American Journal of Business Practice Vol.2, No.1 (Jan , 2025),
E-ISSN: 2997-934X

SemantJournals

American Journal of Business Practice
https://semantjournals.org/index.php/AJBP

| Research Article

Check for updates

Matrix for Assessing the Financial Capacity to Finance Strategic Projects

Buranova Lola Vakhobovna
PhD., associate professor
Department of Taxes and Taxation,
Tashkent State Economic University,
Tashkent, Uzbekistan
l.buranova@tsue.uz
ORCID: 0000-0001-9794-4398

Sadikov Iskandar Gayratovich
lecturer
Department of Taxes and Taxation,
Tashkent State Economic University,
Tashkent, Uzbekistan
sadikov.iskander@gmail.com
ORCID:0009-0000-7401-1501

Abstract: The article considers the interrelations of financial potential assessment according to the following hierarchy: person, organization, region, state. The matrix of financial potential assessment allows identifying key points of growth and risk at different levels, as well as adapting the economic entity for a specific task. The study provides the main indicators of financial potential assessment for each level, as well as express analysis of revenues, expenditures and the amount of state subsidies of local budgets of the Republic of Uzbekistan.

Key words: Financial potential, economic potential, local budget, taxes, investment attractiveness

INTRODUCTION

At present, when realizing the strategy of building a new Uzbekistan, due to the independence of regions and disproportions between them (historical, geographical, cultural and other factors), special development strategies for each region are developed separately. In this regard, the assessment of financial potential plays a key role both for the country as a whole and for the individual region, as well as for the entrepreneur as an economic entity and for the individual. The realization of development strategy through the assessment of financial potential will give more opportunities and concepts of the following functions:

⇒ By assessing the financial potential at a certain macro, micro or meso level and identifying the importance of economic potential for each developing element, a clear target concept for financial development can be developed;

⇒ By assessing the financial potential at a certain macro-, micro- or meso-level, it is possible to develop a perspective plan of economic development at a certain level, set goals, and solve problems;

⇒ By assessing the financial potential of the object, it is possible to eliminate or mitigate the factors negatively affecting the development of economic potential, which will improve the living standards of the population and increase savings in bank accounts, for regional financial authorities and managers will increase the efficiency of financial resources management by identifying problem areas and their differentiation and growth;

⇒ Assessment of financial potential allows rational and efficient use of all types of resources necessary for development, which will allow to identify investment opportunities, increasing the use of financial resources of banking and credit organizations.

⇒ From the state of insurmountable force of the regions determines the direction of faster recovery in the economic and financial crisis.

It is not just the knowledge of know-how and availability of labor, but a necessary tool for successful business for the entrepreneur. Without understanding their financial capacity, an entrepreneur will not be able to turn ideas into reality and ensure the sustainable development of the company. At the regional level, the assessment of financial capacity allows to study and evaluate the state of the local budget, employment level, investment attractiveness, infrastructure and development opportunities of the region. The financial potential of the state is determined by fiscal policy, external borrowings, and resources.

Thus, the assessment of financial potential allows to determine the strengths and weaknesses, failures in the financing of an economic entity, region, opportunities and correctly determine the strategy for further development and the level of inflow of funds to the assessed object.

STUDY ANALYSIS

The issues of analysis, classification, assessment and management of financial potential have received a fairly wide coverage in modern economic literature, mainly at the micro level. Therefore, an urgent theoretical and scientific-practical task is the need to improve the efficiency of financial interrelations between different levels of economic entities, using a variety of methods at the expense of balancing and managing cash flows in the modern economy.

Polemics on the problem under study was conducted by many domestic and foreign authors. One of the world's leading experts in the field of competitiveness Michael Porter studied the analysis of financial and economic potential of regions based on the concept of competitive advantages of territories. John Friedmann developed theories of spatial development and management, which help to assess the potential of regions in the economic and financial context. Luz Anselin developed methodologies of spatial data analysis, which are used to assess the socio-economic and financial potential of territories.

A.G. Granberg (2010), a well-known economist, in his work “Economic and mathematical studies of spatial development of Russia on the basis of inter-sectoral models" considers the interrelationships between different sectors of the economy and assesses their impact on spatial development [4]. His works cover the issues of regional economy, development potential and spatial planning.

Methodological provisions of preparation of regional programs of different levels were studied by Doctor of Economics, Professor Shniper R.I. In his works he considered aspects of socio-economic and financial potential of regions, the relationship between budget planning and financial capabilities of territories [5].

In the monograph "Regional Pre-planning Studies" and subsequent works3 R.I. Shniper for the first time raises the issue of the need to approach the regional economy from the perspective of the theory of expanded reproduction and states that the subject of management at the regional level is the regional reproduction process, that the efficiency of the regional economy is determined by the totality of reproduction proportions and their balance, that the region of each rank is characterized by its own set of regional proportions of reproduction, that the region of each rank is characterized by its own set of regional proportions of reproduction, and that the region of each rank is characterized by its own set of regional proportions of reproduction. It is significant that the ideas outlined in his works are in demand just now, when regions of various ranks are looking for their place in the territorial system of the country and financial sources for their development.

It should be emphasized that it was in the works of R.I. Shniper that the functions of regions of different ranks were first considered in interdependence with their budgets, which should be the financial basis for the implementation of these functions.

Thus, the issues of financial potential in the context of tax and budgetary policy, paying special attention to the revenue base of regions can be pointed out by V.N. Leksin, A.N. Shvetsov, A.I. Tatarkin, Y.V. Drachuk.

In Uzbekistan, the issues of economic and mathematical studies of spatial development of regions and application of inter-sectoral models are actively studied by scientists engaged in regional economics, mathematical modeling and economic forecasting.

The purpose of this study is to propose and justify the matrix for assessing the financial potential of economic entities, through the characterization of the mechanism of financial interrelationships and flows of monetary resources. Let us consider the matrix for assessing the financial potential of economic entities according to the following hierarchy: person, organization, region, state.

The matrix of financial potential assessment allows us to identify at different levels the key points of growth and risk, as well as to adapt the economic entity for a specific task.

The matrix of the hierarchy of assessment of financial potential of economic entities is as follows:

Person → Organization → Region → State

Person: an economic entity whose financial potential is determined by its ability to generate income, effectively allocate resources and plan its own strategy.

Organization: an economic entity whose financial potential is assessed through the efficiency of financial resources management and resistance to external risks.

Region: objective assessment and development of forecast indicators are aimed at strengthening the revenue base of regions, reducing dependence on high-income budget allocations, investments and budget policy.

State: at the state level it is important to take into account complex economic and social aspects, including international relations and national priorities.

MATERIALS AND METHODS

Based on the above, financial potential has a multilevel concept, as it can be determined at the level of the state, region, industry, economic entity and individual. The definition of the financial potential was carried out at the regional level and noted that the financial potential of regions - as a part of the produced national income is a set of created at the current moment of time and previously accumulated financial resources of the state (as income of local budgets), economic entities (participating in all stages of reproduction), financial and banking institutions (borrowed and own funds) and the population (real gross income) aimed at the realization of the goals of the strategy of social and economic development. The financial potential of enterprises and organizations is determined by a complex of measures to manage the financial resources of the enterprise in order to obtain economic benefits and continuous vital activity of the enterprise.

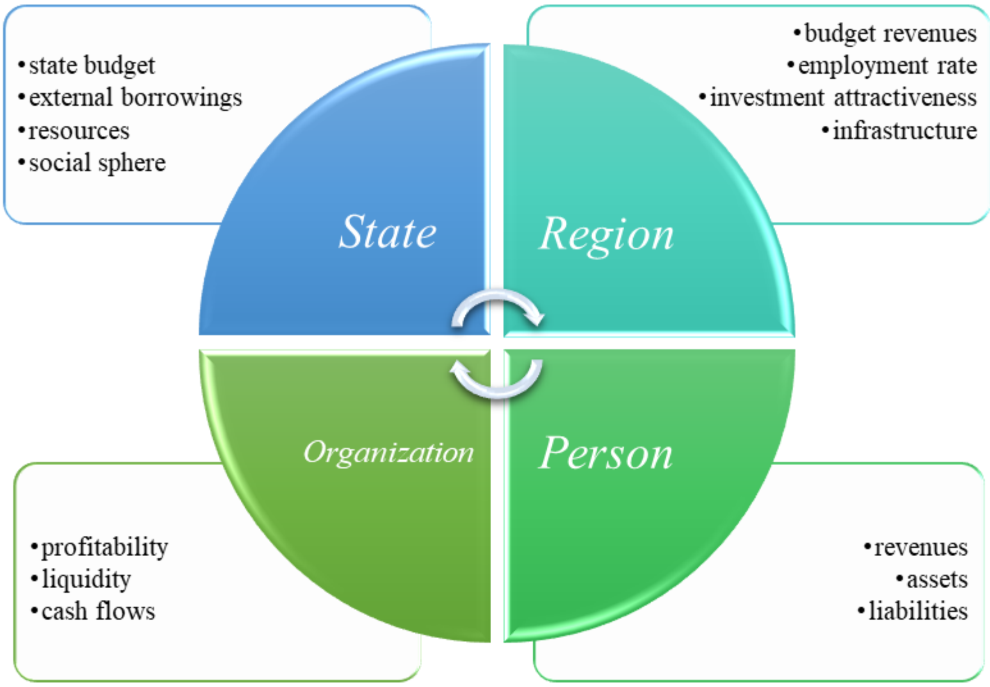


Figure-1. Matrix of hierarchy of assessment of financial potential of economic entities

The assessment of financial capacity at different levels of the economic system is considered by researchers based on the area in which this investigation is conducted. It can be in terms of strategic planning or forecasting, management, control, motivation and coordination of financial resources, and each researcher follows a certain evaluation methodology.

At the organization level.

П. Fomin has investigated the peculiarities of assessment of financial potential of industrial enterprises and offers methodologies for determining express assessment as well as detailed assessment, which are carried out in different areas of research. (Table-1)

Table-1

System of evaluation indicators in determining the level of financial potential of an enterprise

Research directions	**Indicators for assessing the production component**	**Materiality assessment indicators**	**Indicators for assessing the human resources component**
Analysis of the movement of components of the production potential	Fixed assets renewal ratio Fixed assets retirement ratio Fixed assets growth ratio	Coefficient of unevenness of material supply; Coefficient of variation	Admission turnover rate; Retirement turnover rate; Staff turnover and permanence rate
Current status of the components of productive capacity	Depreciation rate of fixed assets; Equipment availability coefficient; Coefficient of utilization of the fleet of available, installed, commissioned equipment; Indicators characterizing the equipment utilization time; Production capacity utilization coefficients.	Actual material resource endowment ratio; planned material resource endowment ratio;	Average annual output per worker; indicators of working time balance
Efficiency of utilization of components of the production potential	Funds yield; funds consumption; profitability on fixed assets; equipment utilization rate; shift ratio; intensive equipment load factor; integral load indicator	Material output of products; Material intensity of products; specific weight of material costs in the cost of production; Material utilization rate	Changes in the average earnings of workers during the period; changes in average annual output; unproductive labor time; comparison of average tariff grades of works and workers; Savings (overspending) of the wage fund

At express-evaluation of the level of financial potential it is enough to consider three-five key generalizing indicators of each component, at detailed assessment the number of analyzed indicators is much higher[6]. On the basis of these indicators the levels of financial potential are determined: high, medium or low level. Further, the escress-analysis of the main indicators characterizing liquidity, solvency and financial stability of the enterprise is carried out. Assessment of financial potential by the criterion “Possibility of attracting additional capital”. This means that the degree of attractiveness of the enterprise for a potential investor is determined.

The analysis of recent publications devoted to the assessment of the financial potential of the enterprise allows us to highlight a more successful approach proposed by Merzlikina G.S. and Shakhovskaya L.S. Proposed triad market potential determining the demand for products and market share occupied by the enterprise, production potential determining the potential capabilities of fixed assets, raw materials, materials, as well as opportunities for professional staff and potential financial indicators of production (profitability, liquidity, solvency, investment opportunities).

Sorokina N.A. cites the following as the main indicators for assessing the financial potential of organizations: turnover of assets, net assets; capital intensity of production; profit from sales; added value; sales volume.

According to A.G. Kaigorodov and A.A. Khomyakova, the assessment of financial potential is characterized by the value of the enterprise, which can be determined on the basis of the cost, market or income method.

These researchers used generally accepted methods that are classified by these groups presented in Table -2.

Table -2.

Classification of methods for assessing the financial potential of an organization

Group of methods	Methods included in the group
Statistical	Observation, relative and absolute indicators, averages, series of dynamics, summary, comparison, indices, detailing,

	graphical methods
Accounting	Balance sheet, double entry method
Economic and mathematical	Methods of mathematical analysis, mathematical statistics, mathematical forecasting, calculus of operations

This group of methods is included in the structure of methods reflecting statistical indicators, but when assessing the financial potential it is necessary to select indicators characterizing the assessment of the current state and forecast of the development of factors of external and internal financial environment; assessment of the financial condition of the enterprise; assessment of the value of the enterprise and assessment of the quality of financial management of the enterprise.

L. Sukhova developed a methodology containing a set of indicators characterizing the financial potential of the enterprise, which provides the inertia of self-development, self-preservation and self-stability of the financial system of the enterprise, and also classified high, medium and low levels of financial potential on the basis of these indicators that were used above by P. Fomin.

At the level of the region.

To date, no regulatory documents have been developed on a single effective methodology for assessing the financial potential of regions, which determines the economic situation in the region and meets the requirements of support and achievement of medium- and long-term goals of public policy. In our study, we managed to reveal the main approaches to assessing the financial potential of regions: on the basis of the system of national accounts (nationwide), on the basis of statistical indicators (assessment of the movement of individual financial flows), integration method (assessment using national accounts and individual statistical indicators) and correlation and regression analysis.

In the systematization of the methodology for assessing the financial potential of regions, as well as individual indicators in order to fully use the possibility of comprehensive assessment of the financial potential of regions, attention is paid to the following factors of influence, taking into account the peculiarities of each region: the formation and use of budget and tax potential, the level of industrialization of regions, investment attractiveness, the level of financial resources of enterprises and organizations registered in the region, the level of real aggregate income.

Figure 2: Factors affecting the financial potential of the region

Further on the basis of further research and study of foreign countries' experience in assessing financial potential, we have identified the main aspects of international experience in assessing the financial potential of the region Figure-3.

The assessment of financial potential is made on the basis of a system of economic relations on the internal organization of the subject itself, as well as with other economic entities on the generation of cash flows.

As Sazonov S.P. notes in his work "The financial potential of the region in the broad sense is the ability of the financial system through the aggregate maximum use of resources, as well as conditions (techniques, tools), the creation of public organizations and households in the region to form the distribution and use of these resources to achieve certain financial results, to ensure expanded reproduction and social development - this should be provided by the availability of its own sources of financing, as well as by the availability of financial resources of the region. [7]

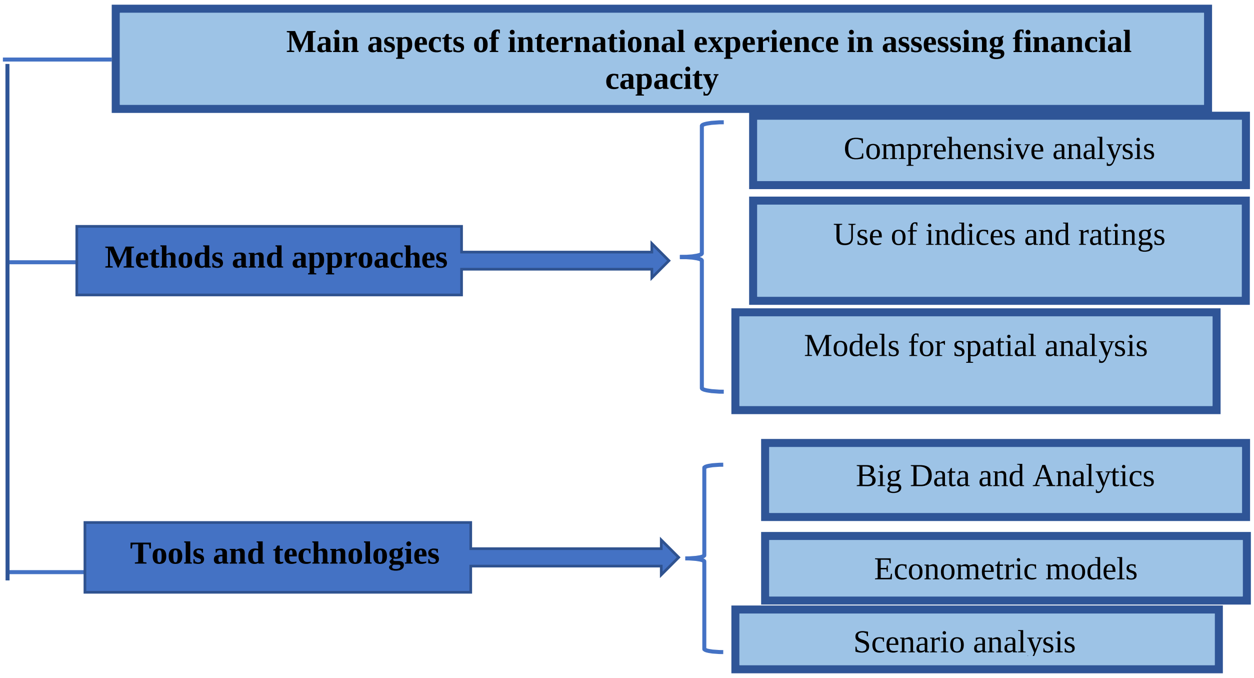
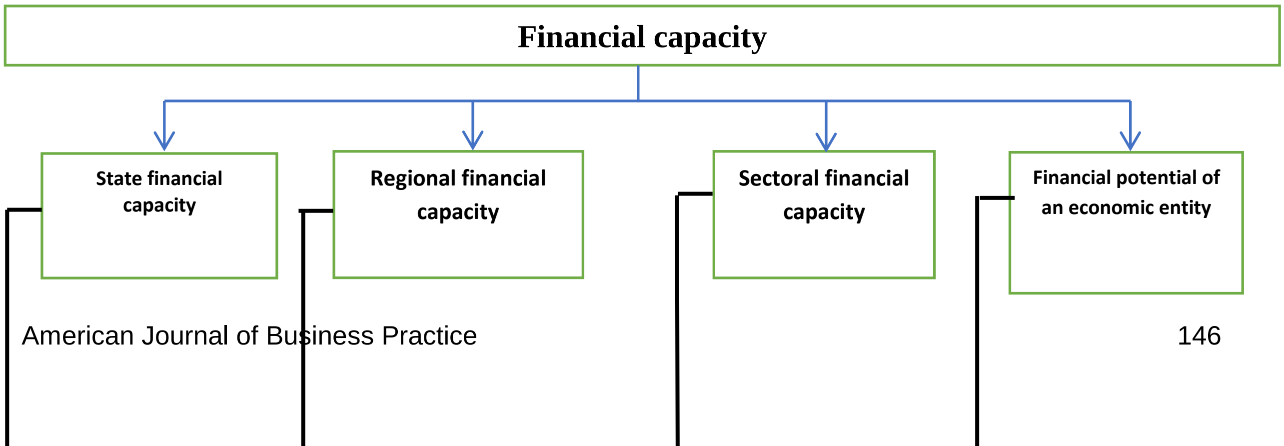


Figure-3. Main aspects of international experience in assessing financial capacity.

The concept of financial potential of the territory was introduced by Volkov A.M. in the 70s of the last century, who noted that "Financial potential is that part of the resources of the produced national income, which after all the processes of redistribution is embodied in the material composition of the increase in the means of production". [8]

Kolomiets A.L., Melnyk A.D. in their research financial potential of the region is identified with tax potential and (or) budget potential. Tax potential according to E.E. Sinyavskaya is a part of financial resources, which is either an object of taxation, or a source of tax payment, or an estimate of potential tax revenues.



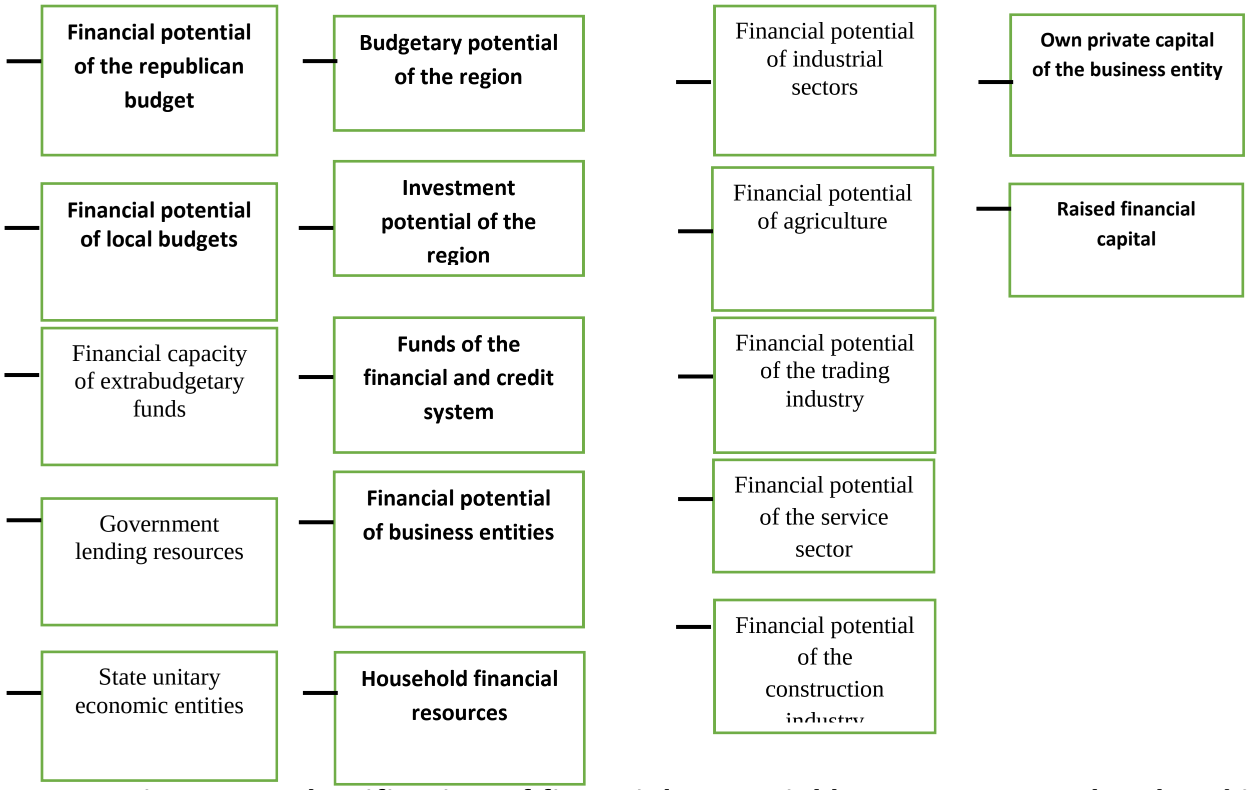


Figure - 4. Classification of financial potential by management level and its main elements

Tax potential forms the base of tax revenues of the regional budget, while the financial potential forms not only the tax base, but also non-tax revenues of the regional budget. Thus, the tax potential is a component of the financial potential. [8] As we can see from the results of the study, the financial potential of the region is still a subject of discussion of many researchers. The very notion of financial potential has a different level concept as it is divided into types by elements according to the level of management. (**figure - 4**)

In the Republic of Uzbekistan, the financial potential was considered at the level of the state and economic entities. Vakhobov A.V., Malikov T.S. state that the state financial potential is formed on the basis of monetary income, as well as contributions of economic units and population in the following interrelated areas: Republican and local budgets, extra-budgetary funds of the state budget, state unitary economic entities. The structure of the State financial potential includes fixed assets, unfinished production, tangible current assets, property of households, the value of intangible assets - the volume of national wealth in the form of tangible capital produced by human labor.[9] At the enterprise level, the financial potential includes equity capital and attracted capital, which is created from the elements of added and accumulated capital, as well as funds attracted for the short and long term[9]. The concept of “Financial potential of the region” remains unexplored in the framework of researchers - economists of the Republic of Uzbekistan, as we believe the definition of the concept, and the assessment of financial self-sufficiency of regions will give the opportunity to determine its resource capital and effectively use it in the achievement of strategic objectives.

The model of budgetary structure in the Republic of Uzbekistan is centralized, respectively has two levels of the republican budget is the main level of the budgetary system and the second level of the budgetary system is the budget of the Republic of Karakalpakstan, a set of budgets of regions and the city of Tashkent. On the basis of the data of Chart-1 indicators provided by the Ministry of Economy and Finance of the Republic of Uzbekistan we can see the inequality of regions in terms of revenues, expenditures of local budgets for 2024.

Local budgets of the Republic of Karakalpakstan, regions and the city of Tashkent receive revenues totaling 55728,9 billion soums. Expenditures total UZS 101740,7 billion soums. The diagram shows that all regions need state subsidies and inter-budget transfers totaling UZS 46011,7 billion soums. Budget revenues of Surkhandarya region amount to UZS 3043.1 billion soums, expenditures amount to UZS 7944,1 billion soums, (figure-5) accordingly, the region needs subsidies and inter-budget transfers in the amount of UZS 4901,1 billion soums.

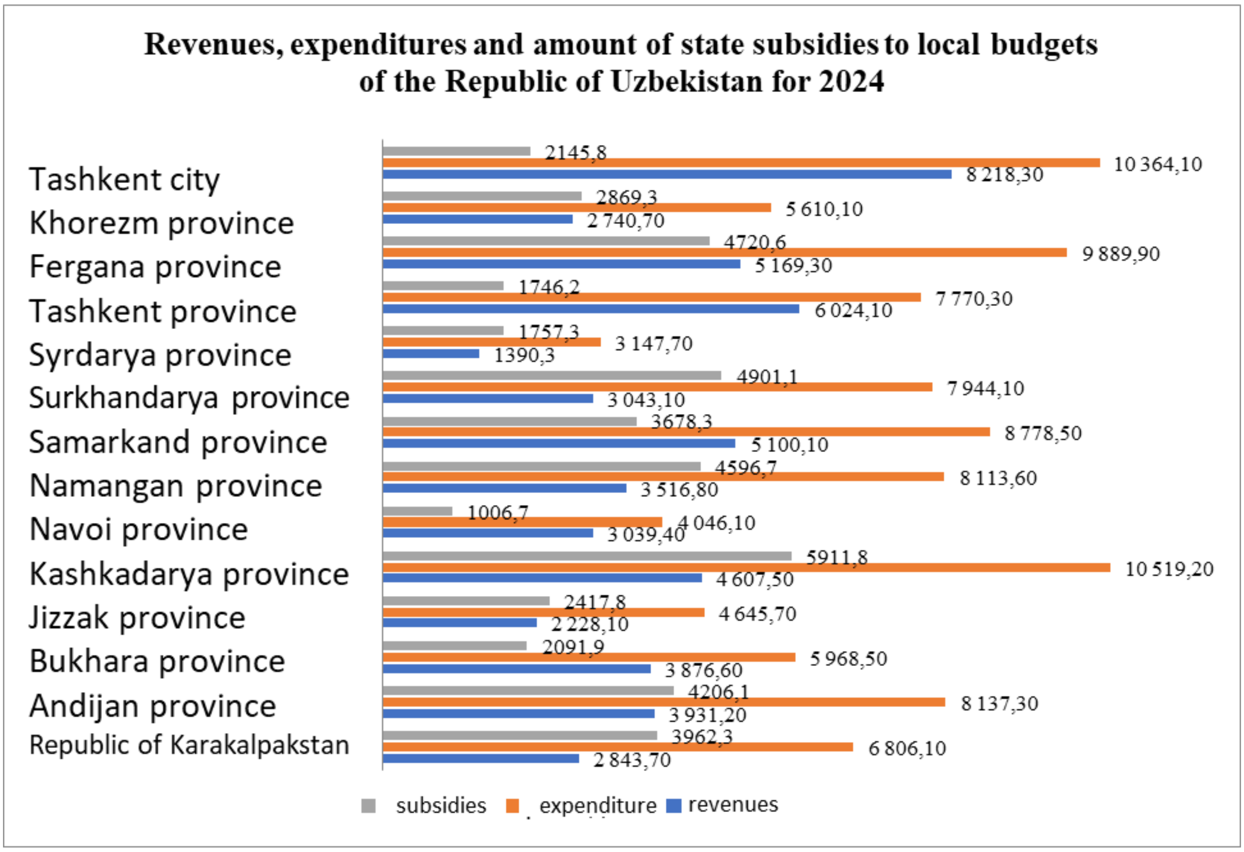


Figure-5. Revenues, expenditures and amount of state subsidies to local budgets of the Republic of Uzbekistan for 2024

In recent years, the republic has taken measures to develop the food industry, attract investment funds to the sphere and support export activities, as a result, the volume of food products production amounted to more than 6.1 billion US dollars, and their annual export volume - more than 510 million US dollars.

At the same time, over the last three years, production of 75 types of import-substituting food products worth 289,9 million US dollars was ensured, and the volume of imports decreased by 7,4 percent. The share of the food industry in the country's industry increased from 14 percent to 16.6 percent.

In the next five years, in order to increase the volume of production of value-added products by 1,5 times and export indicators - by 2 times through the introduction of effective mechanisms to support activities on the production of industrial products, modernization, technical and technological re-equipment of existing capacities, attraction of investments in new projects, further expansion of types of products competitive in the market, diversification of production of import-substituting products.

To finance investment projects for the development of the food industry and the sphere of processing of agricultural products [1], within the direction of ensuring the welfare of the population through sustainable economic growth:

1. Measures shall be taken to ensure the growth rate of gross domestic product at the level of not less than 6 percent, investments - not less than 30 percent to the volume of gross domestic product;

2. It is planned to launch 309 large projects in the sectors of economy worth 18 billion dollars;

3. It is planned to ensure the level of annual inflation - up to 9 percent, fiscal deficit - up to 4 percent, to take measures to reduce inflation and deficit of the State Budget in the future;

4. to ensure that 275 trillion soums of credit resources are directed to the sectors of the economy, including the provision of microfinance services in the amount of 41 trillion soums;

5. To create the conditions necessary to reduce by 2-3 percentage points the rates of loans provided by banks on the basis of market mechanisms [2].

To achieve sustainable and advanced development of the country, regions and economic entities, it is necessary to develop a perfect methodology for assessing the financial potential and its implementation.

As noted above, two aspects are applied in the assessment of financial potential:

- Methods and approaches of financial potential assessment, which measures financial potential on the basis of complex analysis, use of indices and ratings, as well as models of spatial analysis
- financial capacity assessment tools and techniques, which measures key relationship trends and predicts future economic conditions based on big data and analytics, econometric model, and scenario analysis.

Example: In 2005, South Korea conducted a comprehensive assessment of its financial capacity, which identified key areas for financial sector development. As a result, the country was able to significantly improve its position in global financial rankings and attract additional foreign investment.

The level of financial capacity is a quantitative and qualitative characteristic of the ability of a region, enterprise or other economic entity to generate and effectively utilize financial resources to ensure sustainable development, achieve strategic goals and meet current financial needs. This level reflects available financial resources, efficiency of their management and ability to attract additional financial flows, as well as resistance to financial risks and external economic changes.

The level of financial potential is a quantitative and qualitative characteristic of the ability of a region, enterprise or other economic entity to generate and effectively use financial resources to ensure sustainable development, achieve strategic goals and meet current financial needs. This level reflects the available financial resources, the efficiency of their management and the ability to attract additional financial flows, as well as resistance to financial risks and external economic changes.

The source of formation of the region's financial potential is own funds and borrowed funds. The financial potential of the regions includes revenues of local budgets at the expense of own funds. Revenues of local budgets consist mainly of local tax revenues, non-tax revenues and transfers from the upper budget. Local budget potential is one of the key elements of the financial potential of the region. Local tax and non-tax revenues are formed due to the regulatory and economic conditions created by the state and are aimed at effective and targeted coverage of the region's expenditures. The system of financial support and inter-budgetary relations of the regions contributes to the replenishment of the resource base and financial potential of the region. Contributions from the upper budget can be divided into two groups: permanent and earmarked. It provides regular subsidies, grants, subventions and transfers from the upper budget in the form of reimbursement of local budget expenditures and financial assistance. The earmarked financial resources allocated from the high budget include resources that are mainly used to finance tasks carried out under government programs. Another direction of financing the budget deficit is financial resources from the budgets of other regions.

The structure of financial resources attracted to the region consists of the region's investment potential and credit potential. The investment potential of the region consists of financial resources formed at the expense of all sources of financing (internal and external). This is done in accordance with the economic, social, natural resources of the region, the peculiarities of its geographical location. The credit potential of the region depends on the efficiency of the credit and financial system of the region. In addition, the credit potential as part of the investment potential will be focused on generating income from its own, free financial resources and ensuring the region's need for financial resources.

CONCLUSION

Thus, the source of formation of financial potential of the regions can be represented in terms of the budget, in terms of investment and credit potential, as well as in terms of deposits of the population (population).

The formation of the financial potential of the regions is mainly conditioned by the sustainable socio-economic development of the region. Sustainable socio-economic development depends on the correct assessment of the region's financial potential. The main source of the structure of this indicator is the revenues of local budgets. The sustainability of local budget revenues is ensured by a high level of financial potential and forms the basis of economic potential and growth of the country. These indicators form a system of interrelated indicators.

The importance of the methodology of the matrix of financial potential assessment is ensured by the need to take into account the relationship between the levels of economic entities. Financing strategic projects requires a clear structure and approach based on the levels of the economy: macro level (national), meso level (regional) and micro level (organizational). At the state level, the key task is to create a favorable financial environment and institutional conditions for strategic projects. Recommendations: Development of a state financing strategy, attraction of international financing, active cooperation with international financial organizations (IMF, World Bank, Asian Development Bank, Islamic Development Bank, etc.), development of state mechanisms for attracting grants and soft loans for strategic projects, public-private partnership (PPP), development of a legal and regulatory framework to facilitate interaction between the state and the private sector, introduction of risk-sharing mechanisms between the state and the private sector, introduction of risk-sharing mechanisms for strategic projects.

At the regional level, it is necessary to take into account local peculiarities and develop mechanisms that promote the efficient use of resources for the implementation of strategic projects. Recommendations: Formation of regional programs for the development of strategies aimed at the implementation of priority projects taking into account the local potential (natural, labor, investment), establishing a link between the regional strategy and national goals, attracting private investment in the regions, creation of regional investment funds financed from tax revenues, revenues from the national budget, introduction of funds to support local businesses and innovative projects.

At the level of organizations, the financing of strategic projects requires the use of modern financial instruments and optimal management of resources. Recommendations: development of investment strategies for financing, including sources, terms and expected results, maximum use of the company's own funds to finance the initial stages of strategic projects, introduction of project financing mechanisms, use of digital tools including crowdfunding and STO (security token offering) to finance projects, introduction of blockchain technologies to ensure transparency of operations and investor confidence, optimization of financial flow management.

Effective financing of strategic projects requires an integrated approach that takes into account the specifics of macro-, meso- and micro-levels with the help of a matrix for assessing financial potential. This will make it possible to direct financial resources to the most significant projects, ensuring sustainable development of the economy as a whole.

References

1. Decree of the President of the Republic of Uzbekistan № UP-37 On the State Program for the implementation of the Strategy “Uzbekistan - 2030” in the “Year of Support for Youth and Business, dated 21.02.2024.
2. Decree of the President of the Republic of Uzbekistan, No. UP-36 On additional measures to ensure food security in the country, dated 16.02.2024.
3. Law of the Republic of Uzbekistan, dated 25.12.2023, No. ZRU-886On the State Budget of the Republic of Uzbekistan for 2024
4. Granberg A.G., Mikheeva N.N., Suslov V.I., Ershov Y.S. Economic and mathematical studies of spatial development of Russia on the basis of interindustry models // Intern. scientific-practical conf. “Interindustry balance - history and prospects”. 15 Apr. 2010 г. Reports, articles, materials / Institute of Macroeconomics Research, Rosstat. - Moscow : IMEI GU, 2011. - С. 46-55.
5. Shniper R.I. Methodological provisions of preparation of regional problems of different levels.
6. Fomin N. Y., Lomova E. N. Methodology of analyzing the economic potential of an industrial enterprise // Economics and Business: Theory and Practice. 2018. №4. URL: https://cyberleninka.ru/article/n/metodika-analiza-ekonomicheskogo-potentsiala-promyshlennogo-predpriyatiya
7. Merzlikina G.S. Economic solvency: assessment and management // Vestnik of ASTU. Series: Economics. 2011. №1. URL: https://cyberleninka.ru/article/n/ekonomicheskaya-sostoyatelnost-otsenka-i-upravlenie
8. Volkov A.M. Perspektivnoe planirovanie finansovogo resursov / Textbook / Moscow: Finansy-1976г.
9. Buranova L.V. Metodologiya otsenki finansovogo potentsiala na mikro-makro-meso levels ekonomiki. - Vitebsk State Technological University-2024