



Article

Main Directions for Assessing the Financial Stability of Hududgaz JSC

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Abstract: This article discusses the main factors for increasing the value of enterprises since they are an important goal of the national economy. In world practice, there is no unified approach to the factors influencing the increase in the value of an enterprise. Therefore, in order to increase the value of the enterprise, the formation and analysis of a system of indicators characterizing its financial stability, and measures to ensure financial stability were studied in detail.

Keywords: Sustainability, Economic Sustainability, Managing the Financial Stability of an Enterprise, Assessing the Financial Stability of an Enterprise, The Level of Financial Stability of an Enterprise, Liquidity, Profitability, Financial Instability.

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1. Introduction

The financial and economic state of an organization is the result of the interaction of all production factors and is directly dependent on how quickly funds invested in assets are converted into money.

Conducting an assessment and analysis of the financial and economic condition is an integral stage of its effective functioning, the relevance is expressed in particular in the definition of financial analysis, which is understood as a process consisting of processing information about the economic condition of a business entity, the financial results of its activities in the past to forecast possible future conditions and results [1].

The oil and gas industry of Uzbekistan is the largest segment of the economy and is of the utmost strategic importance for the development of the entire economy of the republic. Despite the fact that instability is observed in the world energy market, which also affects the state of the oil and gas industry of the republic, the activities of oil and gas companies are characterized by predictability. At the same time, the deterioration of geological conditions for production and the growth of costs of extracted energy and mineral resources increase the risks of slowdown in industrial growth and a decrease in export revenues [2]. The main equipment in the gas supply system are gas distribution systems, developed mainly using energy-intensive technology. GDS are designed to supply gas to populated areas, industrial enterprises and other consumers in a given quantity with a certain pressure, the required degree of purification, odorization and accounting for gas consumption [3].

Literature Review

The main objective of financial condition analysis is the prompt identification and elimination of shortcomings in the financial activities of an enterprise and the search for reserves for improving the financial condition of the organization and its solvency.

Thus, from the point of view of many authors, the financial state of a commercial organization is formed objectively in the structure of financial relations of an internal and external nature [4].

Classifications of forms and types of analysis of economic activity are reflected in the works of such scientists as M. E. Grebneva, L. V. Dontsova, T. V. Epifanova, A. D. Sheremet, M. S. Ignatenko, V. V. Kirilenko, N. V. Klimova, V. A. Shchevyova, G. V. Savitskaya [5].

M. E. Grebneva: "Financial stability is understood as one of the main indicators that gives a general idea of the state of affairs in an organization, its solvency, financial discipline, stability of operations, and dependence on loans and credits" [6].

A. D. Sheremet "Financial stability is the ability of an organization to maintain its existence and uninterrupted operation due to the availability of certain free funds and balanced financial flows" [7].

Authors such as Shchevyeva V. A. and Popov A. V. say that "the financial stability of an enterprise is a set of economic and financial indicators of the enterprise that determine the possibility of obtaining maximum profit as a result of capital investment with minimal risk of investment" [8].

As L.T. Gilyarovskaya points out, the concept of "Financial stability" of an organization is multifaceted; it is more multifaceted than the concepts of "solvency" and "creditworthiness", since it includes an assessment of various aspects of the organization's activities [9].

Express analysis, or a general overview of the results of activities, is the first stage from which the analysis of the financial condition of the organization begins. This stage makes it possible to make a general analysis of the enterprise's activities, without revealing the internal essence of the factors that influenced the formation of some parameters, and also allows you to directly study the scale of production, its features. The most important sources of a general overview of the results of the organization's work are considered to be statistical and accounting reports [10].

2. Research Methodology

Currently, the gas distribution system is managed by Hududgazta'minot Joint-Stock Company, established in accordance with the Decree of the President of the Republic of Uzbekistan No. PP-4388 dated July 9, 2019 "On measures for stable provision of the economy and population with energy resources, financial recovery and improvement of the management system of the oil and gas industry" and the Decree of the President of the Republic of Uzbekistan No. UP-6010 dated June 18, 2020 "On additional measures to improve the mechanism for the sale of natural gas and electricity" on the basis of territorial gas supply branches of Uztransgaz JSC.

At the GRS, buildings should be provided with heating systems, ventilation, electrical devices, telephone and dispatch communication facilities, telemetry channel equipment and a telemetry system. The GRS should have a power supply line, electrochemical protection devices, gas control devices and a security alarm to prevent unauthorized interference by outsiders in the operation of the GRS.

At present, the following functions have been assigned to JSC Hududgazta'minot by these acts:

- Operation of gas distribution networks and related equipment in compliance with regulatory requirements for safe operation;
- Purchase under a purchase and sale agreement of natural gas from jsc uztransgaz - upon delivery through the main gas transportation system, as well as from natural gas producers - upon delivery directly to gas distribution networks at tariffs approved by the interdepartmental tariff commission under the cabinet of ministers of the republic of uzbekistan, for its subsequent sale to domestic consumers connected to gas distribution networks, including the population;
- Purchase, supply, storage and sale of liquefied gas to the population and social facilities.

The Company began independent accounting of the balance of consumed gas on July 1, 2020 in accordance with UP-6010 of June 18, 2020 "On additional measures to improve the mechanism for the sale of natural gas and electricity."

3. Results and Discussion

State company JSC "Hududgazta'minot" is responsible for the transportation and distribution of natural gas in Uzbekistan, serving approximately 7,671,600 consumers, 91,290 km of pipelines, and 67,735 distribution points. Its main objectives include improving the quality of customer service and ensuring uninterrupted gas supplies regardless of weather conditions, while pursuing the goals of improving energy efficiency, reducing harmful emissions into the atmosphere, and increasing the flow of environmentally friendly investments and technologies [11].

Below in the table, the horizontal analysis of the balance sheet of JSC Hududgazta'minot was carried out by summarizing the data for 2022, 2023, and 2024 (Table 1).

Table 1. Horizontal balance sheet analysis.

	million sum		
Indicators	2022	2023	2024
PASSIVE	5323935	8329 536	12479 451
Authorized capital	2646309	2 646 309	2645451
Reserve capital	111265	133093	132570
Targeted receipts	77930	89252	106929
Retained earnings/loss	-310026	-1063101	863111
Long-term liabilities	569900	2148089	4716530
1 current obligations	2228558	43758951	5741083
ASSETS	5323935	8329536	12479451
Long-term assets	1750000	1768755	3471553
TMZ	1751499	4218839	5696492
Debtors	1637423	2191451	3223577
Cash	184690	136445	79894
Short-term investments and other assets	300	14 044	7 934

Table 1 "Dynamics of the Balance Sheet Passives" shows that such indicators as current liabilities and long-term liabilities have changed significantly in the Balance Sheet Passives from 2022 to 2023. In 2022, current liabilities and long-term liabilities amounted to 4,375.9 billion soums and 2,148.1 billion soums, respectively. In 2023, these indicators amounted to 5,741.1 billion soums and 4,716.5 billion soums, respectively [12]. The increase in current liabilities is due to an increase in accounts payable to suppliers and customers, as well as short-term bank loans. The increase in long-term liabilities occurred due to an

increase in long-term accounts payable to suppliers and customers, as well as the attraction of additional long-term loans.

If, according to the results of 2022 and 20231, the enterprise incurred losses in the amount of 469.7 billion and 665.5 billion soums, respectively, then according to the results of 2024, the enterprise achieved a net profit in the amount of 200.0 billion soums [13]. This is due to the implementation of the project automated gas metering system, which involved the installation of more than three million smart gas meters in households across the country. The new devices have led to significant reductions in consumption due to increased user awareness, thereby bringing significant benefits to the national economy and reducing carbon emissions.

The balance sheet asset increased significantly from 2022 to 2023 for items such as long-term assets, inventories and accounts receivable [14].

Table 1 "Dynamics of Balance Sheet Assets" shows that the Company's asset size continued to grow in 2024. At the end of 2024, the volume of assets increased by 49.8% and amounted to 12,479.5 billion soums (+4,149.9 billion soums). Rapid growth is observed in the composition of long-term assets. The Company's long-term assets in 2024 increased by 96.3%, amounting to 3,471.6 billion soums (+1,702.8 billion soums). The growth of long-term assets was due to the growth of long-term accounts receivable [14]. Also in 2024, there was an increase in inventory by 35.0% and amounted to 5,696.5 billion soums (+1,477.7 billion soums).

Table 2. Financial results of JSC Hududgazta'minot for 2022-2024.

Indicators		Years		
		2022	2023	2024
Net revenue from sales of products (goods, works and services)	010	5 629 890 077	9 202 178 438	10 364 211 773
Cost of sold products (goods, works and services)	020	4707211741	7691879730	8375438884
Gross profit (loss) from sales of products (goods, works and services) (010020)	030	922678335	1510298708	1988772889
Total period expenses (050+060+070+080)	040	1316185458	2012171955	1481581512
Costs of implementation	050	83111	208360	227232
Administrative expenses	060	153096769	209301487	261710567
Other operating expenses	070	1163005578	1802662108	1219643712
Expenses of the reporting period excluded from the taxable base in the future	080			
Other income from core activities	090	36124305	52987684	34765601
Profit (loss) from core activities (030-040+090)	100	-357382817	-448885563	541956978
Income from financial activities, total (120+130+140+150+160), including:	110	20209883	31218679	277201606
Dividend income	120			
Interest income	130	6307349	4080370	1764307
Income from long-term rent (leasing)	140			
Income from exchange rate differences	150	13902534	27138309	275437299

Other income from financial activities	160			
Expenses for financial activities (180+190+200+210), including:	170	78560 015	176355161	503595431
Interest expenses	180	19223607	90344651	152406496
Interest expenses on long-term leases (leasing)	190			
Losses from foreign exchange differences	200	59336408	86010510	351188935
Other expenses related to financial activities	210			
Profit (loss) from general business activities (100+110-170)	220	-415732950	-594022045	315563153
Extraordinary gains and losses	230	-1158178		
Profit (loss) before income tax (profit) (220+/-230)	240	-416891128	-594022045	315 563 153
Income tax (profit)	250	52752791	71452167	1 15 580 516
Other taxes and fees on profits	260	11445		
Net profit (loss) for the reporting period (240-250-251 -252-260)	270	-469655363	-665474212	199982638

The increase in the enterprise's loss for 2022-23 is due to the fact that, in contrast to tariffs for sold natural gas, prices for goods, works and services increased when selling natural gas to consumers. In addition, expenses in the form of interest for servicing borrowed funds increased significantly [15].

Despite the above factors, in 2024 the Company received a profit of 200.0 billion soums.

The main indicators (criteria) for assessing the economic condition of an enterprise are:

- Solvency or coverage ratio;
- Ratio of own working capital;
- Return on assets and expenses ratios;

Additional indicators may also be used to make a final decision:

- Debt to equity ratio;
- Fixed asset depreciation rate.

The coverage ratio (solvency) shows the payment capacity of the enterprise's short-term liabilities, assessed on the condition of not only timely settlements with debtors and favorable sales of finished products, but also other elements of current (working) assets. A decrease in the ratio indicates a decrease in the enterprise's payment capacity.

If the solvency ratio at the end of the reporting period has a value below 1.25, the enterprise is considered insolvent according to this indicator.

The ratio of own working capital characterizes the availability of the enterprise's own working capital, which is necessary for its financial stability and the balance of interests of the enterprise's owners and creditors.

If the ratio of own working capital at the end of the reporting period has a value of less than 0.2, then the enterprise is considered to be unsecured by own working capital according to this indicator.

The coefficients of return on expenses and assets show the level of profitability (loss) of the financial and economic activities of the enterprise.

If the profitability ratios for the reporting period are:

- Have a value below zero (minus indicator), then the enterprise is considered unprofitable;
- Have a value below 0.05, then the enterprise is considered low-profit (except for monopoly enterprises).

The ratio of own and short-term borrowed funds (current financial independence) determines the degree of security of return of short-term borrowed funds from own sources.

If the ratio of equity to short-term borrowed funds at the end of the reporting period has a value of less than 1, this indicates that the enterprise has financial risk.

The coefficient of depreciation of fixed assets characterizes the share of depreciation (wear and tear) of fixed assets over a period.

If the depreciation rate of fixed assets at the end of the period under review exceeds 0.5, the enterprise is characterized by significant depreciation of fixed assets.

Return on equity ratio, ROE - characterizes the efficiency of using not all of the capital (or assets) of an organization, but only that part of it that belongs to the owners of the enterprise. The higher the value, the better the organization works.

The main indicators for assessing the economic condition of the enterprise are presented in Table 3.

Table 3. System of indicators for assessing the economic condition of the enterprise JSC "Hududgazta'minot".

Name	2022	2023	2024
Total coverage ratio - solvency ratio (the ratio of current assets to short-term liabilities without overdue debt). A value of less than 1.25 is considered critical	1.50	1.19	1.57
debt-to-equity ratio (the ratio of the source of equity funds to short-term liabilities without overdue debt. A value of less than 1 is considered critical.	1.13	0.41	0.35
Ratio of own working capital (ratio of own funds directed to the formation of working capital to current assets). A value of less than 0.2 is considered critical	0.33	0.16	0.17
Return on assets ratio (the ratio of profit before taxes to the company's assets). A value below 0 is considered critical (unprofitable).	-0.10	-0.09	0.03
Cost-effectiveness level (the ratio of profit before taxes to total production costs). A value below 0 is considered critical (unprofitable).	-0.07	-0.06	0.03
Equipment depreciation coefficient (the ratio of the depreciation amount to the initial cost of fixed assets). A value above 0.5 is considered critical.	0.55	0.58	0.60

Additionally, the following table 4 provides liquidity ratios and financial stability indicators.

Table 4. Liquidity ratios and indicators of financial stability of the enterprise.

Name	Units measurements	2021	2022	2024

Liquidity ratios				
Total (current) liquidity ratio = Current assets/Current liabilities A value greater than 1.5 is considered normal	times	1.50	1.19	1.57
Medium-term (quick) liquidity ratio = (Money funds + KfV + AR up to 12 months) / Short-term liabilities A value in the range of 0.5-1.0 is considered normal	times	0.82	0.54	0.58
Absolute liquidity ratio = (Money + KfV) / Current liabilities A value in the range of 0.2-0.5 is considered normal	times	0.08	0.03	0.02
Financial stability indicators				
Autonomy ratio or financial independence ratio or financial independence ratio. In practice, the lower limit of the standard value of the indicator is 0.5.	times	0.47	0.22	0.16
Total liabilities to total assets (Long-term liabilities + Current liabilities)/Total assets) Recommended values in the range of 0.2-0.5	times	0.53	0.78	0.84
Return on equity ratio				
Return on equity, ROE No standard. In general, the higher the value, the better the organization is performing.	%	-37.2	-30.7	10.5

Liquidity ratios are one of the key factors in determining the financial position of an enterprise, the higher the value, the less dependent the enterprise is on external borrowings in carrying out operational activities. The current liquidity ratio for 2024 has a value greater than the required norm.

4. Conclusions and Suggestions

Thus, based on the results of the assessment of the activities of JSC Hududgazta'minot, for 2022-2024, the following conclusions can be drawn:

- 1) Revenue from product sales in 2024 increased by 54.32% compared to 2020, which is 10 364 211 773 sum. It should be noted that the increase is due to the increase in production volume. The gross income indicator also increased by 46.39%, i.e. by 1 066 094 554 sum.
- 2) The majority of the enterprise's assets are current assets.
- 3) All current assets, as well as part of the long-term assets of the enterprise, are formed from its own funds;
- 4) The enterprise in question has no long-term liabilities, which indicates the independence of the enterprise from external sources. The Company's long-term assets in 2022 increased by 96.3%, amounting to 3,471.6 billion soums (+1,702.8 billion soums). The growth of long-term assets was due to the growth of long-term accounts receivable. Also in 2022, there was an increase in inventory by 35.0%, and it amounted to 5,696.5 billion soums (+1,477.7 billion soums)
- 5) The balance of the enterprise is absolutely liquid. The value of current liquidity reflects the ability of the company to quickly sell assets at market value in order to pay off all current debts to creditors and counterparties

- 6) All indicators of liquidity and financial stability of the enterprise comply with established standards, while there is a noticeable trend towards improving their values compared to 2021.
- 7) The profit based on the results of the enterprise's activities tends to increase. Based on the results of 2022, the enterprise shows an increase in profit of 199,982,638 due to an increase in the number of manufactured products.

In general, the condition of JSC Hududgazta'minot is stable, except that in 2020, most of the company's indicators were noticeably reduced. However, in 2022, the company rehabilitated and gained momentum.

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