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Research Article

IMPROVING THE PRACTICE OF USING MULTIPLIER COEFFICIENTS IN FORMING FINANCIAL STRATEGIES

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ABSTRACT

This article is based on the need and relevance of developing a financial strategy in joint stock companies. The prospects and advantages of using multiplier coefficients when making decisions on financial strategy are described. A scientific proposal and practical recommendations for improving the mechanism for developing financial strategy in joint-stock companies have been formulated.

KEYWORDS

Strategy, financial activity, multipliers, financial risk, financial management, arbitrage price, capital, cost, income, models.

INTRODUCTION

As one of the structural directions of the doctrine of economic development in foreign countries, the issue of improving the mechanisms and strategies of financial management of national companies in accordance with changes and trends in the external environment has an important place. Since the beginning of 2022, "TOP-100 companies in the world have had to

cancel deals worth 45 billion US dollars as a result of the influence of external economic and political factors, while in Europe and the USA alone, the volume of investment attraction has increased by 90% due to the cancellation of contracts on the practice of initial public placement of shares.", and in the world it decreased from 283 billion US dollars to 81 billion US dollars or 70%" [7]. In

such conditions, in order to maintain the stability of financial results at a minimum level, it is necessary for companies to improve the financial management mechanism, in particular, to transform the corporate financial system, to correctly assess the capital structure and existing opportunities, to forecast the level of financial risk, and to diversify investment directions.

A number of normative legal documents on the organization and improvement of the modern financial management system in joint-stock companies operating in Uzbekistan have been adopted, and a solid legal framework covering the organization and development of the activities of joint-stock companies, their infrastructure, further increasing their participation in the capital market, and other financial and investment aspects was created. In the development strategy of New Uzbekistan for 2022-2026, "gradual liberalization of capital movement in our country and privatization of large enterprises and their shares (shares), including through the stock exchange, and further liberalization of leading sectors of industry and the economy, as well as completion of transformation processes" [1] economy defined as one of the main goals in the field.

Accordingly, coordination of corporate financial policy in accordance with changes in the external environment, introduction of international modern methods of financial management, effective use of additional instruments in the formation of financial strategies, development of relations with the financial market in the formation of additional sources of financial

support, introduction of international standards in financial risk management, capital structure implementation of scientific research on the implementation of financial technologies in optimization is one of the current issues.

Review of literature on the subject

A number of studies have been carried out by domestic and foreign economists on the economic importance of developing financial strategies and improving their theoretical and fundamental foundations in ensuring financial stability in joint-stock companies and improving the modern corporate management mechanism. Most of these studies have been carried out with a company-wide approach, and a certain part is focused on the scientific basis of developing financial strategies as a result of the influence of macroeconomic factors.

The mechanism of financial strategy is used for systematic analysis of financial activity while gaining importance in increasing the market value of the company. It is possible to assess the prospective development trends of the company on the basis of ensuring the implementation of priority tasks defined in the financial strategy in real conditions [2]. Financial strategy represents the way to achieve and maintain business competitiveness and develop the company as an international organization. Financial strategies are goals, models, or alternative choices aimed at further improving and optimizing financial management to achieve corporate results [3]. According to Blank, "Financial strategy is the functional strategy of the enterprise, which forms

long-term financial goals, determines all the main directions of development of its financial activities and financial relations by choosing the most effective ways to achieve them, forms and uses financial resources in the conditions of changing external factors. is one of the most important types" [4]. Corporate strategy refers to the general activity of the entire company, while functional strategy refers to the specific function of the company within the general strategy. On the other hand, the financial strategy is functional. Therefore, its main purpose is to increase efficiency by attracting capital [5]. Khominich's scientific work, "Financial Strategy of Companies", defines the financial strategy as a generalizing model of actions necessary to achieve the goals set within the framework of the corporate mission by coordinating, distributing, and using the company's financial resources [6]. The financial strategy can be approached as a subsystem of the general strategy that presents a long-term program of specific actions to implement the concept of using the company's own and debt funds to achieve a strategic competitive advantage. Therefore, in the definition given to financial strategy, it is possible to see the harmony of the relationship between strategic and financial management [7]. According to Borisova and Sychev, the financial strategy can include two components: a targeted financial strategy and a financial strategy for the use of capital. Each of these strategies has its own content and characteristics. In particular, the target financial strategy can be approached as a strategy for increasing the company's market value, a strategy for increasing the volume of

(product) sales, and a strategy for maximizing profit. In turn, the financial strategy for the use of capital is considered a strategy of self-financing and a strategy of financial investments [8], in the studies carried out by Kh. Akhmedov, the principle of viewing the enterprise as an open system capable of self-organization reflects an open and clear system interrelated with external factors for the development of the financial strategy of the enterprise in the process of strategic management. It is stated that such an interdependence process of the enterprise requires suitable space, time, and functional content in the conditions of the market economy [9].

RESEARCH METHODOLOGY

In the conducted research, scientific research, generalization, grouping, comparative methods, economic analysis, statistics, expert assessment, comparative comparison, observation and other methods of the methodological basis of the formation of the capital assessment of joint-stock companies were used.

RESULTS AND DISCUSSION

Another important condition for the effective use of capital in joint-stock companies is the proper organization of the project financing and forecasting mechanism. It is known from the results of the analysis that today the central forecasts and econometric studies on the future strategies of most joint-stock companies and their achievement have not been developed.

Table 1

Models of assessment of capital value of joint-stock companies

No	of the model to be named	Briefly description	Determination
1	Cumulative model (BUM-Build-Up Method)	The impact of systematic and unsystematic risks is taken into account when assessing the value of the company's capital.	$ER_1 = R_f + RP_m + RP_s + RP_u$
2	Permanent growth model (Gordon model)	Capital appreciation financial assets according to payable revenues of the amount g- percent per annum at the rate grow up to go based on to be considered mean holds	$V_s = \frac{DIV_s}{P_s(1 - e_h)} + g; \rightarrow g = b * ROE$ $V = V_t + V_{t+1} = \sum_{t=1}^T \frac{DIV_t}{(1+r)^t} + \frac{DIV_{t+1}}{(r-g)(1+r)^T}$
3	Arbitration rates formation model (Ross model)	the same assets different from grades use the way with without risk income to get is based on	$\bar{R}_i = R_f + b_{i1}R_1 + b_{i2}R_2 + \dots + b_{in}R_n + e_i$ $\bar{R}_i = R_f + (\bar{\lambda}_k - R_F)b_{ik}$
4	of income internal to the norm based model	The value of most debt sources is determined based on the sum of the total amount involved and the payments made to cover it.	$\sum_{t=1}^N \frac{CF_t}{(1+R)^t} - (D_0 - TC) = 0$ $k_D = R * (1 - T)$
5	Capital assets valuation model (CAPM)	Financial of the asset demand done in quantity profitability in determining this financial to the asset exposure to market risk level to determine mean holds _	$V = R_f + \beta_u(\bar{R}_m - R_f) + \beta_u(\bar{R}_m - R_f) * (1 - T) * \frac{D}{E}$ <p>Capital cost of JSC :</p> $V_E = \sum_{t=1}^n \frac{FCFE_t}{(1+r_E)^t}$
6	Capital average drawn cost (WACC)	A joint stock company common value and financial supply separately sources according to value evaluation enable gives _	$WACC = w_E k_E + w_D K_D(1 - T)$ <p>of AJ value :</p> $V = \sum_{t=1}^n \frac{CF_t}{(1 + WACC)^t}$

Source: Compiled by author based on research

However, one of the important conditions for the introduction of international financial management standards is the development of promising strategies in joint-stock companies and the importance of scientific approaches to it. In the course of the research, we have provided conclusions on the possibility of using the methodological practice of evaluating the capital value and the analysis of the multiplier coefficients on the example of the joint-stock company "Uzmetkombinat". Today, in international practice, there are several models developed by leading scientists and international rating companies in the evaluation of capital value. We present the evaluation models that are widely used in practice and the results of which are considered important in the development of promising strategies (Table 1).

It can be seen from Table 1 that there are different methodologies for assessing the capital value of joint-stock companies, in which financial managers should take into account aspects such as the characteristics of the joint-stock company's industry, financial capabilities, and the extent of its impact on changes in the external environment. As a result of the research, the advantages of using the Gordon and WACC model and the reliability of the obtained results are based on the example of the joint-stock company "Uzmetkombinat" in the assessment of the capital cost. Also, in the example of these joint-stock companies, by performing a fundamental

analysis, information on the main multiplier coefficients and their changes was obtained (Table 2).

Table 2 allows forming general conclusions based on the relationship between the efficiency indicators and the multiplier coefficients of the use of capital by the joint-stock company "Uzmetkombinat".

In 2015-2017, the weighted average cost of capital had an increasing trend, and it can be seen that the main connecting factor is the increased efficiency of the ROIC coefficient. Also, the growth of the debt capital affects the change of the ROA ratio, along with the direct growth of the financial leverage ratio. As a result of the society's modernization of means of production, expansion, and diversification of investment activities, the market capitalization increased by more than 7 times and the revenue from product sales increased by 8.5 times during 2015-2021. This, in turn, led to positive trends in P/E, P/B, P/S, and EV/S coefficients, which are the main indicators of fundamental analysis.

have some shortcomings and problems in establishing the practice of corporate evaluation, determining efficiency coefficients in the formation and use of capital, and using the multiplier coefficients recommended by international standards or international rating companies to determine the economic efficiency of investment projects.

Table 2

Analysis of capital cost and multiplier coefficients of "Uzmetkombinat" JSC

N o	Indicators	2015	2016	2017	2018	2019	2020	2021
1.	WACC	17.6	18.4	17.2	19.8	25.2	23.1	24.1
2.	According to the Gordon model differentiation	+2.1	-3.2	+4.2	+2.3	-0.6	+2.8	+1.5
3.	Capitalization volume (billion soums)	623.9	736.2	869.7	1401.6	1709.1	1986.5	4410.2
4.	Cumulative value	0.85	0.71	0.62	0.48	0.32	0.28	0.22
5.	Capital growth rate (%)	21.5	13.3	129.3	50.9	27.6	14.6	78.9
6.	Debt of capital percentage (%)	31.6	31.3	57.3	54.8	56.3	59.1	61.4
7.	Private of capital percentage (%)	68.4	68.7	42.7	45.2	43.7	40.9	38.6
8.	P/E	166.62	83.44	76.12	14.69	15.33	22.35	3.52
9.	P/B	8.39	6.91	6.31	4.01	3.56	3.1	1.82
10.	P/S	5.56	4.63	2.65	0.98	1.56	1.75	0.8
11.	EV/S	5.96	4.43	3.68	1.25	1.58	1.54	0.92
12.	EV/EBIT	115.6	54.5	22.51	12.96	16.1	32.2	4.58
13.	ROA (%)	3.71	6.12	4.6	12.87	10.1	5.36	22.98
14.	ROE (%)	5.15	9.21	8.45	29.85	23.54	12.45	58.96
15.	ROIC (%)	4.96	9.25	23.98	28.7	17.2	7.6	41.2
16.	ROCE (%)	7.6	13.2	21.9	23.56	17.98	7.26	42.12
17.	D/E	0.46	0.46	1.34	1.22	1.28	1.44	1.57
18.	Net Debt/EBIT	5.21	2.12	3.69	3.12	4.56	9.56	1.89

Source: <https://www.uzbeksteel.uz/> , <https://www.uzse.uz/> - prepared by the author based on his data.

Firstly, the preparation of financial reports of joint-stock companies based on international standards and presenting them to the general public, secondly, the fact that some structural indicators for determining multiple multiplier coefficients are not available or not fully disclosed in the methodology provided in the national

unified assessment standard, and thirdly, the possibility of obtaining complete information on the factors involved in the use of some econometric models such as limited Also, the widespread use of the cost approach, rather than the income method, in assessing the capital value

of most joint-stock companies shows that there are problems in the assessment process.

CONCLUSION

In today's conditions of transformation and privatization of economic sectors, one of the main tasks facing the heads of executive bodies and financial managers of joint-stock companies is to pay special attention to strengthening the financial condition of the joint-stock company in the development of current and strategic goals, to further increase the role and importance of financial management in managing financial stability, to monitor financial stability organization and development, effective use of advanced experiences of foreign countries in the organization of financial management.

Joint-stock companies operating in our country today have some shortcomings and problems in establishing the practice of corporate evaluation, determining efficiency coefficients in the formation and use of capital, and using the multiplier coefficients recommended by international standards or international rating companies to determine the economic efficiency of investment projects. Firstly, the lateness of the reforms regarding the preparation of financial reports of joint-stock companies based on international standards and presenting them to the general public, secondly, the fact that some structural indicators for determining multiple multiplier coefficients are not available or not fully disclosed in the methodology presented in the national unified assessment standard, and

thirdly, some econometric models of financial management instruments factors such as limited availability of data on factors.

In national practice, the legal basis for determining the market value of joint-stock companies and the real value of financial assets has been created, but in the process of privatization and transformation, the determination of the market value of joint-stock companies and the improvement of the methodological aspects used in it are required. Also, the provision of corporate transparency in the legislative documents on the formation of the sale price of joint-stock companies and the determination of the (participating) factors affecting it will lead to the creation of the same opportunities for investors and shareholders.

The conclusions obtained based on the results of the analysis carried out on JSC "Uzmetkombinat" show that although some of the multiplier coefficients in the initial stages of the analysis period were lower than the established international standards, it can be seen that the coefficients related to the use of capital have a high result. Estimating the efficiency of capital use is a process that includes a mathematical-statistical analysis consisting of several stages, in which a conclusion about the efficiency indicators should be made based on the results of each algorithmic sequence. In this process, the conclusion about the capital value is obtained by comparing the shareholding with the multiplier coefficients of the company and serves to make the optimal decision on the use of financial resources.

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