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The Importance of Financial Analysis in Small Business Entities Specializing in Fish Farming

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Abstract: The article explores the theoretical aspects of analyzing the financial condition of small business entities specializing in fish farming. Based on the unique characteristics of their activities, a system of indicators for assessing their financial condition has been developed. Additionally, the financial stability of these small business entities has been evaluated and analyzed. Based on the analysis results, proposals and recommendations aimed at improving the financial condition of small business entities engaged in fish farming have been formulated.

Keywords: Financial Stability, Financial Condition, Financial Ratios, Solvency, Liquidity, Profitability, Profit, Costs

1. Introduction

Today, the activities of fish farming enterprises established in small business entities play a crucial role in developing the national economy and ensuring food security. Improving the development of fish farming enterprises, increasing the volume of high-quality fish products, and meeting the population's demand for fish products are closely linked to the financial stability of these fish farming enterprises. Ensuring their financial stability is one of the key factors in supplying the domestic market with essential fish products.

Financial stability is a primary indicator of the successful operation of fish farming enterprises within small business entities and serves as a basis for making decisions related to their future development. Additionally, this indicator is important for their investment attractiveness, credit rating, and economic relations with partners. Therefore, it is vital to ensure financial stability within such entrepreneurial entities and to continuously analyze the factors influencing it.

Analyzing and assessing the financial condition of fish farming enterprises established in small business entities allows for the identification of their strengths and weaknesses, enhances their operational efficiency, predicts the outcomes of strategic decisions, and clarifies the impact of expanding business activities on their future financial condition. It also provides the opportunity to compare the performance of fish farming enterprises with other enterprises in similar sectors.

Furthermore, analyzing the financial condition of these fish farming enterprises can lead to recommendations for improving their operations, suggestions for necessary future actions, and forecasts of their future activities and indicators.

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It is important to note that the financial stability of fish farming enterprises established in small business entities, which are crucial components of the economic system, plays a significant role in ensuring the sustainable growth of the national economy. The financial stability of these enterprises and achieving it is essential for their operational capabilities and securing a strong position in the market. From this perspective, analyzing and researching the financial condition of fish farming enterprises is relevant, as it is crucial for determining their future financial opportunities, taking into account ownership and industry characteristics.

In works related to financial analysis, economists have approached the analysis of an enterprise's financial condition in various ways.

Economist and professor E.A. Akramov has proposed the concept of financial stability and its indicators when analyzing the financial condition of enterprises. He has substantiated the factors that influence financial stability, providing a comprehensive framework for understanding how different elements affect the overall financial health of a business. [2] Additionally, he emphasizes that the category of financial stability represents an indicator reflecting the necessity for an enterprise's financial condition to maintain a certain level and not decline.

According to M. Rakhimov, "The purpose of financial analysis is to periodically study the financial condition of firms and companies, their financial results, and cash flows using a system of indicators expressed in financial reporting data" [10].

Professor M.Q. Pardayev refers to the financial condition of enterprises as financial potential and defines it as follows: "Financial potential refers to the totality of financial resources composed of various sources that fully support the activities of an enterprise." [9].

Professor A.D. Sheremet writes, "The financial condition of an enterprise is characterized by the placement and utilization of funds (assets) and the nature of the sources that form them (equity capital and liabilities, i.e., liabilities)." [14].

Thus, the financial condition of small business entities specializing in fish farming is a complex concept that is expressed through a system of indicators reflecting the state of financial resources at the enterprise's disposal, as well as the placement and utilization of these resources. Additionally, the financial condition of these entities is characterized by indicators that represent their degree of self-funding, payment capacity, and the risk levels associated with accounts receivable and payable

2. Materials and Methods

The scientific article extensively utilized the comparative method, which is the primary method for analyzing the financial condition of enterprises specializing in fish farming established by small business entities. Additionally, the analysis of the financial condition of the enterprises was also conducted through various indicators.

In analyzing the financial condition of small business entities specializing in fish farming, the following indicators with normative levels and criteria can be used (Table 1).

Table 1. Classification of Financial Stability Ratios.

No	Indicator Name	Calculation Method	Standard Level
1	Absolute Liquidity Ratio	(Cash + Short-term Investments) / Short-term Liabilities	> 0.2
2	Current Liquidity Ratio	Current Assets / Current Liabilities	> 1.25
3	Financial Leverage Ratio	Equity / Debt Liabilities	> 0.25
4	Current Asset Coverage Ratio	Current Assets / Equity	> 0.1

5	Return on Equity Ratio	Net Profit / Equity	> 0.15
6	Financial Independence Ratio	Equity / Total Assets	> 0.5 (Optimal level: 0.65-0.75)
7	Profitability Ratio	Profit before Tax / Total Expenses	Max
8	Balance Profit Margin Ratio	Gross Profit from Sales / Net Sales from Products	Max
9	Net Profit Margin Ratio	Net Profit / Net Sales from Products	Max

Through the absolute and relative indicators that express the financial condition mentioned above, a rational assessment of the financial condition of enterprises specializing in fish farming established by small business entities can be made. By analyzing these indicators, organizational and economic measures will be developed to ensure and improve the financial stability of the enterprises, and these measures will be implemented in practice.

3. Results

Using the table that reflects the financial reports of "Namanganbaliq" LLC, we calculated the absolute and relative indicators that express the financial condition, resulting in the following outcomes (Table 3).

Table 2. Financial Ratio Analysis of "Namanganbaliq" LLC.

No	Indicator Name	Years			
		2021	2022	2023	2024
1	Absolute Liquidity Ratio	0.53	0.23	0.15	0.15
2	Current Liquidity Ratio	1.11	2.66	1.06	0.71
3	Financial Leverage Ratio	0.74	0.61	2.33	2.68
4	Current Asset Coverage Ratio	0.49	0.21	0.33	0.45
5	Return on Equity Ratio	0.25	0.38	0.24	0.19
6	Financial Independence Ratio	0.43	0.38	0.70	0.73
7	Profitability Ratio	0.12	0.18	0.17	0.08
8	Balance Profit Margin Ratio	0.19	0.22	0.23	0.15
9	Net Profit Margin Ratio	0.09	0.13	0.12	0.07

Based on the data from "Namanganbaliq" LLC, calculated by the author.

During the analyzed period (2021-2024), the absolute and current liquidity ratios of "Namanganbaliq" LLC remained stable in 2021 and 2022; however, in the last two years, these ratios fell below the established minimum standard. The company's ability to timely and fully repay short-term liabilities decreased in 2023 and 2024. However, this situation can be attributed to the nature of the company's operations, indicating that excess cash resources have been directed to other assets for more effective use.

The financial leverage ratio reflects the efficiency of using the company's own funds among small business entities specializing in fish farming. For "Namanganbaliq" LLC, this indicator ranged from 0.61 to 2.68 during the analyzed period, indicating that the company has been effectively utilizing its own funds.

The coefficient of being provided by current assets for "Namanganbaliq" LLC ranged from 0.21 to 0.49 during the analyzed years, exceeding the normative value. The company is sustainably provided by its current assets.

For the financial independence ratio, a maximum normative value of 0.5 is accepted in practice. For "Namanganbaliq" LLC, this indicator was below 0.5 in 2021 and 2022, while in 2023 and 2024, it was above 0.5. This indicator has shown a stable growth trend in the last two years. A higher ratio indicates that the company is in a financially stable state and

independent from external creditors. Comparing this indicator with the optimal value (0.65-0.75), the situation in the last two years fully aligns.

The return on equity ratio for "Namanganbaliq" LLC ranged from 0.19 to 0.38 during the analyzed years, exceeding the established minimum standard. The overall profitability ratio remained stable from 2021 to 2023 but decreased in 2024 due to the rising costs of fish products and period expenses.

The analysis of the balance profit margin ratio shows that "Namanganbaliq" LLC had its lowest value in 2024. This situation can be explained by the sharp increase in the cost of produced fish products and certain issues that arose in managing production costs within the company.

The net profit margin ratio of "Namanganbaliq" LLC has shown an unstable trend during the analyzed years. This ratio reached its lowest level in 2024 at 0.07. Given the nature of the company's operations, the decline in this indicator does not have negative significance when the balance profit margin is high. However, a low value of this indicator is considered unfavorable for the owners. If necessary measures are not taken by the entrepreneurs in such a situation, conflicts of interest may arise for the owners.

4. Discussion

The financial condition is a crucial aspect in evaluating the activities of enterprises specializing in fish farming established by small business entities. The analysis of the financial condition of these enterprises involves a comprehensive and in-depth study of their financial and economic activities. The main goal of financial analysis is to identify key indicators that can objectively and accurately reflect the financial condition of enterprises specializing in fish farming. Using the identified indicators, an assessment of the current financial condition of these enterprises will be made, along with the planning of strategies for the near or distant future and expected financial outcomes. Entrepreneurs engaged in fish farming must continuously gather data regarding their financial condition, analyze it, and stay informed about the results of these evaluations. In this article, we will analyze the absolute and relative indicators that assess the level of financial stability of the enterprise "Namanganbaliq" LLC based on its financial reports (Table 2).

Table 3. Economic indicators of "Namanganbaliq" LLC (in thousands of uzbek som).

Indicator Name	Years			
	01.01.2021 y.	01.01.2022 y.	01.01.2023 y.	01.01.2024 y
Fixed Assets	1,459,804.00	2,907,603.00	2,595,975.00	2,069,686.00
Total Current Assets	1,553,959.00	881,859.00	1,023,931.00	1,252,274.00
including				
Inventory	640,158.00	304,511.00	847,820.00	1,099,147.00
Accounts Receivable	1,500.00	40,820.00	11,200.00	15,300.00
Cash	912,301.00	536,528.00	164,911.00	137,827.00
Total Assets	3,013,763.00	3,789,462.00	3,619,906.00	3,321,960.00
Equity	1,285,955.00	1,434,962.00	2,533,362.00	2,420,913.00
Current Liabilities	1,727,808.00	2,354,500.00	1,086,544.00	901,047.00
Net Revenue from Fish Product Sales	3,385,192.00	4,333,294.00	5,155,127.00	6,271,188.00
Cost of Fish Products	2,718,558.00	3,363,913.00	3,977,966.00	5,331,317.00
Gross Profit from Fish Sales	666,634.00	969,381.00	1,177,161.00	939,871.00
Period Expenses	300,210.00	299,994.00	414,020.00	489,671.00
Profit Before Tax	375,624.00	676,387.00	770,141.00	450,200.00
Other Taxes and Mandatory Payments	55,224.00	125,887.00	171,191.00	0

Net Profit for the Reporting Period	320,400.00	550,500.00	598,950.00	450,200.00
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Based on the data from "Namanganbaliq" LLC, compiled by the author.

5. Conclusion

Based on the analysis of the financial indicators of "Namanganbaliq" LLC, the following measures are recommended to address issues related to financial stability and ensure sustainable operations:

- Increase Liquidity:** It is advisable to direct a portion of the company's funds to quickly convertible assets. This will enable the company to meet its obligations to partners by converting these assets into cash promptly.
- Enhance Investment Policy:** To stabilize the amount spent on operations and their self-recovery level, it is appropriate to further improve the company's future investment policy.
- Full Utilization of Production Capacities:** Ensure full utilization of fish product production capacities and facilitate the gradual transition to producing new types of goods.
- Manage Costs Effectively:** A rational management system should be established for costs affecting the price of fish products and period expenses to increase profitability and related indicators.
- Seek Alternative External Resources:** Given the seasonal nature of cash flow, it is advisable to seek alternative external sources to meet cash needs. This requires developing a mechanism for timely repayment of attracted financial resources.

Implementing these measures will enhance the share of the company's own funds in its asset structure, improve the sources of current assets, and increase the company's solvency and profitability, thereby enhancing its ability to generate profit.

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