

Capital Management and Financial Support Process

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Abstract. *The article discusses the main aspects of capital management and the financial support process in an organization. The key principles of capital management are described, including optimization of its structure, effective management of working capital and management of investment projects. The financial assurance process is also presented, which covers raising finance, managing debt obligations and using financial resources. In conclusion, the article offers practical steps for capital and financial management, such as analyzing a company's financial condition and developing a capital management strategy.*

Keywords: *capital management, financial support, capital structure optimization, working capital, investment projects, funding attraction, liquidity, dividends, financial analysis, profitability, risks, competitiveness.*

1. INTRODUCTION

In today's world, capital management and the financial support process are key aspects of the successful functioning of any organization. The complexity of the modern economic environment requires enterprises not only to competently manage financial resources, but also the ability to adapt to rapidly changing market conditions. This makes understanding the basic principles of money management and the financial assurance process more important than ever.

2. THEORETICAL ASPECTS OF CAPITAL MANAGEMENT

The essence of capital management in enterprises involves the strategic and efficient allocation, utilization, and control of financial resources to ensure the organization's long-term financial stability, growth, and profitability. It encompasses various aspects of financial planning, including optimizing the capital structure, managing working capital, and overseeing investment projects.

Maintaining an optimal mix of debt and equity to minimize the cost of capital and maximize shareholder value. This involves evaluating the risks and benefits associated with each type of financing.

Calculating and managing the cost of various capital sources to ensure the overall capital cost remains low, which is crucial for increasing profitability.

Implementing strategies to accelerate the collection of receivables and reduce the days sales outstanding (DSO). This ensures sufficient liquidity for ongoing operations.

Optimizing payment schedules and terms with suppliers to improve cash flow while maintaining good supplier relationships.

Keeping inventory levels at an optimal point to prevent overstocking or stockouts, thus ensuring smooth operations and reducing holding costs.

Assessing potential investment projects using techniques such as Net Present Value (NPV), Internal Rate of Return (IRR), and payback period to select the most profitable and viable options.

Capital Budgeting: Planning and controlling capital expenditures to align with the company's strategic goals and financial capacity.

Identifying and securing the most appropriate and cost-effective financing options, whether through debt, equity, or internal cash flows.

Negotiating favorable terms and conditions for financing to ensure they align with the company's financial strategy and capabilities.

Strategically managing debt obligations to avoid liquidity issues and refinancing debt when beneficial to take advantage of better terms or lower interest rates.

Maintaining a strong credit rating to reduce borrowing costs and increase access to financing.

Utilizing key financial indicators and metrics to monitor the financial health of the enterprise and make informed decisions.

Identifying financial risks and implementing measures to mitigate them, ensuring the company's financial stability and resilience.

By integrating these elements, capital management ensures that an enterprise can effectively manage its financial resources, support operational needs, invest in growth opportunities, and maintain a solid financial foundation. This, in turn, enhances the company's ability to achieve its strategic objectives and sustain long-term success.

3. BASIC PRINCIPLES OF CAPITAL MANAGEMENT

The basic principles of capital management are essential guidelines that help organizations effectively manage their financial resources to ensure sustainability, growth, and profitability. Here are the key principles of capital management:

Strive for an optimal mix of debt and equity to minimize the cost of capital while maintaining financial flexibility.

Use leverage judiciously to enhance returns without compromising financial stability.

Maintain optimal inventory levels to meet demand without tying up excess capital.

Ensure timely collection of receivables to improve cash flow.

Negotiate favorable terms with suppliers to maximize the use of credit without incurring penalties.

Regularly forecast cash flows to anticipate and plan for future financial needs.

Ensure sufficient liquidity to meet short-term obligations and unexpected expenses.

Maintain an adequate reserve of cash or cash equivalents for emergencies and opportunities.

Evaluate potential investments based on their expected Return on Investment ROI and alignment with the organization's strategic goals.

Assess the risks associated with each investment and implement strategies to mitigate them.

Spread investments across various asset classes and sectors to reduce risk.

Monitor and control operating expenses to maintain profitability.

Continuously seek ways to improve operational efficiency and reduce costs.

Develop and adhere to budgets to ensure disciplined financial management.

Identify and pursue opportunities to increase revenue streams.

Focus on improving profit margins through cost control, pricing strategies, and efficient operations.

Use key performance indicators (KPIs) to monitor and drive financial performance.

Identify financial risks, including market, credit, and operational risks.

Develop and implement strategies to mitigate identified risks.

Use insurance to protect against significant financial losses.

Develop long-term financial plans that align with the organization's strategic goals.

Use scenario analysis to evaluate the potential impact of different economic conditions and business scenarios.

Maintain flexibility to adapt to changing market conditions and opportunities.

Prioritize capital allocation based on strategic importance and expected returns.

Rigorously evaluate capital projects using techniques such as net present value (NPV) and internal rate of return (IRR).

Regularly review capital allocation decisions and adjust as necessary to optimize returns.

Maintain transparent and effective communication with stakeholders, including investors, creditors, and employees.

Ensure that capital management strategies align with the interests of stakeholders.

Implement strong corporate governance practices to oversee capital management activities.

By adhering to these principles, organizations can manage their capital more effectively, ensuring financial health, growth, and the ability to achieve their strategic objectives.

4. FINANCIAL SUPPORT PROCESS

Attracting financing:

Companies can raise financing from various sources, such as loans, issuing bonds or shares, as well as from internal sources, such as accumulated profits. Choosing the optimal source of financing depends on a number of factors, such as company goals, cost of capital and risks.

Debt management:

Debt is an important part of a company's capital structure. Effective debt management includes monitoring repayment terms, managing interest rates, and minimizing the risk of default.

Use of financial resources:

A company's financial resources must be used effectively to maximize their profitability and create value for shareholders. This includes investing in business growth, paying dividends, paying down debt and repurchasing shares.

5. CONCLUSION

In conclusion, it is essential to emphasize the importance of effective capital management and financial provisioning for achieving success in any business. Capital management encompasses not only cash but also assets, investments, and long-term strategies. Optimal allocation, efficient utilization of capital, and risk minimization are crucial for ensuring the stability and growth of an enterprise.

Additionally, the conclusion should highlight the significance of continuous analysis and monitoring of the company's financial position, as well as the adoption of modern tools and technologies to enhance capital management. Effective capital management requires not only financial expertise but also strategic thinking, adaptability to changing market conditions, and flexibility in decision-making.

Moreover, it is important to underscore the need for ongoing education and development of personnel

working in finance to ensure they can effectively apply new methods and technologies in capital management. Finally, it should be emphasized that successful capital management is not only a strategy but also a philosophy that underpins a sustainable and thriving business.

6. REFERENCES

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