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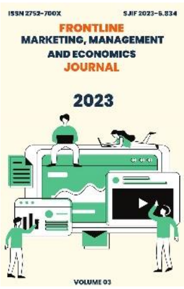

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Research Article

IMPROVING THE CAPITAL MANAGEMENT MECHANISM OF JOINT STOCK COMPANIES

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ABSTRACT

The article focuses on the necessity and urgency of organizing a capital management mechanism in joint-stock companies. The principles of capital management and its main aspects are covered. Specific features of the development of measures to increase the efficiency of capital use in joint-stock companies are described. The content of efficiency indicators on the use of capital and the economic basis of their use are disclosed. Proposals and recommendations on improving the mechanism of capital formation resource management have been developed.

KEYWORDS

Capital, joint stock company, debt capital, financial stability, liquidity, strategy, financing, external sources, external environment.

INTRODUCTION

We can observe every aspect of the practical effect of rational economic and financial policy, which is gradually being implemented in our country. At this point, it should be said that in recent years, several works have been carried out on establishing a modern corporate management system in the joint-stock companies operating in our country and the rational use of the best practices of foreign countries in this direction. According to the decree of the President of the Republic of Uzbekistan No. PD-6096 of October 27, 2020 "On measures to accelerate the reform of state-owned enterprises and the privatization of state assets" active involvement of foreign experts (including compatriots) in supervisory boards and management of enterprises based on an international competition the tasks of filling at least 30 percent of the composition of the supervisory boards and at least 3 management employees of the enterprise with qualified international experts [1] have been set separately.

Improving the efficiency of capital use plays an important role in improving the modern corporate management mechanism in joint-stock companies. It is no exaggeration to say that the formation of the capital structure of corporate structures is one of the urgent issues facing any executive and financial management bodies and forms the basis of financial decision-making. In recent years, large-scale reforms have been carried out in joint-stock companies operating in our country in terms of improving the modern corporate management mechanism, implementing transformation processes, and gradually reducing the state's participation in the authorized capital. At the same time, the low level of capital utilization efficiency in some joint-stock companies is considered one of the main factors affecting their final financial results. This, in turn, leads to a negative change in their levels of financial stability. The development of scientific proposals and practical recommendations based on the implementation of scientific research aimed at increasing the efficiency of the use of capital shows the relevance of the selected research topic.

Review of literature

Several fundamental and practical studies have been conducted by domestic and foreign economists on optimizing the capital structure of companies, effectively forming the capital structure, and determining the capital value.

The "Financial (Capital) Asset Valuation Model" (CAPM) developed by William Sharp plays an important role in determining equity capital valuation in financial management. This model

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involves determining the level of market risk impact on this financial asset when determining the required amount of return on the financial asset [2]. The subject of the theory is to determine the level of risk and profitability of securities. According to A. Damodaran, the author of studies devoted to the theoretical and practical problems of modern corporate finance, the price of private capital is the return expected by the investor from the investment (investment) in the capital of the company [3]. According to Roger Ibbotson, "the cost of capital is equal to the return on alternative investments with the same level of risk." That is, the investor decides to invest in securities of another company, which is a competitor of the company. In this case, the securities of a competing company are an alternative investment, although the risk is at the same level [4].

Prof. A. Burkhanov and O. Hamdamov presented their approach to joint stock company capital, debt capital and valuation methods. According to scientists: "financial leverage is the most important indicator in evaluating the debt capital of a joint-stock company, and this indicator recommends the use of debt funds by the joint-stock company, which affects the change in the coefficient of efficiency of private capital" [5]. According to the research of R. Kh. Karlibaeva, it was shown that the current state of profitability of assets and the maximum level of profitability of private capital is ensured due to effective attraction of debt capital in the capital structure of a joint-stock company. Only, the value of the debt capital of the joint-stock company should be constant. Also, the weighted average value of capital shows the minimum level of debt capital of a joint-stock company and the maximum level of the value of private capital [6].

According to M. Eshov, it is necessary to pay attention to the value of debt capital when determining the internal value of a joint-stock company. Because debt capital directly affects intrinsic value. For this reason, he emphasized that it is necessary to take into account the profitability indicators of joint-stock companies when evaluating the cost of debt capital [7]. The scientist mainly researched the fundamental approaches to the evaluation of the capital of the enterprise, and it was concluded that the efficiency of the use of capital has a direct effect on the real, i.e., internal value of the capital.

Based on the research of H.K. Khudoykulov, it was emphasized that the efficiency of capital

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management of companies can be increased by wide use of coefficients, including debt value, ratio of debt to private capital, leverage and debt ratios, which are widely used in the world in evaluating the value of debt capital of companies [8]. In the scientist's research, he stated that "it would be appropriate to determine the value of debt capital through the approaches and methods that are widely used in the world." If joint-stock companies have not issued bonds, then debt capital through cost of debt, debt to equity ratio, debt ratio, debt to asset ratio and leverage ratios it is necessary to use the methods of determining the value.

Results

One of the important factors of capital efficiency of joint-stock companies and its management is the principles of capital formation, through which it is possible to achieve the level of development and financial stability of joint-stock companies.

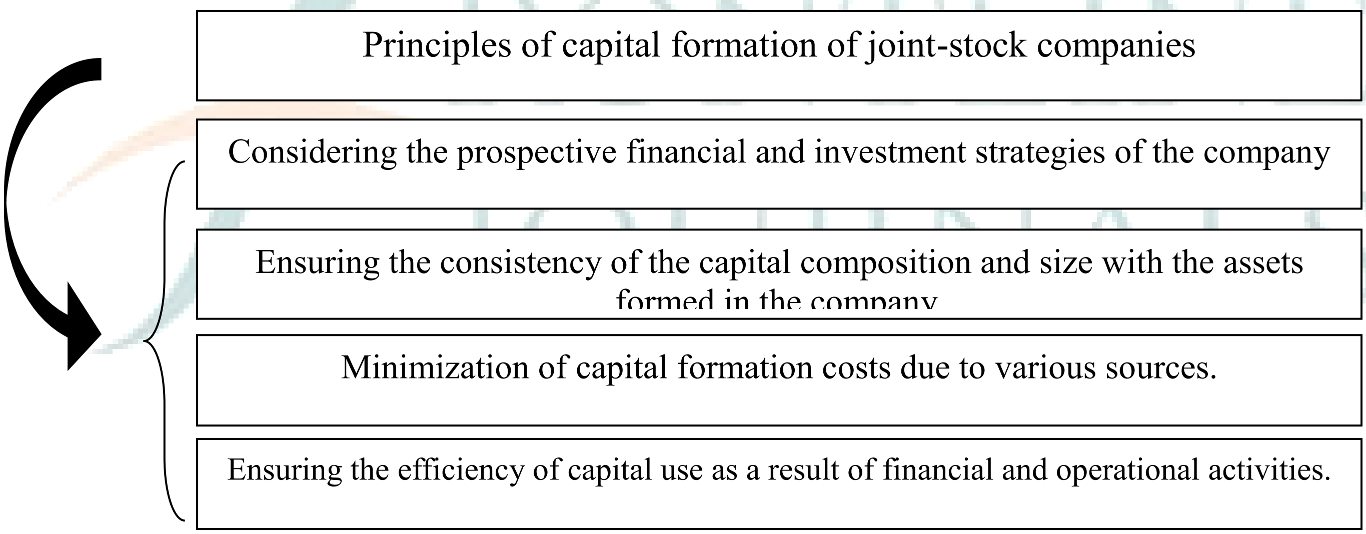

Figure 1. Principles of capital formation of joint stock companies

To increase the efficiency of capital management of joint-stock companies, we can express the principles of capital formation through the following figure (Fig. 1).

The level of efficiency of the economic and financial activity of corporate structures is largely determined by the purposeful formation of its capital. The main goal of capital formation of

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joint-stock companies is to optimize its structure in terms of meeting the need for the purchase of necessary assets and ensuring the conditions for its effective use. Taking into account the company's financial and investment strategies and prospective development parameters, the process of forming the capital size and structure is aimed at fulfilling the tasks of ensuring its financial stability and economic independence not only at the initial stage of the company's activity but also in the long term. Of course, this process should include the stage from the organization of the company's activities to the implementation of investment projects. From the data of Figure 1, it can be seen that each stage of the principles of capital formation of the company fully covers the development trends from the establishment of financial and operational activities to the improvement of activities in the future.

Effective capital management in corporate finance and business plays a key role in determining the success and sustainability of a company. The capital management process involves the strategic allocation and use of financial resources to optimize profitability, manage risks, and improve overall operational efficiency. Capital-based management includes making informed decisions on how to form, distribute and use the company's own and debt funds, ensuring compliance of its financial structure with long-term goals and objectives (Figure 2).

Figure 2. Capital management mechanism and sequence of main objectives

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One of the main goals of capital management is to get the maximum benefit from the resources allocated to investment. By effectively using available financial resources, the company can get high profits and achieve sustainable growth. It involves a systematic evaluation of various investment opportunities, taking into account factors such as risk, potential return and liquidity. Another goal of capitalmanagement is to minimize financial risks associated with the company's activities. This includes identifying and mitigating risks that may negatively impact the company's financial stability. By maintaining an optimal balance between debt and equity, companies can reduce their exposure (vulnerability) to economic downturns, changes in interest rates, or unexpected market changes.

One of the important aspects of capital management is the effective management of working capital. Effective management of working capital ensures that the company has sufficient liquidity to meet short-term obligations while optimizing cash flow. For example, by implementing effective inventory management techniques, a company can minimize inventory costs and reduce the likelihood of inventory shortages, thereby increasing operational efficiency and reducing working capital requirements.

Management of the capital base also includes determining the optimal structure of the company's capital. It refers to a combination of debt and equity funds used to finance operations and investments. The capital structure decision affects the company's cost of capital, risk profile and ability to attract investors. For example, companies with stable cash flows and a low-risk profile may prefer higher levels of debt financing to obtain tax benefits and reduce the cost of capital. On the other hand, companies operating in relatively low-profitability industries may choose a conservative capital structure with a high equity ratio to reduce financial risks. Effective capital management is closely related to the company's financial and investment strategic planning and decision-making. This requires a comprehensive understanding of the company's financial position, market dynamics and long-term goals. By aligning capital allocation decisions with strategic priorities, a company can ensure that its financial resources are focused on initiatives that drive growth and create value.

One of the most important aspects of capital management is to evaluate and improve its efficiency. It should be said that one of the important factors determining the efficiency of capital management is how well-working capital is managed. Working capital is one of the necessary parameters for maintaining the financial stability of the company, including liquidity, solvency and profitability. By evaluating and improving the effectiveness of capital management, a company can optimize cash flow, reduce financing costs, and improve operational efficiency.

Several key indicators and criteria can be used to evaluate and improve the efficiency of capital management, the main ones being the following (Figure 3).

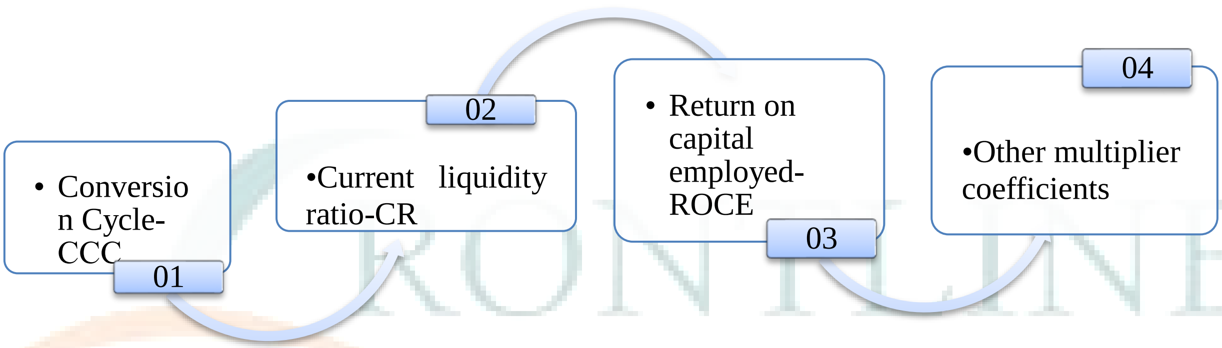

Figure 3. Performance indicators and benchmarks

This ratio serves to determine the number of days for the company's reserves and receivables to be converted into cash, and the number of days it will take to pay off the payables. The shorter the cash cycle, the higher the efficiency of capital management, as it indicates that such companies can generate cash from their operations more quickly and reduce their dependence on external financing. For example, if a company has a score of 40 units on this ratio, it means that it takes an average of 40 days to convert working capital into cash. A company can improve this ratio by reducing inventory levels, increasing cash receipts from customers, and extending payment terms with suppliers. It is known that the current liquidity ratio helps to determine the ability of the company to pay its short-term obligations with the help of current assets. This ratio is determined by the ratio of current assets to current liabilities. The higher the current liquidity ratio, the more effective capital management efficiency can be concluded, as it indicates that the company has sufficient liquidity to meet its financial obligations. The return on capital employed (ROCE) ratio determines the profitability of the company's capital base, and this ratio shows the sum of debt and equity capital. The higher the ROCE, the more positive the efficiency of capital management, as it indicates that the investment is generating a higher return on invested capital.

Conclusions

The main goal of capital optimization of joint-stock companies is to ensure its efficiency. Efficiency is a multi-faceted concept and generally means the ability to achieve maximum results with minimum costs. This includes optimization of processes, reduction of excess costs and efficient use of resources. In recent years, the wide use of financial and digital technologies has gained importance in increasing the efficiency of capital use. This, in turn, implies achieving high financial results based on the digitization of areas that require additional costs.

Effective organization of the monitoring mechanism of capital utilization and financial stability of joint-stock companies, opportunities lost in achieving the set strategic goals of the company, econometric forecasting of financial stability, and assessment of financial risks allows to minimize their level. Based on international practical experience, the introduction of the "due diligence" inspection procedure in joint-stock companies serves to ensure the transparency of information as well as the assessment of the future investment opportunities of the company.

Perfectly developed financial and investment strategies play an important role in increasing the efficiency of capital use. Especially today, the changes taking place in the foreign economic and political field require companies to develop promising strategies based on comprehensive analysis. Of course, financial and investment strategies developed by companies can be affected by various unforeseen factors. However, the fact that the company's executive bodies provide options for the capital structure based on various scenarios ensures the minimization of financial losses in the future.

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