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The Economic Essence and Formation Characteristics of the Financial Stability of Agricultural Enterprises

Tulkin Abdikhalilovich Sattarov*¹

1. Samarkand Institute of Economics and Service Doctor of Philosophy (PhD) in Economics

*Correspondence: sattarovozfdtek@gmail.com

Abstract: This article provides a comprehensive examination of the theoretical and methodological foundations for ensuring the financial stability of agricultural enterprises. The interrelationship and distinctive features of the concepts of “financial stability” and “financial soundness” are comparatively analyzed based on the scientific views of international and domestic scholars. The scientific conclusions presented in the article can serve as a theoretical and methodological basis for making practical decisions aimed at ensuring the financial stability of agricultural enterprises.

Keywords: financial stability, financial soundness, financial resources, financial efficiency, financial ratios, solvency.

1. Introduction

At present, the strategic importance of food security and agricultural production is increasing in the global economy. In countries with significant agricultural potential, such as Uzbekistan, farms are key drivers not only of meeting domestic food needs but also of expanding export capacity.

Today, countries around the world, including Uzbekistan, are facing serious challenges and new opportunities in the agricultural sector. Climate change and the limited availability of water and land resources are among the major constraints facing the sector. Despite these challenges, ensuring the sustainable development of agriculture and food security remains one of our most important priorities.

As emphasized by the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, the ongoing reforms in the agricultural sector are aimed at ensuring the financial stability of farms and agricultural enterprises, attracting investment, expanding access to preferential loans, increasing export potential, and promoting the production of high-value-added products[1].

In Uzbekistan, substantial efforts are being made to address these challenges effectively and attract investment into the sector. In 2025, agricultural entities received preferential loans amounting to UZS 18 trillion and subsidies totaling UZS 176 billion. In addition, to improve sectoral efficiency, more than 11,600 units of modern agricultural machinery and equipment, with a total value of UZS 3.6 trillion, were supplied[2]. These support measures have contributed to the development of the agricultural sector.

In 2025, Uzbekistan produced 9 million tonnes of grain, more than 3 million tonnes of cotton, over 16 million tonnes of vegetables and melons, 5 million tonnes of fruit and

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grapes, 4 million tonnes of potatoes, more than 15 million tonnes of meat and milk, and 30,000 tonnes of raw silk cocoons, among other agricultural products[3].

The problem of financial stability in the economy is manifested as part of the broader problem of achieving proportionality, namely, attaining results that enable the efficient use of financial resources. Financial stability should ensure the effective utilization of financial resources at all levels of operational efficiency while preventing resource shortages. A shortage of certain financial resources may limit the ability to meet existing needs or lead to the inefficient use of other resources. However, the objective of a market economy is not to meet the resource requirements of enterprises, including agricultural enterprises, through excessive expenditure, but rather to enable them to achieve financial stability and utilize available resources with greater efficiency.

Financial and material losses in the economy have highlighted the need to investigate the phenomenon of "financial stability," particularly in the context of agricultural enterprises. However, despite the numerous interpretations of this concept, a single, clearly defined definition has yet to be established. Consequently, the issue remains a subject of ongoing academic debate.

The evolution of scholarly perspectives on financial stability is presented in Table 1.

Table 1. Evolution of Views on the Essence of the Concept of "Financial Stability"

No.	Author	Definition / Key Concept
1	John Chant	Financial instability is a condition that adversely affects economic activity in financial markets[4].
2	Andrew Crockett	Financial stability is a condition in which economic activity is not adversely affected by fluctuations in financial asset prices and in which instability is absent[5].
3	Michael Foot	Financial stability is defined by: (a) monetary stability; (b) the level of employment; (c) confidence in the functioning of major financial institutions and markets; and (d) the absence of significant fluctuations in financial asset prices[6].
4	Garry J. Schinasi	Financial stability is the ability to support economic processes, manage risks, and absorb external shocks. In agriculture, this definition refers to the ability to withstand droughts, price fluctuations, inflation, and risks arising from external markets[7].
5	V. V. Bocharov	Financial stability is the result of establishing an optimal capital structure and effectively managing equity and borrowed funds[8]. This approach is particularly important for agricultural enterprises, as borrowed funds and government support play a significant role in their operations.
6	V. Kostrichenko	Financial stability is an enterprise's ability to maintain liquidity and solvency while achieving high profitability[9].
7	S. Drobyazko	Financial stability implies the sustained predominance of revenues over expenses and the ability to access and utilize financial resources freely[10]. This definition identifies profitability and positive cash flows as essential conditions for agricultural enterprises.
8	William H. Beaver	Cash flows and the ability to meet debt obligations are among the most important indicators of an enterprise's financial stability[11]. Beaver's research demonstrates that an enterprise's ability to service its debt burden on time is a key determinant of its long-term financial stability.
9	Edward I. Altman	An enterprise's financial stability is reflected in its ability to meet its financial obligations and avoid the risk of bankruptcy[12]. According to this approach, liquidity, profitability, capital structure, and asset turnover are the principal criteria of financial stability.

Any definition of financial system stability is based on the concepts of confidence in a country's financial institutions, as well as their stability and liquidity[13].

Thus, a financial system is considered stable when economic resources and financial risks are efficiently allocated, assessed, and managed within the economy[7].

In our view, financial stability can be defined as a specific range encompassing a wide variety of indicators that reflect the level of financial stability.

Financial stability is, of course, a relatively new phenomenon, and not all its aspects and characteristic features have been fully explored. Therefore, it cannot be regarded as a concept that is entirely equivalent or synonymous with other related concepts.

Table 2. Evolution of Uzbek Scholars' Views on the Essence of the Concept of "Financial Stability"

No.	Author	Definition / Key Concept
1	Alisher Akramovich Qilichev	The establishment of an effective financial stability management system and ensuring its efficient operation contribute to enhancing an enterprise's investment attractiveness[14].
2	A. V. Vakhabov	The assessment of the financial condition of economic entities requires the use of a comprehensive system of indicators and analytical methods[15]. This approach implies that an enterprise's financial stability should be assessed using a system of indicators rather than a single financial ratio.
3	T. S. Malikov	Financial resources are a key financial factor ensuring the sustainable development of an economic entity[16]. Malikov emphasizes that the volume and quality of financial resources form the foundation of an enterprise's stability.
4	M. Rakhimov	Financial condition, as an economic category, reflects the balance between an enterprise's resources and liabilities[17]. Financial stability determines an enterprise's economic independence and its capacity for long-term development[17].
5	U. Burkhanov	The effective organization of corporate finance is an essential prerequisite for improving an enterprise's financial stability and investment activity[18].
6	S. S. Gulyamov	An enterprise's financial stability reflects its ability to maintain sufficient financial resources for future development[19].
7	A. T. Ergashev	The timely identification of existing financial risks is an important prerequisite for ensuring financial stability[20].

2. Materials and Methods

This study adopts a qualitative and conceptual research design to examine the economic essence and formation characteristics of financial stability in agricultural enterprises. The research draws on scholarly publications on financial stability, corporate finance, solvency and bankruptcy prediction, together with publicly reported information from the Ministry of Agriculture and the national statistics authority of Uzbekistan. The referenced agricultural indicators provide contextual information rather than a firm-level empirical sample.

The methodology combines literature review, comparative analysis, conceptual synthesis and systems analysis. First, definitions proposed by international and Uzbek scholars are compared to identify common dimensions of financial stability, including liquidity, solvency, profitability, capital structure and resistance to external shocks. Second, the characteristics of financial-resource sufficiency are organized into three qualitative levels. Third, a structural and logical analysis is applied to classify six groups of regional factors and to interpret the direct and feedback relationships illustrated in the article's conceptual diagrams and tables. The findings are interpretative: no enterprise-level dataset, regression model, hypothesis test or statistical significance threshold is claimed.

3. Results

According to our theoretical research, the meaning of the term “stability” can be further elaborated by distinguishing three qualitative levels:

The first level is characterized by the stability of the amount of financial resources required to meet specific needs. This represents financial stability achieved through the use of financial resources at the existing level of efficiency. It results in a low level of satisfaction of non-essential needs and, therefore, cannot be regarded as rationally organized stability. Nevertheless, this approach encompasses the fundamental essence of stability—the alignment between available financial resources and existing needs—and establishes a basic prerequisite for the normal functioning of the economy.

The second, higher qualitative level is characterized by stability achieved through the optimization of resources, which makes it possible to reduce unit costs associated with financial resources, even when resource requirements are not fully met.

The third and highest qualitative level represents stability in which financial resources and consumption opportunities achieve significant improvements as a result of the volume of resources available, the extent to which they are utilized, and the efficiency of their use.

Depending on the nature of the interrelationships among the various elements of the reproduction process, six groups of proportionality factors aimed at ensuring financial stability can be identified, as illustrated in Figure 2.1.

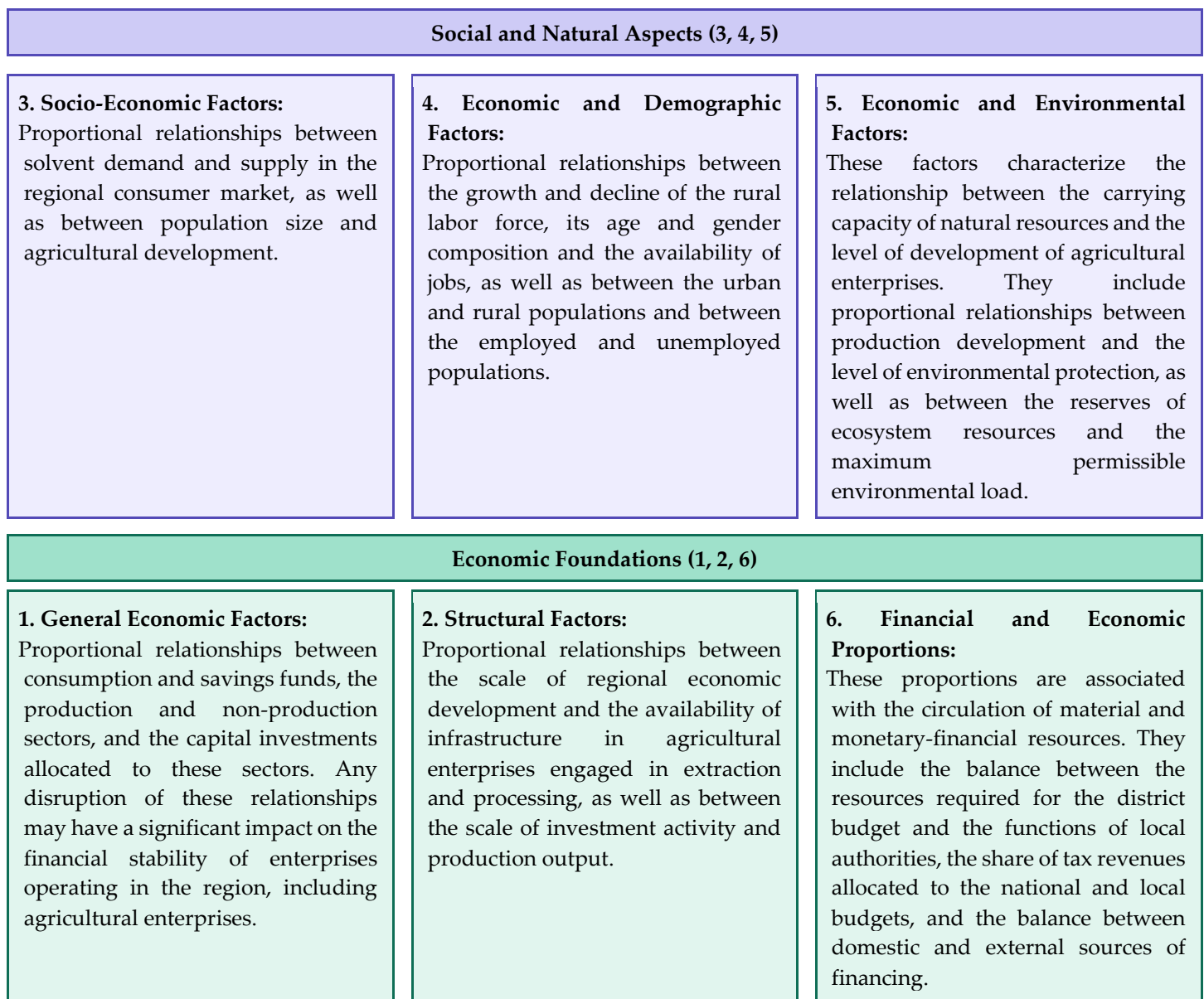


Figure 1. Directions of Factors Influencing Proportional Relationships in the Regional Economy

The factors presented in Figure 1 can be explained in greater detail as follows.

1. General Economic Factors: These include proportional relationships between the consumption fund and the savings fund, between the production and non-production sectors, and between capital investments in the production and non-production sectors, among others. Any disruption of these proportions may have a significant impact on the financial stability of the region and the enterprises operating within it, including agricultural enterprises.

2. Structural Factors: These include proportional relationships between the scale of regional economic development and the availability of infrastructure for agricultural processing enterprises, as well as between the scale of investment activity and the volume of agricultural production, among others.

3. Socio-Economic Factors: These include proportional relationships between solvent demand and the supply of consumer goods and services in regional markets, as well as between population size and agricultural development, among others.

4. Economic and Demographic Factors: These include proportional relationships between the growth and decline of the rural labor force; the age and gender composition of the rural population, labor resources, and the availability of jobs; the urban and rural

populations; and the employed population and economically active unemployed individuals in rural areas, among others.

5. Economic and Environmental Factors: These characterize the relationship between the carrying capacity of natural resources and the level of socioeconomic development of agricultural enterprises. They include proportional relationships between raw material potential and the production capacity available to utilize it; between agricultural production development and the level of environmental protection activities; and between the potential reserves of ecosystem resources and the maximum permissible production load in rural areas, among others.

6. Financial and Economic Proportions: These are associated with the circulation of material and monetary-financial resources. They include proportional relationships between the resources required for the district budget and the performance of district administrative authorities' functions; between the shares of taxes and payments allocated to national and local budgets; and between domestic and external financial sources that ensure sustainable financial development, among others.

In rural areas, all interrelationships between subsystems can be classified into direct and feedback relationships. For example, demographic and migration processes within the social subsystem determine the size of the economically active population, its age and gender composition, and the supply of labor resources in the labor market during a given period.

In this context, the reverse impact of agricultural enterprises on the social subsystem is reflected in indicators such as the overall and official unemployment rates, the poverty rate, the ratio between per capita income and the subsistence minimum in the district, and other related indicators. A generalized schematic representation of direct and feedback relationships is presented in Figure 2.

Figure 2. Generalized Scheme of Factors Supporting Regional Financial Stability

In the block diagram presented in Figure 2, the blocks representing the social and ecological subsystems, local government authorities, and interregional and external economic relations are highlighted in bold. The diagram integrates a number of factors that contribute to the development of financial stability in a region, including products, natural resources, labor resources, and capital. It also illustrates the material and financial flows among the main economic agents: firms, households, the government, and local government authorities.

At the current stage, this approach reflects the key characteristics of development not only at the regional level but also within individual agricultural enterprises, highlighting the growing importance of the aforementioned elements. While stronger linkages are characteristic of intra-regional, interregional, and direct international relations, interactions with government authorities are characterized by qualitative changes, with many of these relationships transforming from direct into indirect forms (Table 3).

Table 3. Specific Characteristics of Interrelationships and Their Description

No.	of Relationship in Figure 4.1	Strength and Description of the Relationship
1		Strong, indirect // strong, indirect
2		Moderate, direct (e.g., support for small businesses) and indirect (e.g., environmental payment rates, etc.)
3		Strong, direct (when contracts are concluded with natural resource users) and indirect // moderate
4		Strong, indirect // moderate, indirect
5		Moderate, indirect
6		Strong or moderate, depending on the form of ownership; direct
7		Strong, indirect (environmental payment rates) and direct (monitoring)

No. of Relationship in Figure 4.1	Strength and Description of the Relationship
8	Strong, direct (poverty alleviation and unemployment reduction programs, retraining programs)
9	Strong, direct (expenditure on the region's social sector)
10	Strong, direct (expenditure on higher education, healthcare, etc.)
11	Strong, indirect
12	Strong, direct
13	Moderate, direct
14	Strong, direct
15	Strong, direct
16	Strong and direct for agricultural enterprises using subsoil resources; weak and indirect for all others // strong, direct
17	Strong, direct // strong, direct
18	Strong, indirect (due to limited liquidity of funds)
19	Strong, direct
20	Moderate, direct
21	Strong, direct // moderate, direct

Note: For bidirectional relationships, the numerator corresponds to the relationship shown above or to the left, while the denominator corresponds to the relationship shown below or to the right.

4. Discussion

It should also be emphasized that these trends are characteristic features of the overall global financial stability landscape and, in general, unfold within the framework of the main priorities of regional policy in many countries.

In particular, the role of local government authorities may be strengthened through the implementation of the following principles:

- Partnership among the main participants in the economic process;
- The principle of subsidiarity in economic policy, whereby powers are assigned to the level of government best equipped to exercise them effectively;
- The integration of economic efficiency, social development, and ecosystem conservation principles.

Quantitative studies of regional economic proportions and structural analyses of the interrelationships between agricultural production volumes, production resources, and final demand are often conducted using a basic model of sustainable development and its modifications adapted to the requirements of crisis management.

One of the directions of model adaptation involves reflecting the roles of the social and ecological system blocks, as well as the block representing inter-district (interregional) and external economic relations. This is associated with the formation of competitive advantages for a particular district. The evolution of financial stability theory reflects the growing importance of intangible assets and economic development factors, indicating a transition towards a sustainable development model at the district level. This transition should be aligned with the development of the competitiveness of the district and its constituent economic entities.

5. Conclusion

It can be concluded that the financial stability of various production enterprises is characterized by a balance between income and expenditure. Enhancing financial stability and strengthening the state budget are among the principal objectives of financial policy. Monetary stability is also important for enterprises (including agricultural enterprises), institutions, public organizations, and the population. Monetary stability is associated

with both the material and value dimensions of economic activity and depends on structural stability as well.

The financial stability of an agricultural enterprise is, in essence, a scientific abstraction representing the unity of sustainable economic, environmental, and social processes. It is the outcome of the activities of numerous relatively independent economic entities and the population, each of which operates according to its own needs and interests.

Based on the above, the following conclusions can be drawn:

- First, financial stability in a region can be ensured through a network of export-oriented enterprises, particularly agricultural enterprises.

- Second, the financial stability of agricultural enterprises, both collectively and individually, increases through impulses generated by nationwide demand. These impulses are transmitted through the district's export sector.

- Third, impulses that strengthen financial stability spread through market relationships among agricultural enterprises to other related sectors of the economy.

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