

Financial Sustainability of Small Business

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Abstract: This article talks about small business, its importance, and its role in the society and economy of the country. Explanations about the financial stability of small businesses are given, relevant indicators are considered and recommendations are given.

Keywords: small business, sustainability, economic growth, cash flow management, analyse.

Small enterprises usually consist of independently run organizations with a modest yearly income and a small number of employees. They are important to the global economy and frequently play a key role in innovation, job creation, and local economic growth.

Small companies can be found in a wide range of sectors, such as manufacturing, services, retail, technology, and more. They frequently offer specialized goods and services, cater to particular markets, and enhance the general diversity and competitiveness of the business environment.

Handling a variety of tasks, such as marketing, operations, human resources, and financial administration, is part of running a small firm. Small businesses frequently confront particular difficulties because of their size and resources, including hard competition, restricted access to finance, and the need to quickly adjust to changing market conditions.

Government programs, economic development projects, financial availability, and business development resources are common ways that small firms are supported. In order to successfully traverse the challenges of operating a successful firm, small business owners should also look for advice from professional advisors, mentorship programs, and associations within their field.

All things considered, small firms play a critical role in promoting innovation, generating employment, and propelling economic growth as they are an essential component of the economic ecosystem.

There are several ways in which small enterprises contribute significantly to society and the economy. Small companies play a significant role in the development of jobs. They increase economic stability and lower unemployment by giving a lot of people job options across a range of industries. Additionally, tiny companies are frequently at the forefront of invention and innovation. They can create and execute new ideas and technologies more quickly than larger corporations because they are more flexible and nimble, which promotes breakthroughs in a variety of industries. Small enterprises create income and tax revenues, which support economic progress. By providing a variety of goods and services, fostering competition, and expanding customer options, they also contribute to economic diversification. Community Development: Local communities are developed in large part by small companies. They foster a sense of community pride and cohesiveness by adding to the social fabric and character of neighborhoods and by frequently supporting neighborhood projects and events. Small companies serve as a

haven for aspiring entrepreneurs, giving people the chance to follow their passions and transform their creative ideas into profitable endeavors. This encourages economic dynamism and an entrepreneurial culture. Flexibility and Adaptability: Because of their size and flexibility, small firms are better equipped to adjust to shifting consumer preferences and market conditions. They are able to react swiftly to changing trends and customer needs as a result.

All things considered, small enterprises are critical to promoting innovation, economic progress, and the development of lively, diverse communities. Their significance goes much beyond their individual effects because they are the foundation of numerous economies worldwide.

Its financial stability is critical to the growth and well-being of such a significant economic connection in society.

The ability of a small business to sustain its financial well-being and fulfill its financial commitments over an extended period of time is referred to as financial stability. A small business's capacity to maintain financial stability is influenced by a number of elements, such as sound cash flow management, a strong balance sheet, efficient cost control, and a healthy level of profitability.

For small businesses, cash flow management is essential since it entails tracking and streamlining the flow of money into and out of the company to guarantee there is sufficient cash on hand to pay bills and make growth-oriented investments. In small business, cash flow management is the process of keeping an eye on, evaluating, and optimizing the flow of money into and out of the organization. This includes keeping track of when cash is received and paid, creating a cost budget, and spotting any financial surpluses or shortfalls. A small firm may make sure it has adequate liquidity to pay for its operating costs, invest in development prospects, and fulfill its financial responsibilities by managing cash flow well. Over time, this contributes to preserving sustainability and financial stability. A positive cash flow can indicate the business's ability to meet its short-term financial obligations.

Financial stability also requires a healthy balance sheet with assets, liabilities, and equity. A sound balance sheet is indicative of sound financial standing and the capacity to withstand unforeseen costs or downturns in the economy. In a small firm, the balance of activities refers to the appropriate distribution and administration of resources to guarantee the long-term viability and financial stability of the enterprise. Among other things, assets usually consist of cash, property, equipment, inventory, and accounts receivable.

Small business owners should routinely check their financial accounts, such as income and balance sheets, to track the entry and outflow of assets in order to properly balance assets. This can assist in locating potential resource misallocations or places in need of modification to maximize operational effectiveness.

In addition, keeping appropriate inventory levels, controlling cash flow, and guaranteeing prompt accounts receivable collection are all necessary to maintain a healthy balance of assets. It is imperative for small business owners to take into account variables like liquidity, profitability, and solvency when determining the optimal way to distribute and oversee their assets.

In general, long-term viability and sustainability of a small firm depend on attaining and preserving a balance of activities. To make sure their assets are being used effectively and economically, business owners can make well-informed decisions by routinely evaluating and analyzing financial data.

Another essential element of financial stability is efficient cost control. To make sure they are not spending more than their revenue permits, small firms need to closely monitor their expenses. This could entail lowering needless costs, improving operational efficiency, and negotiating better terms with suppliers.

And last, sound financial stability depends on a healthy degree of profitability. Small companies must make a significant profit to pay staff, reward owners for taking on the risks of entrepreneurship, and reinvest in the company.

Analyzing a small business's financial documents, such as the income statement, balance sheet, and cash flow statement, is crucial to determining its level of financial stability. Furthermore, keeping an eye on important financial measures including solvency, profitability, and liquidity ratios can reveal information about the financial health of the company.

All things considered, a small business's long-term survival and performance depend heavily on its capacity to maintain its financial stability, which calls for careful management of cash flow, a strong balance sheet, cost containment, and profitability.

Conclusion

In short, financial stability is the most basic and summarizing indicator of small business. Through it, the healthy functioning of the business expresses its readiness for the risks expected in the future. To ensure financial stability, it is necessary to monitor and analyze cash flows, profit margins, liquidity levels, and profitability indicators.

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