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## THE THREAT OF BANKRUPTCY

**Rasulov Shokhrukhbek**

Senior lecturer at Kimyo

International University in Tashkent

**Abstract:** The article considers the prerequisites for the onset of bankruptcy of business entities. The definition and understanding of the word bankruptcy by comparison of the previous papers. The article provides with clearer understanding of the term bankruptcy and studies the compatibility of the previously offered methodologies.

**Keywords:** risk of bankruptcy, problem failure to fulfill obligations to creditors, bankruptcy with economic point of view, bankruptcy from a legal point of view, stage of real bankruptcy.

## УГРОЗА БАНКРОТСТВА

**Расулов Шохрухбек**

Старший преподаватель международного

университета имени Кимё в Ташкенте

**Аннотация:** В статье рассматриваются предпосылки наступления банкротства субъектов хозяйствования. Определение и понимание слова банкротство в сравнении с предыдущими статьями. Статья дает более четкое представление о термине банкротство и исследует совместимость ранее предложенных методологий.

**Ключевые слова:** риск банкротства, проблема неисполнения обязательств перед кредиторами, банкротство с экономической точки зрения, банкротство с правовой точки зрения, стадия реального банкротства.

Nowadays, the financial activities of business units require responsibility in front of creditors, owners, workers and other contractors. The globaleconomic

situation and constantly changing business environment in the country predetermined increased risk of bankruptcy of organizations.

As the main goal of any business is to earn profit, carrying out the financial and economic activity is possible only by enterprises, receiving positive economic result. Economic instability, the changing environment of business world, crisis situations have negative influence on the financial stability of Uzbekistan enterprises (Pierre-Olivier, 2022). Due to the modernizations in most of the governmental structures, the local business units face difficulties to adapt to the business environment (Tsereteli, M., 2018). Therefore the number of commercial organizations that are facing the problem of not being able to comply the obligations to their creditors, which signalizes of facing bankruptcy.

The studies of bankruptcy passed long path of development, which is due to emergence of credit - economic and value exchange relations.

The concept of bankruptcy of legal entities has two main interpretations. Firstly, this term refers to objective failure of legal entities to continue their commercial activity. On the other hand, this term implies a lawsuit, aimed at civilized resolution of disputes between the debtor and creditors (Safley, T. M., 2013).

However according to regulation of the Republic of Uzbekistan “About inability to pay” confession of legal entities as bankrupt carried out by the decision of economic court, otherwise this company can be considered as economically distressed.

The procedure of bankruptcy of the organizations should be considered from the economic and legal points view. Bankruptcy from the economic point of view is the contingency of economic and business risks in activities of organizations, conditioned by financial, economic, political, internal (management) and indirect factors. Legally, the bankruptcy is the possibility of legal solutions of conflicts in the case of not returning by the debtor organization the funds to the creditor.

Initially, due to the lack of timely analysis of the financial state of the enterprise arise minor losses, which the management of the companies cover through operational activities, and as the consequences the next signs of bankruptcy can be identified.

Economists distinguish three stages of facing the real bankruptcy of enterprises.

At the first stage liquidity of the enterprise decreases. This process accompanied with the increase of the monetary obligations, accepted by the legal entity. On the second stages the enterprises already feels the lack of own financial resources. The firm has to use the attracted investments or realize own assets. On the third stage, there is an obvious inconsistency, since the company is unable to fulfill its obligations and simply does not have the funds to settle with creditors.

It is important for enterprises to predict the probability of bankruptcy, which will allow developing measures to prevent it (if it is only not fictitious and not intentional bankruptcy). Foreign schools of bankruptcy have developed the following analytic models of bankruptcy named after: Beaver (1966), Altman (1968), Taffler (1984), Fulmer (1984), Ohlson (1980) and others. But there are a number of reasons why practical attempts to introduce foreign models of bankruptcy forecasting in Uzbekistan conditions did not bring tangible results:

- incompatibility of the conditions generating the danger of bankruptcy;
- the impact of inflation;
- discrepancy between the balance and market prices of particular assets.

With the threat of bankruptcy, it is necessary to form strategic and tactical directions of financial stabilization. Strategy prevention of insolvency (bankruptcy) of the company is essentially a generalization of all components of economic strategy. Its main task is the early detection of the probability of bankruptcy, preventing the possibility of crisis phenomena, and the development of measures reducing the negative impact of crisis situations.

Therefore, a bankruptcy prevention strategy should determine methods for

choosing strategic decisions taken in within the commodity, price, investment and other components economic strategy. The tactics are focused on the actual financial condition of the company in the current period of its activity and assessment on this basis, the probability of bankruptcy in a short time interval.

Thus, a comprehensive analysis of possible causes of the crisis situation provides for constant monitoring of changes key performance indicators of the company by functional directions to provide management bodies with complete, timely and reliable information about the processes taking place in various areas of the economics. To reduce the likelihood of bankruptcy attention should be paid to reducing production costs and product sales, sales promotion, cash optimization flows, improving methods of working with debtors and restructuring of accounts payable.

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