

FACTORS AFFECTING THE ECONOMIC CONDITION OF ENTERPRISES AND ORGANIZATIONS

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Annotation: This work discusses the factors affecting the economic condition of enterprises and organizations, highlighting both internal and external influences that shape business operations. External factors include market dynamics such as supply and demand, competition, inflation, exchange rates, and government policies, while internal factors focus on the company's financial condition, capital adequacy, production capabilities, and human resources. The study emphasizes the importance of market conjuncture, tax systems, labor laws, and technological advancements in determining the profitability and stability of businesses. It also explores the role of strategic management, marketing, and innovation in fostering long-term growth. In addition, global and macroeconomic conditions, along with digitization, have a significant impact on enterprise development. The study concludes that understanding and adapting to these diverse factors are crucial for achieving sustainable success and enhancing competitiveness in the market.

Keywords: external and internal factors, market structure, competition, inflation, deflation, tax system factors, exchange rate, subsidies, political-legal factors, export-import restrictions, quotas, labor law, technical standards, socio-cultural factors, environmental restrictions and standards, liquidity, product quality, debt level, production capacities, marketing factors, brand image, digitization, SWOT analysis, global and macroeconomic factors, advertising and propaganda.

Introduction. In our country, large-scale reforms are being carried out to develop entrepreneurship, create favorable conditions for business operations, eliminate any obstacles in the entrepreneurial activity, and increase investment attractiveness. The factors influencing the economic condition of enterprises and organizations are a combination of various internal and external conditions. Yesterday, in the Legislative Chamber, the deputies adopted this Code, which consists of 8 sections, 29 chapters, and 315 articles. The document unifies and codifies 8 comprehensive laws and more than 10 subordinate legal acts regulating the entrepreneurial sector (as of August 8, 2024). Thanks to the conditions created for entrepreneurs and the opportunities provided, new entities have sharply increased, and those already in operation have expanded their activities. The profitability, stability, growth potential, and overall efficiency of an enterprise are determined by these factors. Market economy requires leaders and specialists to adopt new economic thinking, new ways of doing business, coordinate their activities with thousands of subjects and consumers, analyze situations and processes, and solve problems to direct them towards their own interests and goals, while planning for the future. Without these skills, any enterprise or firm is at risk of crisis in a competitive environment. It is essential to develop strategies to address the production volume and variety of products, the diversity of raw material suppliers and buyers, cost-efficient use of resources, human resources management, and the use of high-performance technologies and techniques.

The economic condition of enterprises and organizations is influenced by factors that stem from both internal and external conditions.

External Factors: These are typically outside the direct control of enterprises and organizations. They can be explained as follows:

- **Market Conjuncture**, i.e., changes in supply and demand: Changes in supply and demand directly affect the revenues, costs, and profits of an enterprise. An increase in demand boosts sales and revenue, improving the economic condition. However, if supply exceeds demand or demand decreases, products may remain unsold, leading to losses and financial difficulties. Therefore, enterprises must constantly monitor supply and demand and adjust their strategies accordingly.
- **Market Competition**: The level of competition in the market affects pricing, quality improvement, and the implementation of innovations by companies. High competition may reduce profit margins, but it can also increase efficiency. Low competition, on the other hand, may lead to monopolies, resulting in higher prices and lower quality. When competition is balanced, enterprises can develop sustainably.
- **Inflation and Deflation**: Inflation increases costs for enterprises and forces them to raise product prices, which can negatively affect demand. Deflation, on the other hand, reduces prices, decreasing revenues and investment. Both situations pose risks to the stability of enterprises, and they need to develop flexible strategies to adapt.
- **Tax System Factors, Levies, and Government Subsidies**: High taxes can increase the costs for enterprises, reducing their profits and limiting investment and growth. Subsidies, on the other hand, can help reduce costs, expand production, and enhance competitiveness. Thus, taxes and subsidies have a direct impact on the economic activities of enterprises.
- **Exchange Rate**: The value of the national currency in international markets. Changes in the exchange rate affect export and import costs. A devaluation of the national currency can boost exports but increase import costs. A strengthening of the currency makes imports cheaper but can negatively impact exports. This directly affects the revenues and competitiveness of enterprises.
- **Overall Economic Growth Indicators of the Country or Region**: These indicators also influence the economic conditions of enterprises, as they reflect the broader economic environment in which businesses operate.

Political and Legal Factors: For example, legislation, tax policy, and political stability determine the business environment for enterprises. Stable and favorable legislation facilitates business activities, while political instability and complex laws increase risks and costs. These factors directly impact the strategy and development of businesses.

Government Economic Policy, Including Export-Import Restrictions and Quotas: Government export-import restrictions and quotas can either limit or expand opportunities for companies in foreign markets. Export restrictions reduce income, while import restrictions increase raw material or technology costs. Conversely, favorable policies that promote exports can contribute to economic development.

Laws and Regulations, such as Labor Laws and Technical Standards: Labor laws and technical standards impact the workforce costs, production processes, and product quality of enterprises. Labor laws protect workers' rights and improve working conditions, but they may increase labor costs. Technical standards enhance product quality and competitiveness but can raise production costs.

Emergence of New Technologies and Innovations: New technologies and innovations improve business efficiency, reduce production costs, and enhance product quality. This strengthens

competitiveness and creates opportunities to capture new markets. However, implementing new technologies requires initial investments.

Availability of Competitive Technologies and Opportunities for Their Use: Competitive technologies allow companies to optimize production processes, reduce costs, and improve product quality. Effective use of these technologies helps companies adapt to the market more quickly, implement innovations, and gain a competitive edge. However, introducing competitive technologies requires significant investment.

Socio-Cultural Factors: Socio-cultural factors, such as consumer needs, values, and purchasing habits, determine a company's strategy for producing goods and services. Social trends and cultural preferences shape market demand, prompting companies to adapt their products or services. Changes in these factors drive companies to explore new markets or introduce innovations.

Natural Resources: Natural resources, such as raw materials and energy sources, directly influence companies' production processes and product prices. Shortages of natural resources increase costs, while an abundance of resources helps improve production efficiency. Access to resources determines a company's competitiveness and profitability.

Availability and Prices of Raw Materials and Energy Sources: The availability and efficient use of raw materials and energy sources help reduce production costs, optimize production processes, and improve product quality. When resources are plentiful, companies can increase competitiveness and strengthen their market position. Conversely, resource shortages limit production and raise costs.

Environmental Constraints and Standards: Environmental constraints and standards force companies to spend additional resources to avoid environmental damage. These, in turn, require optimizing production processes and updating technologies. However, these standards can also create opportunities for companies to produce eco-friendly products, enhancing competitiveness.

Internal Factors: Internal factors are directly related to a company's activities and can be controlled by the company itself.

Financial Condition: The financial condition directly affects a company's economic activities. A strong financial position allows a company to expand operations, attract new investments, and access credit. On the other hand, poor financial conditions can lead to liquidity problems, making it difficult to manage production processes and meet debt obligations. This jeopardizes the company's profitability and long-term stability.

Capital Adequacy: Sufficient capital provides a company with the necessary resources for stable operations, timely debt repayment, investment, and development. Insufficient capital may lead to liquidity issues, operational difficulties, and the loss of growth opportunities.

Working Capital and Investment Availability: Working capital plays a crucial role in maintaining continuous production processes, making payments, and fulfilling short-term obligations. Investments are necessary for implementing new projects, expanding production, and technological innovations. Both are key to ensuring a company's growth, profitability, and stability.

Liquidity: Liquidity is the ability of a company to meet its short-term obligations on time. Good liquidity enables uninterrupted operations, timely debt payments, and financial stability. If liquidity is low, it may lead to financial difficulties, a slowdown in production, and even bankruptcy risks.

Debt Level: Proper management of the optimal level of debt. Optimal debt levels allow a company to grow and expand by utilizing additional capital effectively. However, excessive debt

increases financial risks and may cause liquidity problems and repayment difficulties. The right level of debt ensures a company's stability and profitability.

Production Factors: For example, labor, capital, natural resources, and management directly affect a company's economic activities. The quality and quantity of labor resources, efficient use of capital, and access to natural resources accelerate the production process, improve product quality, and reduce costs. Good management helps distribute resources effectively, enhancing a company's competitiveness. These factors support the company's profitability and stability.

Production Capacities: The production capabilities of factories and equipment. Production capacities significantly impact a company's economic activities. Well-developed and efficiently utilized production capacities speed up product manufacturing, maximize resource utilization, and reduce costs. If production capacities are excessive or insufficient, it may result in resource waste or limited production, negatively affecting profitability and growth.

Product Quality: The competitiveness of products or services. High-quality and competitive products enable a company to enter the market and attract customers, increasing sales and strengthening brand image. On the other hand, poor-quality, non-competitive products can lead to decreased sales and deteriorating financial conditions.

Labor Productivity: Worker efficiency and the management of technological processes. High labor productivity makes production processes more efficient, reduces costs, and increases output. This improves a company's profitability, strengthens competitiveness, and enhances overall economic performance. Low labor productivity results in wasted resources, slower production, and declining profits.

Management and Organizational Structure: Effective management plays a vital role in the optimal allocation of resources, managing production processes, and making strategic decisions. A well-organized structure ensures smooth operations, facilitates efficient task management, and ensures communication. All of these contribute to improved profitability and overall stability.

Management System: Effective planning, control, and coordination mechanisms. Planning helps define the necessary resources for achieving goals and creating strategies. Control mechanisms monitor process efficiency, while coordination ensures optimal resource allocation and smooth collaboration across departments. These processes regulate company operations, improving profitability and decision-making effectiveness.

Human Resources: Skilled workers, their motivation, and preparedness. Skilled and experienced workers manage production processes efficiently, produce high-quality products, and solve problems quickly. Motivation helps employees work effectively, improving work quality and boosting productivity. Trained workers contribute to innovation and increase a company's competitiveness. All of this ensures profitability and long-term success.

Company's Strategic Direction: The presence of clear goals and mission. Clear goals and mission help a company direct its operations, allocate resources efficiently, and develop long-term growth strategies. This contributes to sustainable growth, competitiveness, and success. Clear goals also boost employee motivation and foster a sense of unity among the workforce.

Marketing Factors: Effective marketing strategies help analyze the market, identify customer needs, and create competitive products. Marketing campaigns strengthen a company's brand image, attract new customers, and increase sales. At the same time, marketing policies regarding pricing and distribution channels optimize costs and increase profit opportunities. All of this ensures the company's growth and stable economic activity.

Brand Image: The market positioning of products and the company's reputation among customers. A strong brand image fosters trust and loyalty among customers, which increases sales and expands market share. A strong brand image also boosts competitiveness, reduces costs, and allows the company to sell products at premium prices. Moreover, a positive brand image attracts investors and partners, helping secure additional capital and resources.

Competitive Analysis: Properly assessing market competition. Analyzing competitors allows companies to identify their strengths and weaknesses, enabling them to develop strategies to outperform them. Correctly evaluating market competitiveness optimizes pricing strategies, product offerings, and marketing tactics. This expands the company's market share, improves profitability, and ensures stable growth.

Advertising and Promotion: Implementing effective marketing strategies. Advertising and promotion help expand the market, attract new customers, and increase brand recognition. Effective marketing strategies drive products to the right segments, set appropriate pricing policies, and optimize distribution channels to boost sales. These factors enhance a company's competitiveness, ensure profitability, and promote sustainable growth.

Innovation Potential: Innovation enables the creation of new products or services, optimization of production processes, and cost reduction. This, in turn, increases a company's competitiveness and provides the ability to quickly respond to market demands. Innovation also helps companies enter new markets, meet customer needs, and ensure long-term growth. All of this enhances profitability and stability.

Introducing New Products and Services: Introducing new products and services improves a company's competitiveness, meets customer demand, and increases revenue. It also optimizes resource use, improves production processes, and opens new market opportunities.

Investment in Global and Macroeconomic Factors: This improves efficiency, creates new products and services, strengthens competitiveness, and increases long-term profits. Innovations reduce costs and create opportunities to expand market share.

Digitalization: The level of use of information technologies. Digitalization improves the efficiency of production and service delivery, allowing for more effective resource management. Information technologies help quickly and accurately process data, enhance customer interactions, and optimize marketing strategies. This reduces costs, increases competitiveness, and ensures profitability. High levels of digitalization also open new business opportunities and avenues for growth.

Global and Macroeconomic Factors: Companies are often influenced by global trends. Global pandemics: Health crises affect economic stability. Global Economy: The state of international markets, export and import conditions. Geopolitical factors: Regional political changes and security issues. The need for analysis and coordination: Analyzing a company's economic condition requires a comprehensive study of all factors, including:

- SWOT analysis (strengths, weaknesses, opportunities, and threats)
- Financial indicators (profitability, liquidity, profitability, etc.)
- Strategic planning.

Conclusion. Successfully managing a company's economic activities requires considering various factors, including financial condition, capital, working capital, investments, production factors, management systems, marketing, innovations, and the use of information technologies. Competitiveness, effective management, and clear strategic direction ensure the company's growth and stable development. Both global and microeconomic factors, as well as changes in the internal and external environment, impact the company's performance. Well-organized

management, high labor productivity, and innovation improve profitability and lead to long-term success. Thus, effectively managing and coordinating these factors significantly influences a company's growth, stability, and competitiveness.

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