THE WAYS OF IMPROVING THE FINANCIAL ACTIVITY OF STATE-OWNED ENTERPRISES

Choriev F.I.

Tashkent State University of Economics

Abstract. During the digitization of this article, conducted study aimed at improving the financial stability and financial performance of state-owned enterprises. Ways of effective use of debt and capital have been researched to ensure financial stability, and the role of the digital economy in improving financial activity has been organized.

Keywords: state-owned enterprises, financial stability, debt and capital, digitization.

Introduction

Despite the implementation of privatization in the last 30 years in order to regulate the economy of countries in the world through the market economy, state-owned enterprises have been making a significant contribution to the economic growth of developed and developing countries. In particular, 132 of the world's "top 500 largest enterprises are state-owned enterprises, and 30% of the gross domestic product (GDP) in the People's Republic of China (PRC), 38% in Vietnam, 25% in India and Thailand, and about 15% in Malaysia and Singapore"(OECD, 2021). In this case, special attention is being paid to accelerating reforms and digitization of the financial activities of state-owned enterprises of developing countries, as well as to the coordination of socio-economic policy and commercial goals of these enterprises, as well as to the development of directions for ensuring financial stability.

In order to reform state-owned enterprises, reduce state intervention in the economy, increase investment attractiveness, and widely introduce the IPO and SPO system in state-owned enterprises, transform, digitize and automate state-owned enterprises of strategic importance, introduce corporate governance and financial audit systems , it is important to implement measures aimed at increasing the investment attractiveness of enterprises through the directions of increasing their financial efficiency, encouraging their participation in stock markets, and stabilizing their financial situation.

Literature review

State-owned enterprises are widespread throughout the world and have increased their presence among the world's largest corporations in recent decades. According to recent data, SOEs account for approximately 13-22% of global market capitalization and 50% of total world GDP, with total assets of $45 trillion (Baum, Medas, Soler, & Sy, 2020; Silva & Nerlich, 2021). State-owned enterprises have an important role in the state's economy and related to the state's socio-economic policy. In addition, after the global financial crisis, countries converted firms to state-owned enterprises for greater financial support by restoring control over the private sector (Aguilera et al., 2021).

The specific advantages and disadvantages of state-owned enterprises have been studied by many scientists and financial institutions. Also, the advantages of the centralized model and the management mechanisms based on the laws of the market economy are proposed. Moreover, the importance of digitalization of enterprises with state participation in the transformation processes was emphasized (Choriev, 2022). At the same time, the implementation of modern technologies

and innovations for state-owned enterprises increases their competitiveness. ICT allows enterprises to collaborate with partners to improve open innovation opportunities, expand enterprise openness, transparency, innovation efficiency and cost reduction. By improving the openness of the ICT ecosystem, improving efficiency, people management and corporate governance, enterprises can increase innovation through ICT implementation (Arvanitis et al., 2013; Dahlander & Gann, 2010; West & Bogers, 2014; Laursen & Salter, 2006; Nerkar et al., 2013; Paruchuri, 2005; Rakhmonov&Choriev, 2022). In scientific research, the main focus is on ensuring the stability of state-owned enterprises through the implementation of digitalization and innovative technologies. It is also important to introduce a modern management system and expand the autonomy of enterprises through reorganization, and to separate the functions of state and state-owned enterprises (Chen, 2019). As a result of this activity, the development of corporate management and the openness of the control system were justified (Choriev, 2023).

Methodology

In the course of the article, it is aimed to conduct study on the directions of improving the activities of state-owned enterprises and ensuring their financial stability while accelerating reforms and increasing their investment attractiveness. In article the main factors affecting the stability of ROE and ROA indicators of the enterprise, long-term and short-term debt funds and their marginal values were studied and the economic track was analyzed. For analysis, regression and correlation analysis, as well as F-test and T-test for model verification, and similar analyzes were used.

Results

In general, state-owned enterprises are economic entities whose property is wholly or partially owned by the state and controlled by the government, and whose main income is derived from the sale of goods and services. State-owned enterprises, unlike private firms, do not have the main goal of obtaining a high level of profit, but the organization of a high level of social welfare.

In the organization of enterprises with state participation, the government is established mainly for the purpose of preventing and regulating inconsistencies in the economy, for the purpose of implementing its functions and for socio-economic, political and historical reasons. One of the main tasks of state-owned enterprises is to coordinate two goals: to ensure public interests, that is, to create social value, and to ensure their financial stability by performing commercial activities.

The general advantages of state-owned enterprises are the government's provision of affordable and high-quality services to the population, but one of the main disadvantages is the incompatibility of the above goals and the difficulty of decision-making. State-owned enterprises offer their services at certain marginal prices, not in market competition, even if these prices do not cover the cost of production. These losses or damages are covered by subsidies and grants from the state budget.

It is required to implement measures aimed at ensuring the financial stability of enterprises with state participation through coordination of commercial activities and the socio-economic goals of the state. The fact that enterprises which use their own and borrowed funds effectively through other enterprises, are provided with constant working capital, and achieve steadily growing profitability indicators that shows their financial condition is stable.

For developing countries, social protection, development programs, protectionism, price policy, tax and subsidy policy, and centralized investment policies play a key role in state-owned

enterprises. In the next stages of development, ensuring competitiveness, efficiency in the effective use of own and debt funds, increasing investment attractiveness and joint application of dividend policy are required.

Ensuring financial stability in the activities of state-owned enterprises mainly requires the gradual transfer of enterprise activities to market relations, the introduction of openness and transparency, and public control.

Furthermore, the financial stability of state-owned enterprises is the provision of stable growth indicators based on effective management of own and debt funds of state-owned enterprises and timely implementation of existing obligations through coordination of commercial and non-commercial goals.

Enterprises with state participation are also required to determine the limits of their own and debt funds in order to ensure their financial activities. In this case, it is appropriate to research the effects of this capital structure and a number of other indicators on the profitability indicators of enterprises. In connection with the study, the dependent variables such as short-term and long-term debt funds, total debt funds and financial leverage on the profitability indicators of the financial activity of the joint-stock company with state participation were analyzed. Correlation analysis was conducted based on statistical data and interdependent indicators was analyzed.

In this case, the main indicators are return on equity (ROE), return on assets (ROA), ratio of debt funds to equity capital (Leverage), ratio of total debt funds to total liabilities (DP), capital (CP), long the ratio of long-term debt (LP) and short-term debt (ShP) to the value of total liabilities was obtained.

According to the analysis of statistical data, there is a strong correlation between profitability indicators and the correlation coefficient is equal to R=0.914, there is an insignificant negative relationship with the share of state target revenues in the capital structure, and there is a strong negative relationship with the leverage indicator. correlation, a weak positive correlation with respect to total debt funds can be seen.

Table 1. Results of correlational analysis of financial indicators.

	ROE	ROA	SE	Leverage	DP	CP	LP
ROE	1						
ROA	0,914	1					
SE	-0,389	-0,035	1				
Leverage	-0,906	0,044	0,237	1			
DP	0,148	-0,549	-0,09	0,172	1		
CP	-0,096	0,714	0,116	-0,156	-0,91	1	
LP	0,044	-0,319	0,135	0,024	0,523	-0,412	1
SHP	0,061	-0,462	-0,227	0,137	0,497	-0,674	-0,395

Alternatively, we can see that there is a significant negative relationship between total debt and a positive relationship between equity and return on assets.

Regression analysis was carried out and regression models were created through the related indicators of the study.

$$ROE_t = X0 + SE\ X1 + leverage\ X2 + DP\ X3 + CP\ X4 + LP\ X4 + SHP\ X4 + \mu \qquad (1)$$

$$ROA_t = X_0 + SE\ X_1 + leverage\ X_2 + DP\ X_3 + CP\ X_4 + LP\ X_4 + SHP\ X_4 + \mu \qquad (2)$$

These regression models were performed on profitability indicators. An initial regression analysis was performed between return on equity (ROE) and the independent variables (Table 2).

Table 2. Regression analysis of statistical indicators.

	Coef,	Std.err	t-stat	P	In	terval
cons	128,02	521,7	0,24	0,809	-990,9	1247,0
SE	-0,234	0,109	-2,14	0,05	-0,46	0
Lev-erage	-0,076	0,004	-15,93	0	-0,086	-0,06
DP	0,871	0,241	3,6096	0,0028	0,35	1,3893
CP	-127,9	521,7542	-0,2452	0,8098	-1247	991,11
LP	-128,60	521,6056	-0,2466	0,8088	-1247	990,12
SHP	-128,37	521,6178	-0,2461	0,8092	-1247	990,38

According to this regression analysis, R-squared and normalized R-squared values are equal to 0.97 and 0.95, and it is required to conduct other analyzes of the model constructed according to these regression indicators. According to the results of the regression analysis, the results of the independent variables CP, LP and ShP in the Pvalue are equal to 0.8, and it is appropriate to re-perform the analysis by removing these variables from the model. This is based on the fact that the t-stat indicators are smaller than the t-table value.

Table 2. Regression analysis of statistical indicators.

	Coef,	Std.err	t-stat	P	Interval	
cons	0,023	0,057	0,395	0,698	-0,098	0,144
SE	-0,265	0,118	-2,245	0,038	-0,514	-0,016
Leverage	-0,075	0,005	-14,178	0,00	-0,086	-0,064
DP	0,408	0,088	4,615	0,00	0,221	0,595

As a result of the regression analysis, the general model is as follows:

$$ROE_t = 0.023 - 0.265SE - 0.075Leverage + 0.408Dp + \mu \qquad (3)$$

The conclusion of the model is that if the share of subsidy in the total balance sheet value increases by 1 unit, the profitability indicator (ROE) decreases by 0.26 units, if the leverage coefficient increases by 1 unit, the profitability (ROE) decreases by -0.075 units, and the share of long-term debt funds in the total balance sheet if the amount increases by 1 unit, the profitability (ROE) increases by 0.4 units.

F-test and T-test were conducted to check the statistical significance of this constructed model. In this case, the F-test tests the significance of the regression equation.

In this case, the $F_{account} = 81.3$ indicator is compared with the $F_{account}$ value. $F_{table} = 3.19$, and since the condition $F_{account} > F_{table}$ is fulfilled, the regression equation is considered significant.

A subsequent T-test tests the significance of the regression coefficients. In this too, tjadv is calculated. The calculated t_{table} is equal to 2.1, which shows that the regression coefficients are insignificant. In this case, $/t_{a1}/ > t_{table}$, $/t_{a2}/ > t_{table}$, $t_{a3} > t_{table}$ conditions are fulfilled.

At the same time, according to the above table 4, according to the analysis of Pcoefficient, the dependence of long-term debt funds shows significance, and all independent variables were fulfilled under the condition of $p < 0.05$.

According to the model of next studies regression analysis was conducted on the dependence of the return on assets (ROA) with the participation of independent variables.

According to the regression analysis, R-squared and normalized R-squared values are equal to 0.79 and 0.63, and it is necessary to conduct other analyzes of the model constructed according to these regression indicators. According to the results of the regression analysis, our p-value is high for all independent variables. The fact that the t-stat indicators are smaller than the t-table value also indicates the exclusion of these independent variables. According to further analysis, the influence of DP common debt sources with a high correlation coefficient on the return on assets was considered.

Table 3. Regression analysis of statistical indicators

	Coef,	Std.err	t-stat	P	Interval	
cons	0,11	0,03	3,48	0	0,04	0,17
DP	-0,15	0,05	-2,86	0,01	-0,26	-0,04

A general model would look like this:

$$ROA = 0.11-0.15DP + \mu \qquad (4)$$

According to the results of the regression analysis, the effect of the value of the total debt funds on the profitability of the assets was proven by the fact that the increase of the total debt obligations in the total balance sheet value by 1 unit reduces the profitability by 0.15 units.

At the same time, based on Table 4 above, the P-coefficient analysis shows the significance of long-term debt funds and all independent variables are fulfilled under the $p<0.05$ condition. The obtained results show that it is appropriate to effectively manage debt and own funds in ensuring the financial stability of state-owned enterprises. However, this result is significant when the influence of other factors is not taken into account. It is also important to optimize costs through the widespread introduction of digitization and automation in the activities of enterprises. The use of innovative digital technologies in the activities of enterprises is the main factor that increases productivity and efficiency. Increased productivity provides opportunities to reduce costs and maximize profits.

Conclusion

Enterprises with the participation of the state are established mainly for specific purposes and social and economic goals of the state. Also, taking into account that these enterprises are also commercial organizations, it is important to improve their financial stability and financial activity. In order to ensure the financial stability of state-owned enterprises, it is important to properly manage debt and equity capital, set limit amounts, and reduce debtor and creditor debts, as well as wide use of digitization in all directions.

REFERENCES
1. Aguilera, R., Duran, P., Heugens, P., Sauerwald, S., Turturea, R., & VanEssen, M. (2021). State ownership, political ideology, and firm performance around the world. Journal of World Business, 56, 101–113.
2. Arvanitis, S., Loukis, E., & Diamantopoulou, V. (2013). The effect of soft ICT capital on innovation performance of Greek firms. Journal of Enterprise Information Management, 26(6), 679–701. https://doi.org/10.1108/JEIM-07-2013-0048
3. Baum, A., Medas, P. A., Soler, A., & Sy, M. (2020). Managing fiscal risks from stateowned enterprises. In IMF Working Paper, September 5, 2020.
4. Dahlander, L., & Gann, D. M. (2010). How open is innovation? Research Policy, 39(6), 699–709. https://doi.org/10.1016/j.respol.2010.01.013.

5. Laursen, K., & Salter, A. (2006). Open for innovation: The role of openness in explaining innovation performance among U.K. manufacturing firms. Strategic Management Journal, 27(2), 131–150. https://doi.org/10.1002/smj.507

6. Nerkar, A., & Paruchuri, S. (2005). Evolution of R&D capabilities: The role of knowledge networks within a firm. Management Science, 51(5), 771–785. https://doi.org/10.1287/mnsc.1040.0354

7. OECD, 2021. Ownership and Governance of State-Owned Enterprises: A Compendium of National Practices. Date of publication.16 December 2021. // https://www.oecd.org/.

8. Rakhmonov D.A., Choriev F.I. The role of the digital economy in ensuring the financial stability of state owned-enterprises. ACM International Conference Proceeding Series, 2022

9. Silva, A. C., & Nerlich, A. (2021). Listing state-owned enterprises in emerging and developing economies: Lessons learned from 30 years of success and failure. In World Bank report, No. 160917. Washington, D.C.: World Bank Group

10. West, J., & Bogers, M. (2014). Leveraging external sources of innovation: A review of research on open innovation. Journal of Product Innovation Management, 31(4), 814–831. https://doi.org/10.1111/jpim.12125

11. Ishquvvatovich, Choriev Fazliddin. "The Influence of the Capital Structure of State Enterprises on the Profitability of the Enterprise." International Conference on Next Generation Wired/Wireless Networking. Cham: Springer Nature Switzerland, 2022.

12. Choriev, F. "Factors affecting the financial activity of state-owned enterprises." Science and innovation 2.A1 (2023): 107-112.

13. Chen, L., 2019. China's central state corporatism: The party and the governance of centrally controlled businesses. In: Zheng, Y., Gore, L.L.P. (Eds.), The Chinese Communist Party in Action: Consolidating Party Rule. Routledge, London, pp. 220–239.