



Article

The Role of Financial Resources in Ensuring Financial Stability in Industrial Enterprises

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Abstract: In the article, the issues of ensuring financial stability in industrial enterprises are scientifically analyzed using the case of Uzkabel Joint-Stock Company (Joint Venture). The study is based on the analysis of the sources of formation of the company's financial resources, the dynamics of equity and liabilities, and liquidity indicators over the period 2019–2024. The analysis results indicate that the constant increase in the equity share and the decrease in long-term liabilities increase the solidity financial independence. As to this, the ratified current and quick liquidity indicators being above their normative levels evidences the effectiveness of this company liquidity management. The results obtained allow us to assert that the sustainable development of industrial enterprises is provided by a management model based on the use of internal financial sources.

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Introduction

In the context of the digital economy and globalization, ensuring the financial stability of industrial enterprises has become one of the priority scientific and practical challenges. The increasing complexity of production processes, the intensification of competition, and the growth of investment activity require the efficient use of financial resources [1].

Cable products, paints and coatings, and various industrial goods produced by "Uzkabel" JSC JV, one of the largest manufacturing enterprises operating in the Uzbekistan's industrial sector currently makes a worthy contribution to satisfying the domestic market demand and through the production of cable products also increases the export potential of the country [2]. Hence, the assessment of the composition of financial resources, liquidity volume, and financing strategy of the enterprise is most relevant for finding mechanisms to provide the sustainable development of industrial enterprises.

The financial sustainability of non-financial firms in the scientific literature is understood through the aforementioned aspects of the relationship between equity and liabilities, the extent of liquidity and the management of financial risks. International empirical studies recognised the importance of a firm reliance on internal funded sources as a determinant for maintaining financial autonomy and long-term viability [3].

Domestic sciences were devoted to the studying of relationship between the sources of formation of financial resources, liquidity indicators and their financial results of management using the statistical data of industrial enterprises. However, studies aimed at a comprehensive assessment of the transformation of financial resources and liquidity strategies using the example of a specific manufacturing enterprise remain limited. This article is intended to fill this research gap.

Methodology. A comprehensive methodological approach was applied in the course of the research. In particular, comparative and benchmarking analysis, statistical and economic analysis, grouping, inductive and deductive reasoning, a systems approach, and financial ratio analysis methods were used.

The empirical analysis was conducted on the basis of the financial statements of “Uzkabel” JSC JV for the period 2019–2024, as well as data on the structure of financial resources and liquidity indicators.

Discussion and Results. “UZKABEL” Joint-Stock Company (Joint Venture) is one of the most advanced enterprises in the Central Asian region, engaged in the production of cable fibers, paints and coatings, cardboard packaging materials, and a wide range of other products. The company continuously works to improve the quality of its manufactured products [4].

This is achieved through ongoing enhancement of employee qualifications and the development of effective quality control systems aimed at meeting consumer expectations and maintaining the trust of suppliers and all other stakeholders.

In order to further develop its quality control system, the company has set the following objectives:

1. To further improve product quality through the application of digital technologies;
2. To maintain and strengthen the company’s reputation both domestically and internationally;
3. To ensure financial stability;
4. To maintain a high level of employee solvency and remuneration capacity [5].

As a mechanism for sustainable development, the company adheres to the following principles:

1. We are not the only manufacturer in the market, but we strive to be the best;
2. In our activities, the customer is the most important stakeholder;
3. Every employee and member of management is interested in quality control;
4. Clear distribution of responsibilities and functions;
5. Professionalism at every workplace;
6. The most effective management is process-oriented management;
7. Preventing problems before they arise and eliminating them when they occur;
8. Continuous improvement of operations is a key factor in achieving enterprise sustainability;
9. Ensuring continuous transparency within all areas of activity;
10. Maintaining constant control over quality management based on ISO 9001:2015 standards.

At present, in order to ensure the sustainable development of “UZKABEL” Joint-Stock Company (Joint Venture), a Development Strategy for 2017–2021 has been approved and implemented [6]. This strategy is intended to create a foundation for achieving priority business objectives and attaining high performance under the conditions of the digital economy.

The activities of “UZKABEL” Joint-Stock Company (Joint Venture) comprise several technologically complete production cycles. These include:

- production of wire rod, contact wires, conductors for overhead power transmission lines, and current-carrying wires (strands);
- production of geophysical cables;
- production of cables for oil pumps and their extraction hose cables;
- production of power and control cables resistant to voltage [7];
- production of urban telephone cables, long-distance communication cables, and railway signaling cables;
- production of lighting and installation wires for consumer use;
- production of paints and coatings;
- production of dry construction mixtures;
- production of plastic products;
- operation of a facility for recycling cable waste.

The enterprise possesses extensive experience in the cable products market and has also established a strong position in the markets for paints and coatings and other types of products. It employs a highly qualified workforce, including engineering and technical personnel as well as specialists in other required fields [8]. With sufficient production capacity, the company is able to manufacture a wide range of products. At the same time, when necessary, it has the capability to produce import-substituting and export-oriented goods for the national economy, particularly for the industrial sector.

The objective of “UZKABEL” Joint-Stock Company (Joint Venture) is to increase efficiency across all areas of activity in the medium and long term, improve business management, and maintain a stable position in both domestic and foreign markets [9].

This leads to strategic objectives of reinforcing its place in the market and bolstering its competitive advantage.

Economic Objectives focus on achieving financial indications that are planned each period.

Social aims are centered around keeping employees healthy through benefits and subsidization.

The economic goals will have to define new indicators of performance and incentives based on the new production volumes.

Technological objectives are oriented towards the development of technology process automation in the conditions of the digital economy.

In the conditions of the digital economy, ensuring sustainable development requires a systematic analysis of market conditions [10]. This, in turn, makes it possible to identify and focus on key areas in which the enterprise’s idle resources can generate benefits not only in the short term but also in the long run.

Table 1 presents the dynamics of the sources of formation of financial resources of “Uzkabel” JSC JV over the period 2019–2024. The table makes it possible to determine how the company’s equity, long-term liabilities, and short-term liabilities have been transformed, which sources have been prioritized in the financing policy, and which factors have influenced financial stability.

Table 1

Dynamics of the Sources of Formation of Financial Resources of Uzkabel JSC JV (2019–2024, thousand UZS) [11]

Indicators	2019	2020	2021	2022	2023	2024
Equity (own funds)	234 028 106	279 277 644	375 711 679	385 275 238	461 063 063	532 949 562
Long-term liabilities	45 517 875	80 440 538	88 071 106	106 650 661	47 749 287	21 467 730
Short-term liabilities	187 827 687	192 778 720	236 524 552	321 094 208	342 131 082	243 194 841
Total financial resources	467 373 668	552 496 901	700 307 337	813 020 107	850 943 432	797 612 134

According to the table data, during the period 2019–2024 the company’s total financial resources increased from UZS 467,373,668 thousand to UZS 797,612,134 thousand, indicating an overall expansion trend in financial capacity. **This was largely due to an increase in volume of equities over a steady period.**

Specifically, equity grew from UZS 234,028,106,000 in 2019 to UZS 532,949,562,000 in 2024. This alone reflects that the profits are being capitalized in the enterprise, which results in an increase in earnings retained within the enterprise, thereby increasing the residual opportunities that are internally financed [12]. This trend is defined by the resilience of financial independence and a decreased dependence on debt financing.

The dynamics of long-term liabilities show growth during 2021–2022, followed by a sharp decline in 2023–2024. In particular, this indicator, which reached UZS 106,650,661 thousand in 2022, decreased to UZS 21,467,730 thousand by 2024. This situation indicates that the main investment projects have been largely financed or that a prudent financial policy aimed at reducing the debt burden has been implemented [13].

Short-term liabilities exhibited an upward trend until 2023, after which they declined to UZS 243,194,841 thousand in 2024. This represents – better working capital management, and measures aimed at strengthening the current solvency level.

In a nutshell, the tabular data testify to the transformation of “Uzkabel” JSC JV step by step from a debt-based model of financing the enterprise to a model of financing the enterprise through internal financial sources. Such transition has formed a firm economic ground for improving the financial, risk-resilience, and long-term development strategy for the company.

In ensuring financial stability, liquidity indicators are among the key criteria for assessing an economic entity’s ability to meet its current obligations in a timely manner [14]. From this perspective, analyzing the effectiveness of the liquidity management strategy implemented at “Uzkabel” JSC JV during the period 2019–2024 makes it possible to evaluate how appropriate the company’s policy on the use of financial resources has been. The table presents the dynamics of current and quick liquidity ratios, as well as their compliance with normative values.

The financial stability of an economic entity is primarily determined by its ability to meet short-term obligations in a timely manner. In this regard, current and quick liquidity indicators are considered key financial metrics for assessing the structure of working capital and the effectiveness of liquidity management strategies. Table 2 analyzes the results of the liquidity strategy of “Uzkabel” JSC JV for the period 2019–2024 and evaluates their compliance with normative values.

Table 2.

Effectiveness of the Liquidity Strategy of Uzkabel JSC JV (2019–2024) [11]

Indicator	2019	2020	2021	2022	2023	2024	Me’yor
Current liquidity ratio	1,93	2,12	2,18	1,91	1,82	2,40	≥1,5
Quick liquidity ratio	0,91	1,03	1,15	1,02	0,98	1,31	≥1,0

According to the table data, the current liquidity ratio remained above the normative level (≥1.5) in all years, indicating that the company’s current assets are sufficient to fully cover short-term liabilities. In particular, the increase of this indicator to 2.40 in 2024 signifies improved efficiency in working capital management and the optimization of the burden of current obligations.

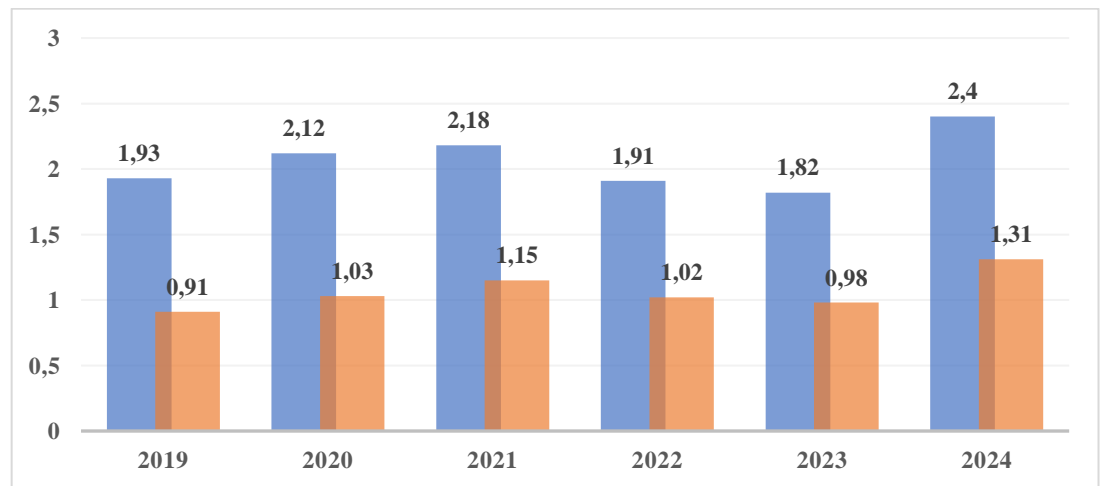


Figure 1. Effectiveness of the Liquidity Strategy of Uz Kabel JSC JV (2019–2024) [11]

The dynamics of the quick liquidity ratio demonstrate changes in the company's ability to meet its obligations using the most liquid assets (Figure 1). Although this indicator was below the normative level in 2019 (0.91), it showed a steady upward trend in subsequent years and exceeded the normative threshold in 2021 and 2024 [15]. Thus, the temporary decline seen in 2022–2023 is explained by a higher fraction of inventories in current assets; on the other hand, the increase of the instant liquidity ratio up to 1.31 in 2024 evidences that the mechanisms of cash flow and receivables management have strengthened.

In general, these results show that the liquidity management at «Uz Kabel» JSC JV is strategic not reactive. The constant increment of own capital, decrease of long-term liabilities and fact of excess of normally accepted levels by current and quick liquidity ratios allow reasonably asserting that the enterprise possesses high short-term solvency as well as the increase of financial independence which proves a long-term balanced strategy of financial resources manageability [16].

Conclusion. The research findings are that the majority of financial stability at «Uz Kabel» JSC JV is taken care of by relying on internal financial sources, optimizing the debt burden and ensuring liquidity. With the growing proportion of equity, the financial independence of the company is increasing and its risk resistance is becoming higher.

Furthermore, the liquidity indicators are high, which contributes to the continuity of production processes and the timely repayment of short-term debts.

Overall, the experience of «Uz Kabel» JSC JV demonstrates that balanced management of financial resources plays a crucial role in ensuring sustainable development in industrial enterprises.

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