WAYS TO ENSURING FINANCIAL SUSTAINABILITY OF ELECTRICITY NETWORK ENTERPRISES

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Abstract. *This research work is devoted to assessing the financial stability of power grid enterprises using the example of JSC "Regional Electric Grids". In the conditions of increasing demand for electricity as a result of economic growth, accelerated urbanization processes and population growth, the dynamics of the enterprise's assets, liabilities, profitability indicators and capital structure were analyzed. The results of the study showed a sharp increase in the share of debt funds, the transition of net assets to a negative state and the instability of profitability indicators. Factors affecting financial stability were divided into internal and external groups, and the cost structure, debt burden and cash flow stability were identified as important internal factors. At the same time, tariff policy, insufficient development of market mechanisms and state regulation were assessed as external factors. According to the conclusions of the study, restructuring the debt portfolio, increasing operational efficiency and strengthening financial management are important areas for ensuring the long-term financial stability of power grid enterprises.*
Keywords: *financial stability, electric power companies, state-owned enterprises, financial analysis, debt burden.*

Introduction. The electricity sector is one of the most important sectors of the energy sector, and global electricity consumption is expected to increase dramatically in the coming decades. According to forecasts, electricity demand will increase to 31,000–36,000 TWh by 2030 and to 52,000–71,000 TWh by 2050. Much of this growth is expected to come from developing economies. In particular, almost 85% of the additional global electricity demand by 2026 is expected to occur outside developed economies. These trends indicate that ensuring the financial sustainability of energy companies is not only an economic issue at the firm level, but also a strategic issue closely linked to macroeconomic stability and national energy security.

Reforming state-owned enterprises in Uzbekistan and adapting them to market mechanisms has also become a priority policy direction. By Resolution No. 166 of the Cabinet of Ministers of the Republic of Uzbekistan dated March 29, 2021, the Strategy for the Management and Reform of State-Owned Enterprises for 2021–2025 was approved. The Strategy provides for a gradual reduction in state participation, expansion of financial opportunities, and the introduction of mechanisms for the sale of shares through the IPO and SPO markets.

On this basis, the aim is to assess the financial stability of state-owned enterprises in the energy sector and identify the main factors that enhance such stability. In particular, the research work systematizes financial stability indicators, analyzes internal and external determinants of stability, and develops practical recommendations for increasing financial stability in the context of participation in the capital market. The results will serve to make decisions aimed at strengthening financial management, investment policy, and corporate governance in energy sector enterprises.

Literature review. In modern economic relations, the concept of financial stability of an enterprise is widely used from the micro to the macro level. Although financial stability is often equated with solvency, in theoretical sources it is highlighted as a broader category that determines the overall stability and long-term development potential of the enterprise (Glossaries and Encyclopaedias on Academician, 2011).

The identification of financial stability with "solvency" is found in practice, but solvency is a narrow criterion expressing the ability to fulfill debt obligations on time and is only one part of corporate financial stability (Lozovsky et al., 2007). Therefore, the structure and stability of cash flows are also of particular importance in assessing financial stability. In corporate finance management, the choice of the ratio of equity and debt capital, i.e., the optimization of the capital structure, is indicated as an important direction that directly affects stability. Bocharov (2001) emphasizes the issue of optimizing the capital structure as one of the most complex problems in corporate financial management. Blank (2011) highlights the relationship between the ratio of capital sources and efficiency in the context of financial resource management.

Assessing financial stability only through accounting profit may not be sufficient; because an enterprise, even if profitable, faces liquidity problems under the pressure of investment and debt repayment. In this regard, the sum of the operating, investment and financial cash flows of the enterprise provides a general picture of the free cash flow for owners (Cernavskis, 2012). It is also advisable to analyze the factors and risks affecting it in ensuring the financial stability of these enterprises and develop measures to eliminate them. In this case, the enterprise should assess the impact of specific target areas, the state's economic, social and environmental policies and foreign policies on its economic and financial activities.

Especially against the background of the rapid development of information technology and the increase in financial risks, financial regulation is steadily increasing, as a result of which the regulatory environment has an increasingly significant impact on the activities of enterprises. Strict financial and environmental regulation not only ensures market transparency, stability and fairness, but also encourages enterprises to accelerate the introduction of digital technologies to improve operational efficiency and meet compliance requirements in the face of complex regulatory requirements (Wu et al., 2024).

Methodology. This scientific article analyzes the financial stability of the state-owned "Regional Electric Networks" joint-stock companies based on their financial and economic indicators, and attempts to group the dynamic changes in these indicators by analysis to draw scientific conclusions. The following methodological approaches and methods were used in the research process, namely, comparative and statistical methods.

Analysis and results. In accordance with the Resolution of the President of the Republic of Uzbekistan No. PQ-4249 dated March 27, 2019 "On the Strategy for Further Development and Reform of the Electric Power Network in the Republic of Uzbekistan", the "Regional Electric Networks" joint-stock company was established, which manages the enterprises of regional electric networks that distribute and sell electricity to end consumers. As of January 1, 2024, the total number of electricity consumers in the Republic of Uzbekistan was 8,089,339, including 433,217 legal consumers and 7,656,307 household consumers (population). In addition, the stable economic growth rate in Uzbekistan and the rapidly growing urbanization process can increase the demand for electricity and the number of consumers. In addition, the main electricity generators in terms of electricity supply are thermal and hydroelectric power plants, and although wind and

solar power plants have a share, production shows a significant increase compared to previous years.

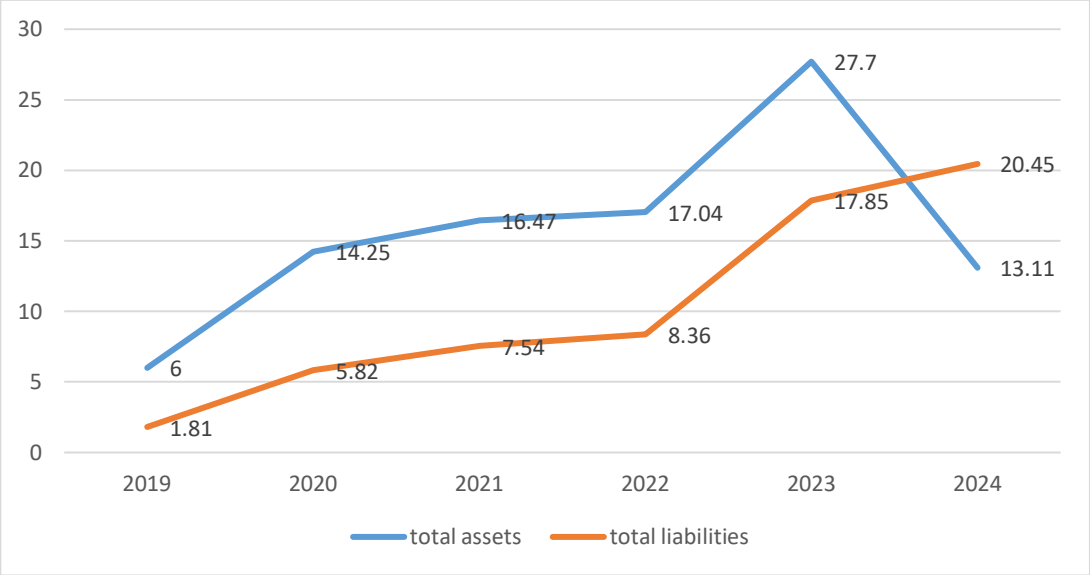
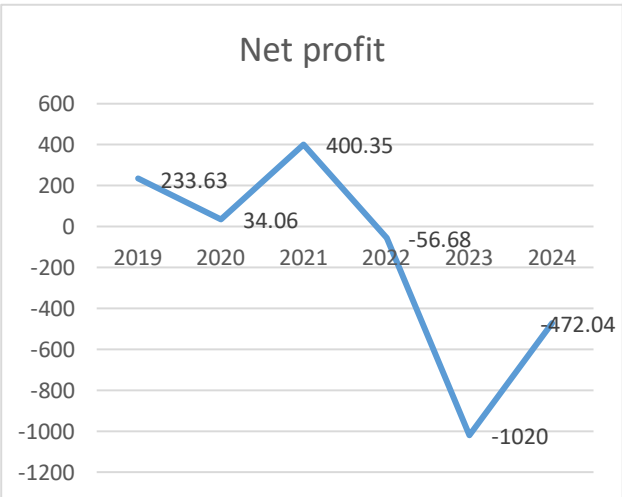


Figure 1. Dynamic changes in assets and equity of JSC "Regional Electric Networks". (trln.sum)

The total assets of the Regional Electric Networks JSC amounted to approximately 6 trillion sums in 2019, 14.25 trillion sums in 2020, and 16.47 trillion sums in 2021. Although this indicator reached 27.7 trillion sums in 2023, this value decreased to 13.11 trillion sums in 2024. Similarly, the dynamics of the joint-stock company's liabilities in 2020 increased by 222% compared to 2019 and amounted to 5.82 trillion sums, indicating a rapid growth in creditors. In 2023, liabilities increased from 8.36 trillion sums to 17.85 trillion sums compared to 2022. In this case, the conclusion is drawn that the financing of the JSC's activities was carried out mainly through debt. And in 2024, the amount of liabilities reached 20.45 trillion sums, and sharply exceeded total assets. Also, based on this data, the debt share, i.e. the liability/asset ratio, was 30.2 percent in 2019, while in 2024 it was 156 percent, and this percentage can be noted as a dangerous point. At the same time, the analysis of the amount of net assets, i.e. the difference between Assets - Liabilities, showed a positive difference of 4.19 trillion sums from assets and liabilities in 2019, while in 2024 it ended with a negative difference of −7.34 billion sums. This indicator may pose a risk of technical insolvency of the joint-stock company.



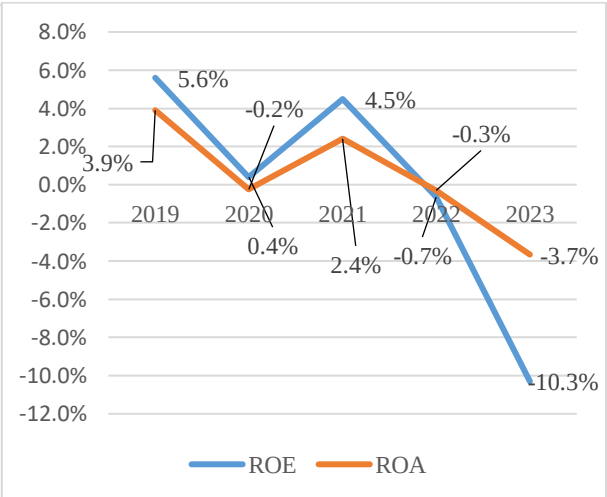


Figure 2. Dynamic changes in profitability indicators of the Regional Electric Networks Joint Stock Company. (bln.sum and percent)

The dynamics of net profit of Regional Electric Networks JSC from 2019 to 2024 was in a state of sharp fluctuations. In 2019, net profit amounted to 233.63 billion sums, and in 2020 it decreased to 34.06 billion sums. In 2021, this indicator recovered and reached its peak, amounting to 400.35 billion sums. However, in 2022, net profit became negative and amounted to -56.68 billion sums, which indicates the beginning of a significant deterioration in the income-expense ratio. In 2023, net profit decreased to -1020 billion sums, which is a decrease of -963.32 billion sums compared to 2022. In this regard, it can be noted that the company's expenses related to financial activities have increased sharply. Although the situation improved somewhat in 2024, this indicator reached -472.04 billion sums. However, the amount of net profit remains negative.

The return on equity of JSC "Territorial Electric Networks", that is, the share of net profit per unit of capital, was 5.58 percent in 2019, while in 2020 this amount was 0.4 percent. In 2021, this amount was 4.48 percent. Also, in 2022, this profitability indicator decreased by -0.65 percent, while in 2023 this amount was -10.3 percent. That is, there are 10 percent losses for every 1 capital. Similarly, the return on assets, which was 3.9 percent in 2019, was -0.24 percent in 2020. In 2021, it increased to 2.43 percent, while in 2022 it was -0.33 percent and in 2023 it was -3.66 percent. The relative indicators of the financial and economic results of the joint-stock company are in an unstable state, and a systematic analysis of the financial condition of joint-stock companies also suggests that there are financial problems.

Conclusion. Against the background of the growth of assets of “Regional Electric Networks” JSC in 2019–2023, liabilities also grew rapidly, which indicates an increase in financial leverage, i.e. debt bondage. In 2024, as a result of a sharp decrease in assets and an increase in liabilities, we can see that liabilities had a high share in relation to assets, and net assets turned into a negative value. This situation characterizes the possibility of the financial stability of the enterprise being exposed to financial and economic risks. The analysis of the debt and equity ratios in the financial activities of the joint-stock company showed an increase in the share of debt. At the same time, maintaining debts at effective and marginal levels, in turn, serves the stability of the enterprise. For this reason, it is necessary to take measures to restructure the debt portfolio, strengthen capital, strengthen cash flows, i.e. revise the tariff system, and improve operational efficiency.

The high level of electricity prices set by the authorities of the JSC "Regional Electric Networks" and the existence of prices classified by price, in turn, negatively affect the low level of income and profitability indicators cited as relative indicators. Also, the lack of a developed electricity market, the growth of production in the economy, the rapid growth of the urbanization process, and the population growth trends are also increasing the demand for electricity and similar utilities. Since the price level does not have a tendency to increase due to the mismatch of supply and demand in the market, the financial and economic indicators of these enterprises show negative results. These circumstances may require significant expenses from the state budget, i.e. additional funds, and may entail fiscal risks. These circumstances may require significant expenses from the state budget, i.e. additional funds, and may entail fiscal risks. For this reason, the reports on macrofiscal risks of the Ministry of Economy and Finance of the Republic of Uzbekistan include a comprehensive analysis of the financial and economic indicators of state-owned enterprises.

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