



Article

## Economic Sustainability and Development of Jsc “Uzbekneftgaz”

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**Abstract:** The article provides a scientific and practical analysis of development trends of oil and gas industry enterprises in Uzbekistan under conditions of energy transformation, as well as mechanisms for ensuring economic sustainability. Based on statistical data, the study evaluates production indicators of the sector, investment activity, the level of energy efficiency, and the impact of digitalization and technological modernization processes on economic outcomes. It also cautiously constructs the impact of a number of factors such as integrated development with renewable energy sources, diversified investment policies, and balanced energy strategies on improving the sustainability of oil and gas enterprises. The results of the research possess practical value for the processes of formation of strategic decisions regarding the provision of the long-term sustainable development of the sector.

**Keywords:** oil and gas industry, energy transformation, sustainable development, economic sustainability, investment activity, energy efficiency, digitalization, technological modernization, Uzbekistan’s energy sector.

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### Introduction

Profound structural changes occurring in the global energy system, the transformation of demand for hydrocarbon resources, and the widespread adoption of “green economy” principles necessitate a rethinking of the traditional development model of the oil and gas industry. Improving energy efficiency, implementing digital technologies, and pursuing development integrated with renewable energy sources have today become key strategic priorities for the oil and gas sector [1].

The oil and gas industry of Uzbekistan is one of the backbone sectors of the national economy, playing a vital role in industrial production, export revenues, and the provision of energy security [2]. At the same time, global energy transition processes are placing new challenges before the sector—strengthening economic stability, increasing production efficiency, diversifying investment flows, and ensuring development that takes environmental requirements into account.

The relevance of this research is determined by the need to identify development trends of oil and gas enterprises under conditions of energy transition, to conduct a systematic analysis of existing problems, and to develop scientifically grounded proposals aimed at ensuring the long-term sustainable development of the sector.

**Literature Review.** The role of the oil and gas industry in ensuring economic stability and its development trends under conditions of global energy transformation are widely discussed in international and domestic academic research. Scientific sources assess this sector as a strategic industry that ensures macroeconomic stability, export potential, and energy security for resource-rich countries [3].

Studies devoted to Central Asian energy transit corridors emphasize that Uzbekistan's central geographical location enables it to emerge as a potential regional energy hub [4]. A number of authors note that the development of transit infrastructure not only generates economic benefits but also strengthens the country's geoeconomic and geopolitical standing.

Research conducted by domestic scholars evaluates the role of the oil and gas industry in Uzbekistan's economy on the basis of statistical data. In particular, the sector accounts for approximately 10–12 percent of the country's GDP and nearly 25 percent of industrial output, highlighting its decisive role within the national economic system [5]. At the same time, scholars emphasize the potential to increase economic efficiency through digitalization, improvements in energy efficiency, and the development of deep processing.

Literature review shows that the previous studies have explored the development of Uzbekistan oil and gas industry from different perspectives, but very few studies have attempted to assess them altogether as integrated problem unifying economic stability, energy transition and investment policy. As a result, this paper adds to the previous research by providing a more structured perspective on the economic resilience of energy firms against today's energy transformation [6].

**Methodology.** In this article, scientific sources, theoretical approaches, and practical reporting materials were examined and processed in order to provide an in-depth analysis of the development directions and existing problems of the oil and gas industry. During the research process, a comprehensive methodological approach aimed at analyzing economic processes was applied.

The study employed comparative analysis, classification and grouping methods, random sampling, inductive and deductive reasoning, scientific abstraction, systemic and comparative analysis, as well as monographic research, statistical and economic analysis, and expert evaluation methods [7]. The application of these methods serves to enhance the efficiency of oil and gas industry operations, identify existing problems within the sector, and develop scientifically grounded proposals for their resolution.

**Result and Discussion.** In recent years, JSC "O'zbekneftgaz" has intensified its transformation processes, placing particular emphasis on restructuring its asset portfolio, preparing consolidated financial statements in accordance with IFRS requirements, accessing capital markets, and expanding large-scale investment programs. These reforms could be assessed in terms of their impact on financial performance empirically, owing to the availability of consolidated financial statements for 2022–2023. For the full year 2023, total "Sales and other income" was UZS 30,148 billion (UZS 28,215 billion in 2022), up 6.8 percent in real terms. Gas processing and retail as business segments have contributed to the foregoing increase through favorable revenue dynamics. Simultaneously, net profit for the year decreased from UZS 2,853 billion in 2022 year to UZS 628 billion in 2023 year. Exchange rate fluctuations, financing costs, and operational pressures in some segments impacted profit margins which fell sharply [8].

Effective economic resource management is one of the most important indicators of financial stability in the oil and gas industry. The transformation in the composition and dynamics of JSC "O'zbekneftgaz" assets during the period 2019–2024 serves as a trend of investment capabilities, material and technical base and the creation and development of production infrastructure of the

enterprise [9]. According to the table data, changes in the structure of the company's assets over the analyzed five-year period were determined not only by internal economic factors but also by external market conditions and fluctuations in exchange rates. In this regard, the analysis of assets is devoted not only to accounting indicators but also to the qualitative aspects of material and financial resource provision (Table 1).

**Table 1**  
**Analysis of the Asset Position of JSC "O'zbekneftgaz" for the Period 2019–2024 (million UZS) [10]**

| Company Assets                                 | Years   |         |         |         |         | Change in 2024 Compared to 2023 (thousand UZS) | Change in 2024 Compared to 2023 (%) |
|--|---------|---------|---------|---------|---------|--|-------------------------------------|
|  | 2019    | 2020    | 2021    | 2022    | 2023    |  |                                     |
| Total value of the company's property (assets) | 64092,0 | 39417,0 | 64982,0 | 65115,0 | 65454,0 | 372,0  | 0,5                                 |
| 1. Non-current assets                          | 54880,0 | 30188,0 | 45586,0 | 51610,0 | 54931,0 | 5054,0   | 11,3                                |
| 2. Current assets                              | 9212,0  | 9229,0  | 19396,0 | 13505,0 | 14985,0 | 1263   | 2,1                                 |

During the period 2019–2023, the total value of JSC "O'zbekneftgaz" assets increased from UZS 64,092.0 million to UZS 65,454.0 million. This signifies a 1.02x scale, a testament to the gradual progression of the company's asset base. Meanwhile, in the 2024 advantage the complete value of resources is visualized to upward push through UZS 372.0 million, or with the aid of 0.5 percent, contrasting with 2023. The most important part of this growth can be attributed to fixed assets up 11.3 percent [11]. This trend shows that the strategy pursued by JSC "O'zbekneftgaz" to attract investments for the construction of capital facilities, project financing, and technological modernization is producing its results.

According to the table data, in 2023 non-current assets amounted to UZS 54,931.0 million, occupying a dominant position in the structure of total assets. This, in turn, indicates active investment directed toward the modernization of oil and gas extraction, processing, and transportation infrastructure [12]. Current assets amounted to UZS 14,985.0 million, and their projected growth of 2.1 percent in 2024 reflects the effectiveness of the company's policy aimed at increasing working capital turnover and ensuring liquidity. This trend demonstrates a balanced approach to resource management: while long-term investments ensure strategic stability, current assets guarantee the company's short-term solvency.

The analysis of JSC "O'zbekneftgaz" assets over the period 2019–2024 indicates the presence of trends toward diversification of economic resources, balanced development of the capital structure, and efficient utilization of fixed assets within the company [13]. These trends create opportunities to enhance the company's financial stability, ensure the rational use of resources, and sustain extraction capacity in the long term.

The company's liabilities represent the sources of its financial resources and reflect the main directions of its financing strategy. They consist of equity and liabilities, determining the internal (development based on own funds) and external (financing through borrowed resources) capacities of financial stability. In the case of JSC "O'zbekneftgaz", the study of liabilities dynamics demonstrates how the company's economic resource base has been restructured since 2020 (Table 2).

**Table 2**

**Analysis of the Liability Structure (Sources of Funds) of JSC "O'zbekneftgaz" for the Period 2019–2024 (million UZS) [14]**

| Company Liabilities                           | Years   |         |         |         |         | Change in 2024 Compared to 2023 (thousand UZS) | Change in 2024 Compared to 2023 (%) |
|---|---------|---------|---------|---------|---------|--|-------------------------------------|
|   | 2019    | 2020    | 2021    | 2022    | 2023    |  |                                     |
| A   | 1       | 2       | 3       | 4       | 5       |  | 8                                   |
| Total value of the company's sources of funds | 64092,0 | 55619,0 | 64981,0 | 65115,0 | 65487,0 | 525,0  | 0,9                                 |
| Including::                                   |         |         |         |         |         |  |                                     |
| 1. Equity (own sources of funds)              | 31257,0 | 21203,0 | 34169,0 | 46763,0 | 48652,0 | 2705   | 9,8                                 |
| 2. Liabilities of JSC "O'zbekneftgaz"         | 32835,0 | 18213,0 | 30812,0 | 18352,0 | 17852,0 | -1528  | -5.2                                |

During the period 2019–2024, the total financial sources (value of liabilities and equity) of JSC "O'zbekneftgaz" increased from UZS 64,092.2 billion to UZS 65,647.8 billion by 2024, with an average growth rate of 0.9 percent. This trend does not indicate a decline, but rather the preservation of a stable core capital base. At the same time, the reduction in the share of liabilities after reaching UZS 65.2 trillion in 2020 reflects a positive tendency aimed at reducing debt pressure and is clearly the result of a financial recovery strategy.

The analysis shows that the equity of JSC "O'zbekneftgaz" amounted to UZS 31,257.7 billion in 2019 and increased to UZS 48,652.0 billion by 2024, representing a growth of 9.8 percent [15]. This indicates an increase in the company's capacity to finance its activities through internal resources. According to the Internal Financial Resilience Ratio (IFR), the growing share of the stable component of liabilities (equity) has reduced dependence on borrowed resources. This trend enhances the company's capitalization and reflects the reinvestment of income as a key factor of financial stability.

Between 2020 and 2024, the liabilities (debt resources) of JSC "O'zbekneftgaz" decreased from UZS 32,835.0 billion to UZS 17,852.0 billion by 2024, corresponding to a decline of 5.2 percent. This is a financially sound, developing trend, which underlines the success of the policy of managing the debt portfolio of the Company. On the other hand, the DC/BC (Debt Service Coverage Ratio) and ICR (Interest Coverage Ratio) will continue to be high, as the capability of the company to repay debt obligations will be further increase with the decreased liquidity pressure and increased profitability as the result of the lower debt resources [16].

Accordingly, the content of JSC "O'zbekneftgaz" liabilities logically illustrates that the financial management is primarily oriented towards mitigation of liabilities pressure, and expansion of equity base. These modifications help in decreasing the WACC since a lower proportion of debt financing is associated with lower capital costs [17]. Thus, the management architecture of JSC "O'zbekneftgaz" finds equilibrium with taking into account the distribution of resources and the nature of the debt creating the development scenario through the principle of sustainability of financial development over time.

The production capacity of an enterprise is a measure of the effective use of its material and financial resources that shows: the degree of optimal distribution of resources, the efficiency of utilization of fixed assets, the activity of investments. This indicator serves not only as a measure of the internal capacity for economic growth, but also as a key factor in ensuring financial stability. For JSC "O'zbekneftgaz", changes in the structure of production potential during the

period 2020–2023 were manifested not only in value indicators, but also in structural efficiency (Table 3).

**Table 3**  
**Analysis of the Production Potential of JSC “O‘zbekneftgaz” for the Period 2020–2023 [18]**

| Company Liabilities                | Years       |        |             |        |             |        |             |        |
|------------------------------------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|
|                                    | 2020        |        | 2021        |        | 2022        |        | 2023        |        |
|                                    | million UZS | In (%) | million UZS | In (%) | million UZS | In (%) | million UZS | In (%) |
| 1. Fixed assets                    | 26374,0     | 40,2   | 24713,0     | 38,0   | 27537       | 42,3   | 28426       | 44,1   |
| 2. Short-term investments (030)    | 30180       | 46,0   | 14217       | 21,9   | 14253       | 21,9   | 14442       | 22,1   |
| 3. Equipment to be installed (090) | 403         | 0,6    | 268         | 0,4    | 261         | 0,4    | 302         | 0,5    |
| 4. Capital investments (100)       | 2880        | 4,4    | 2842        | 4,4    | 4545        | 7,0    | 4654        | 8,1    |
| 5. Inventories, total (140)        | 835         | 1,3    | 675         | 1,0    | 816         | 1,2    | 846         | 1,4    |
| 6. Production inventories (150)    | 766         | 1,2    | 606         | 0,9    | 747         | 1,2    | 764         | 1,3    |
| 7. Work in progress (160)          | 58,1        | 0,1    | 1,6         | 0,02   | 1,3         | 0,01   | 1,4         | 0,01   |
| 8. Production potential            | 61496,1     | 93,8   | 43322,6     | 66,7   | 48160,3     | 74,0   | 49687       | 81,0   |
| 9. Total assets of the enterprise  | 65569       | 100    | 64982       | 100    | 65115       | 100    | 66012       | 100    |

According to the data presented in Table 3, in 2020 the value of fixed assets amounted to UZS 26,374.0 billion, accounting for 40.2 percent of the company’s total assets. In 2023, this indicator was equal to UZS 28,426.0 billion, with its specific weight accounting for 44.1 percent.

In 2020, the volume of short-term investments accounted for UZS 30,180.0 billion, in 2021, this indicator decreased to UZS 14,217.0 billion, and by 2023, this indicator remained at the level of UZS 14,442.0 billion.

In 2020, value of inventories made UZS 835.0 billion and reached UZS 846.0 billion in 2023. Given breakdown of inventories indicates a decrease in production inventories (item 150) by UZS 766.0 billion as at the end of 2019 to UZS 764.0 billion as at the end-2020, implying that a company introduced an inventory optimization program.

Analysis results have shown that the production potential of JSC “O‘zbekneftgaz” developed steadily during the years 2020–2023 and attributed to the fixed assets and capital investments. The increase in fixed assets, balancing of short-term investment portfolio, and balancing the structure of inventories testify that financial stability is being provided at the expense of internal reserves. In turn, the economic value-added indicator also reflects this state of affairs: capital efficiency and asset profitability shows a positive trend.

**Conclusion.** The empirical study on the basis of the consolidated financial statements of JSC “O‘zbekneftgaz” for years 2022–2023 has shown that reform and modernization processes of the company are in active implementation. This is being done in particular through a strategy that aims to leverage the realisation of its value at an institutional and production level by introducing asset restructuring, IFRS compliance in its accounts, access to capital markets and the acceleration of investment projects. Specifically, in 2023 the growth of sales and other operating income by 6.8 percent (UZS 30,148 billion), along with a 54 percent increase in investment expenditures (UZS 10,727 billion), confirms the intensification of policies focused on technological modernization and operational expansion. At the same time, the growth dynamics of total assets and equity demonstrate that balance sheet stability has been maintained to a certain extent.

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