence	$\frac{\text{enterprise's own funds}}{\text{assets}}$
Dependence of the enterprise in external financial sources	Coefficient of financial dependence	$\frac{\text{Borrowed capital}}{\text{own real equity}}$
Ratio between borrowed and own real equity	Coefficient of financial risk	$\frac{\text{Fund raised}}{\text{own real equity}}$
Level of forming the assets by long-term financial sources	Coefficient of stable financing	$\frac{\text{own real equity} + \text{long – term liabilities}}{\text{assets}}$

It should be noted that without reliable financial information it is impossible to estimate objectively the indicators characterizing financial stability of a textile enterprise and consequently, it is impossible to construct the strategy of financial stability in the conditions of the changing external environment.

Thus, the main indicators of financial stability, carrying out monitoring within formation and realization of the financial stability strategy at the enterprise, are the coefficient of financial independence and coefficient of steady financing (a covering of investments) defining the share of property of corporation created at the expense of own means and long-term sources of financing.

The coefficient of financial dependence (financial leverage) is capable to reveal dependence of a textile enterprise on external sources of financing, and the coefficient of financial risk will allow to warn possible negative consequences of financial risks of the enterprise by definition the ratio of the raised funds and own capital.

Besides the implementation of the monitoring, at the final stage the procedure of realization of strategy control is carried out on the basis of the financial controlling, defining the course of realization of the key strategic target parameters of financial activity of the enterprise. The main goal of controlling in a control system of financial stability of a textile enterprise is its stable functioning and sustainable development of the enterprise.

Financial controlling first of all must be directed to external and internal environment with orientation to identification of both opportunities, and threats to realization of the financial stability strategy. In this regard financial controlling is imposed by certain requirements to the information support of an enterprise.

From completeness, reliability and timeliness of information, and also the order of its collecting, processing and storage the effectiveness of the strategy realization on the financial stability is defines at textile enterprise.

Thus, financial controlling is the tool in control of the strategy of financial stability providing development and implementation of strategic decisions on a number of the directions in the conditions of constantly changing external environment:

- coordination of financial decisions on achievement of strategic objectives;
- control of changes in the external environment;
- formation of the strategic approaches adapted to conditions in which the enterprise functions;
- effective use of the advantages which are available for corporation and creation of new opportunities of sustainable development in a long term.

Formation of strategy of financial stability has a great importance in ensuring sustainable development of a textile enterprise. Process of development the strategy of financial stability includes definition of the most effective directions according to the solution of goals which is followed by search and an assessment of alternative versions of possible strategic financial decisions on criterion of increase in level of financial stability of enterprises of textile industry. The strategy of financial stability considers changes of conditions of external and internal environment in process of financial activity and in due time reacts to these influences.

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