

INDICATORS OF FINANCIAL PERFORMANCE AND STABILITY: UNIQUE CHARACTERISTICS AND FORMATION

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Abstract

This article explores the key indicators that measure financial performance and stability, highlighting their unique characteristics and the processes involved in their formation. Financial performance indicators, such as profitability, liquidity, and efficiency ratios, provide insights into a company's operational success and financial health. Stability indicators, including solvency ratios and leverage metrics, assess a company's long-term viability and risk management. Understanding these indicators is crucial for stakeholders, including investors, managers, and policymakers, to make informed decisions. The article delves into the methodologies used to develop these indicators and examines the factors influencing their accuracy and reliability. By identifying the distinctive traits and formation processes of these financial metrics, the study aims to enhance the comprehension and application of financial analysis in various economic contexts.

Keywords: Financial performance, financial stability, profitability ratios, liquidity ratios, efficiency ratios, solvency indicators.

Introduction

In the dynamic landscape of modern finance, understanding the intricate details of financial performance and stability is essential for a wide array of stakeholders, including investors, managers, and policymakers. The evaluation of financial health is fundamentally reliant on a set of key indicators that collectively provide a comprehensive picture of a company's operational success and long-term viability. This article delves into the pivotal indicators of financial performance and stability, exploring their unique characteristics and the processes by which they are formed.

Financial performance indicators, such as profitability, liquidity, and efficiency ratios, offer critical insights into a company's ability to generate income, manage assets, and sustain operational efficiency. These metrics are not only vital for assessing current performance but also for predicting future growth and identifying potential areas of improvement. On the other hand, stability indicators, including solvency ratios and leverage metrics, serve to evaluate a company's capacity to meet long-term obligations and manage financial risk effectively [1].

The formation of these indicators involves a complex interplay of accounting principles, economic factors, and industry-specific variables. Understanding the methodology behind their development is crucial for accurately interpreting the financial statements and making

informed decisions. This article aims to elucidate the distinctive traits of these financial metrics and the factors influencing their accuracy and reliability.

By providing a thorough examination of these indicators, we seek to enhance the comprehension and application of financial analysis across various economic contexts. The insights gained from this study will equip stakeholders with the knowledge needed to navigate the financial complexities of the contemporary business environment, ultimately contributing to more robust financial decision-making and strategic planning [2].

The main part

The financial result is the end of the enterprise's work expressed in the amount of profit and the level of profitability. In the financial report of the enterprise, financial results are determined and analyzed based on Form 2 "Report on financial results". According to the Regulation "On the structure of the costs of production and sale of products (works, services) and the procedure for the formation of financial results", the list of incomes of economic entities as a result of production and economic activity is as follows:

1. Net proceeds from sales;
2. Other income from the main production activity;
3. Income from financial activities;
4. Extraordinary profit.

In the conditions of the market economy, every investor, private entrepreneur and every individual or legal entity with free funds wants to use their funds effectively by directing them to the type of activity that brings great profit and the level of risk is lower. For this, as we all know, investors need information that represents the financial status of enterprises or organizations, or reliable documents that guarantee the return of the investment after attracting it. Bank certificates and securities of enterprises or organizations can be sources of capital attraction. This is one of the opportunities created for legal entities to use external financial resources [3]. It is in this form that attracting funds to production is the reason for the normalization of the money mass in society and the increase in the speed of money circulation. As a result of the increase in the speed of money circulation, the level of inflation in the country will decrease and the value of money will increase, and as a result, the economic stability of the country will be strengthened. "As a result of attracting funds in this way, the enterprise strives to use financial resources effectively, and these funds lead to an increase in the efficiency of the enterprise's working capital" [4]. To carry out the above-mentioned activities, reliable sources of information are needed, and the company's reports can be considered as this information. The company's reports provide a full opportunity to monitor the company's activity over the years. It has an opportunity to monitor the dynamics of changes in the company's financial results over the years. Reports are a reflection of the economic and financial status of individuals with legal status. These reports can be used not only by investors

but also by internal users. Internal users can be considered the management service departments of the enterprise or organization, or persons responsible for the enterprise manager in the administration. The main purpose of financial accounting is to provide the necessary information to these internal and external users. Management accounting, on the other hand, often prepares data for business management departments to make quick decisions. The need to form financial results also comes from this, that is, the information needed by internal and external users is represented by these financial results.

General economic activity is any entrepreneurial activity of an economic entity, which consists of its ordinary activity, as well as activities aimed at the future development of the economic entity, strengthening and growth of economic benefits of the economic entity.

Discontinuance of operations is the result of the sale or transfer of an operation, the main line of activity from which the assets, net income or loss of the economic entity are separated, or the losses and activities of this economic entity, including financial statements, can be separated [5,6].

With the transfer of the economy of our republic to market relations, the importance of analyzing the economic activity of enterprises increases, because in the conditions of market relations, the identification of resources not introduced to production and their effective use becomes the most urgent problem.

The formation and development of market relations, the establishment of a multi-level market economy, and the development of various forms of business and entrepreneurship lead to the fact that the financial results of enterprise activity - profit and profitability - become the main indicators of enterprise activity.

Broad use of market relations in the development of the economy, expansion of economic independence of enterprises, increased attention to their financial condition and further expands the composition of organizations and bodies interested in the financial condition of enterprises [7,8].

If previously only finance, banking, statistical bodies and higher organizations were engaged in analyzing the economic activity of enterprises and their financial situation, now tax authorities, audit offices, community organizations, shareholders, suppliers, consumers and other bodies, in addition to the above-mentioned organizations, are involved in this work. and organizations are also involved. This situation imposes new requirements on financial analysis, including the method of its execution.

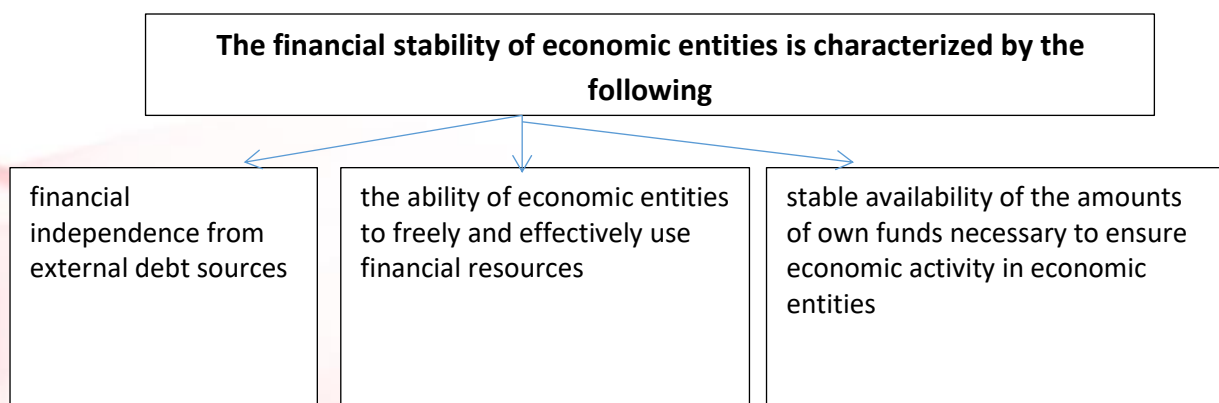


Figure 1. Financial stability and factors of its maintenance

One of the main directions of the economic reforms implemented in the republic is the improvement of the management system. Analyzing the economic activity and financial situation of enterprises plays a big role in positively solving this issue. Because analyzing the activities of enterprises is an important condition for increasing the efficiency of the management system. In the period of market relations, the main part of this condition is the analysis of the financial situation of enterprises. New forms of financial reporting have been adopted in the republic, it is of great importance to study them and establish methods of their widespread use.

During the period of market relations, in order to solve this problem, a number of activities are being carried out to improve the methodology of financial analysis. But there are still many unsolved problems in this regard. Organizations, bodies, and specialists interested in conducting financial analysis are still not provided with a method based on both scientific and practical points of view, and insufficient attention can be given. This situation, of course, has a negative impact on the effective management of enterprises and organizations during the formation of market relations [9-11].

The financial condition of enterprises formed under the influence of internal and external factors, along with determining their prospects, affects the financial condition of other organizations and enterprises connected with this enterprise. In general, the analysis of the production and economic activities of enterprises, including their financial situation, is based on a whole set of complex economic sciences: economic theory, macro and microeconomics, management and marketing, statistics, accounting, auditing, finance, credit, money circulation, etc. So, analyst specialists-economists should have extensive economic knowledge.

Analysis of the financial situation of enterprises, i.e., financial analysis, is a representation of the existence, status, location and level of use of financial resources of enterprises using a wide range of indicators and complex methods.

Financial analysis is a multifaceted and complex process that must be organized based on several requirements. These requirements include:

- to know the relationship between absolute and relative indicators;
- joint use of absolute and relative indicators during financial analysis;
- the financial analysis is carried out logically, it is analyzed based on the inductive method - moving from individual events to general events, from a single form of the financial situation to the general view, and the deductive method - moving from general events to individual events;
- all indicators used should be determined in the same, reasonable way;
- comparing the indicators of the company being analyzed in the analysis of the financial situation with other companies, average industry indicators and indicators of advanced enterprises;
- comprehensiveness of financial analysis and analysis of factors affecting the general financial condition of enterprises;
- pre-preparation of the necessary information for effective financial analysis and use of primary accounting data, not limited to the main approved financial sources;
- the financial analysis should be organized objectively, and it should represent the real level of the financial situation of enterprises;
- financial analysis is conducted in a timely manner, based on the results of the analysis, it is possible to implement measures to improve the financial situation in a timely manner;
- a comprehensive financial analysis should be conducted, in which all forms and directions of the financial situation should be expressed;
- the financial analysis is timely and accurate, it should allow the development of measures to improve the financial situation and their implementation;
- the analysis of the financial situation should be carried out at such a time that the results of the analysis should achieve the following goal and create an opportunity to improve the management activity of the enterprise;
- financial analysis should be based on all the collected and summarized data, using the necessary indicators, and the validity of these indicators should be determined in the right ways.

Financial analysis has the following features:

- the results of the financial analysis are open and everyone can use them;
- the subjects of financial analysis and the composition of bodies, enterprises, and organizations that use the results of this analysis are wide;
- financial analysis is based on publicly available, published reporting data;
- financial analysis is conducted to solve internal management problems of enterprises;

– the direction of the financial analysis is limited to the data of the financial statements, and it solves certain limited tasks. These are financial strength, balance sheet liquidity, profit, profitability, etc.

It can be seen that the analysis of the financial situation of enterprises is carried out on a large scale and for the performance of specific tasks. In addition to the traditional methods that have been used for the analysis of the financial status of enterprises, production and economic activity, statistical methods are widely used, gathering and summarizing data representing the financial status, conducting statistical observations, using absolute, relative, average, dynamic indicators, dynamic series, it is necessary to use the system of economic indices, to determine inter-factor correlation relations, the system of tables and drawings.

Conclusions

It is clear that the financial analysis is multifaceted, complex and important, so it should be based on several requirements. Based on the above-mentioned requirements, the financial analysis should be focused on performing the following tasks in the analysis of the financial situation of enterprises:

1. Assessment of the financial level of enterprises;
2. Determination of changes in financial status;
3. Assessment of the company's solvency;
4. Analysis of factors affecting the financial situation;
5. Assessing the financial stability and financial strength of the enterprise;
6. Assessing the liquidity of the company's balance sheet and determining the factors affecting it;
7. Assessing the circulation of working capital;
8. Expressing the level of financial status achieved in enterprises, showing the opportunities that have not yet been used in this regard, the available reserves.
9. Development of recommendations and proposals to mobilize the opportunities that have not yet been used in enterprises and showing the conditions for their implementation.

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