

CONTEMPORARY FINANCIAL MANAGEMENT PRINCIPLES FOR AUGMENTING THE FINANCIAL CAPACITY OF AUTOMOTIVE INDUSTRY ENTERPRISES

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ABSTRACT

This paper examines contemporary financial management strategies designed to enhance the financial capabilities and sustainable development of automobile industry firms in Uzbekistan. The study highlights that the competitiveness and stability of the automotive industry rely on the efficacy of financial decision-making, the digitalisation of financial processes, and the incorporation of novel management technologies. Significant emphasis is placed on the execution of Economic Value Added (EVA), Value-Based Management (VBM), Balanced Scorecard (BSC), and Digital Finance Systems (ERP, BI) as strategies to enhance financial performance, bolster transparency, and augment investment appeal. The results demonstrate that the utilisation of contemporary financial management techniques enhances cash flow optimisation, profitability, and long-term enterprise value, hence bolstering the sustainable growth and global competitiveness of Uzbekistan's automotive sector.

In recent years, significant structural changes have occurred in Uzbekistan's industrial sectors, especially in the automotive industry. The primary objective of these reforms is to establish a competitive, export-oriented, and innovation-driven production system, to provide the domestic market with high-quality automobiles, and to enhance international integration.

The financial stability and long-term growth potential of the automobile industry predominantly rely on the adoption of contemporary financial management strategies within organisations. The capital-intensive and resource-sensitive automotive manufacturing business necessitates sophisticated and systematic financial management strategies that successfully adapt to fluctuations in raw material and energy costs, as well as market dynamics. The significance of this topic is dictated by the necessity to enhance the financial capacity of automotive firms via the optimisation of financial flows, efficient resource utilisation, digital financial control systems, and the stimulation of investment activities.

Theoretical Foundations: Financial Capacity and Contemporary Financial Management Strategies

Financial capacity is an extensive economic concept that defines an enterprise's capability to secure sustainable growth, execute investment initiatives, adopt new technologies, and

respond to risks and fluctuations in the market environment through the utilisation of both internal and external financial resources.

The primary elements for evaluating financial capacity comprise:

- ✧ Indicators of liquidity and solvency;
- ✧ Profitability metrics (Return on Assets, Return on Equity, Return on Sales);
- ✧ Capital composition and fiscal resilience;
- ✧ Investment endeavours and the proportion of innovation expenditures;
- ✧ Effectiveness of cash flow administration.

Contemporary financial management methodologies are founded on the subsequent conceptual frameworks:

- ✧ Value-Based Management (VBM) - a management approach aimed at enhancing corporate value;
- ✧ Economic Value Added (EVA) - evaluation of capital efficiency via economic value generation;
- ✧ Balanced Scorecard (BSC) - maintaining strategic equilibrium between financial and non-financial metrics;
- ✧ Risk Management and Scenario Analysis - mitigating financial risks among uncertainty;
- ✧ Digital Financial Control Systems (ERP, BI, Dashboard) provides real-time oversight and analysis for informed decision-making.

These strategies enable organisations to augment present profitability while also fostering long-term value development potential.

Evaluation of the Financial Viability of the Automotive Sector

In Uzbekistan's automotive industry, prominent companies like UzAuto Motors JSC, Jizzakh Auto, and GM Powertrain Uzbekistan have executed modernisation initiatives in recent years. Nonetheless, numerous financial issues persist:

- Insufficient liquidity - elevated short-term liabilities and inadequately diversified working capital;
- Decreasing profitability - rising raw material and energy expenses, along with variable domestic demand, diminish profit margins;
- Restricted foreign investment - elevated risk factors and insufficient company transparency hinder capital inflows;
- Absence of automated financial reporting results in delays and inefficiencies in analytical decision-making.

From 2021 to 2023, UzAuto Motors' net profit surged by 1.8 times, however the return on assets (ROA) decreased from 7.5% to 5.9%, indicating an increase in capital intensity and debt burden.

Guidelines for Executing Contemporary Financial Management Techniques

To augment the financial capabilities of automotive firms, it is recommended to implement contemporary financial management systems incrementally as outlined below:

1. Evaluation of Performance Based on EVA

$$\text{EVA} = \text{NOPAT} - (\text{WACC} \times \text{Capital Employed})$$

This methodology assesses the actual efficiency of capital utilisation. In 2023, UzAuto Motors' WACC was 12%, while NOPAT reached 1.2 trillion UZS, yielding a positive EVA, thereby affirming the company's financial soundness.

2. Balanced Scorecard (BSC) Framework

The integration of KPIs across four dimensions—finance, customers, internal processes, and innovation/growth—guarantees strategic coherence across the organisation.

3. Digital Financial Oversight (ERP + BI)

Enterprise Resource Planning (ERP) systems, like SAP, Oracle, and 1C, facilitate the automation of budgeting, expenditure management, and forecasting, whilst Business Intelligence (BI) platforms offer real-time visualisation of financial performance.

4. Risk Management and Scenario Analysis

Due to global market volatility, automotive companies should diversify their financial risks, including currency, interest rate, credit, and operational risks. Methods such Monte Carlo simulation, SWOT-risk matrix, and stress-testing facilitate empirical risk management.

Recommendations

1. At the organisational level, implement a cohesive Digital Finance Platform to centrally oversee all financial transactions.

2. At the industry level, develop a Corporate Finance Hub for the automobile sector to coordinate investments and credit facilities.

3. At the state level, augment financial support mechanisms for innovative manufacturers via tax incentives, "green finance" grants, and export credits.

4. In academia and research, include contemporary financial management methodologies such as Economic Value Added (EVA), Value-Based Management (VBM), and Key Performance Indicator (KPI) budgeting into university programs.

5. To enhance transparency, implement integrated financial reporting in compliance with International Financial Reporting Standards (IFRS).

Proposed Initiatives for Improving Industrial Efficiency

Nº	Proposals	Description	Practical Implementation
	Re-evaluation of raw material efficiency and waste management	It is necessary to improve the efficiency of raw material utilization and reprocess production waste.	Develop a resource-use monitoring system for each production stage; – Introduce recycling technologies for secondary materials.
	Automation and use of modern technologies	Automation of production and introduction of modern technologies enhance production productivity and reduce costs.	Expand automation and robotics in production; Introduce digital management systems; Develop IT-based control systems.
	Optimization of production processes	Optimization of production processes reduces time and resource costs and increases efficiency.	Implement lean manufacturing principles; Introduce process optimization software; Standar

	Improvement of product quality and competitiveness	Improving product quality and competitiveness helps strengthen market positions and increase export potential	Apply international quality standards; Introduce total quality management (TQM); Establish continuous quality control
	Improvement of management efficiency	Enhancing management efficiency ensures effective use of financial and human resources	Apply corporate governance principles; Introduce motivation and performance-based systems; Strengthen analytical and control mechanisms.
	Encouragement of technological innovations	Technological innovation promotes production efficiency and product differentiation	Stimulate R&D projects; Introduce innovation funds and grants; Implement digital transformation strategies.
	Optimization of market analysis and marketing strategies	Comprehensive market analysis supports more effective production and sales management	Develop marketing analytics platforms; Strengthen export market research; Introduce customer data systems (CRM)
	Enhancement of financial sustainability	Financial sustainability is achieved through effective management of capital, costs, and revenues	Improve cost control mechanisms; Introduce budgeting and forecasting systems; Diversify sources of finance
	Efficient use of energy and natural resources	Rational use of energy and natural resources contributes to cost reduction and environmental protection	Introduce energy-saving technologies; Conduct energy audits; Utilize renewable energy sources
	Improvement of financial planning and risk management	Effective financial planning and risk management ensure long-term financial stability	Develop integrated financial planning systems; Introduce risk assessment mechanisms; Strengthen strategic decision-making

Conclusion

The sustainable development of the automobile sector is intrinsically connected to the augmentation of its firms' financial capability. This can be accomplished by the effective application of contemporary financial management instruments, including EVA, Balanced Scorecard, Digital Finance, Risk Management, and Value-Based Management. Consequently, organisations will have the capacity to:

- optimise the utilisation of financial resources;
- enhance investment appeal;
- enhance production expenses;
- and formulate strategic decisions informed by digital financial analytics.

Consequently, contemporary financial management techniques should be acknowledged as a fundamental catalyst for sustainable growth and global competitiveness in Uzbekistan's automotive sector.

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