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Issues of Improving the Financial State of Management Service Companies

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Abstract
This article discusses the issues of improving the financial condition of management service companies in Uzbekistan.

Keywords: Management service companies (MSC), financial position, balance sheet analysis, income statement (profit and loss statement) analysis, cash flow statement analysis, financial ratio analysis.

Introduction

In recent years, the institution of management service companies (MSCs) has been introduced for managing multi-story residential buildings, and their register, rights, and obligations have been established. This necessitates restructuring financial management, tariff setting, and accounting according to new criteria. Management service companies are legal entities engaged in managing apartment buildings and the service sector. They are organizations that provide services for maintaining apartment buildings at the expense of the residents, repairing and maintaining common property, cleaning entrances and courtyards, removing waste, and repairing utilities. These companies perform services such as maintaining the sanitary and technical condition of the housing sector, concluding contracts with resource-supplying enterprises, and conducting mutual settlements with residents. They are private companies that primarily operate to generate profits from payments collected from property owners.

Review of literature on the topic

In economic literature, financial condition is considered an economic category that reflects the state of enterprise capital during its turnover. It encompasses indicators such as the structure of assets and liabilities of the enterprise, the speed of expenditure and fund turnover, the availability of financial resources, and their effective use. In their research, A.D.Sheremet, E.V.Negashev, and R.S.Sayfulin describe the financial condition as the composition and allocation of the enterprise's assets, their sources, the speed of capital turnover, and the enterprise's ability to fulfill its obligations in a timely and complete manner. The stability of financial position is the main criterion of an enterprise's reliability and business activity, on which its competitiveness and business potential depend.

Issues of improving the financing of management processes in management service companies in our country are reflected in the research of scientists such as R.I.Nurimbetov, A.D.Metyakubov, V.U.Yodgorov, D.Ya.Butunov, T.A.Khasanov, S.K.Salaev, I.Kh.Davletov, A.S.Sultanov, F.Ergashev, D.A.Berdiyeva, and R.N.Kholmurodov.

Research Methodology

The article extensively utilizes methods of studying and drawing conclusions about the financial condition of management service companies, as well as analysis and logical reasoning.

Analysis and Results

Management service companies perform the tasks of managing housing stock, maintaining common property, providing technical services, concluding direct or intermediary contracts with resource-supplying enterprises for the provision of resources (electricity, water, gas, heat), and collecting utility payments. Their sources of income are diverse, with the main part consisting of payments from property owners for the maintenance and repair of housing stock, fees for management services, as well as payments for additional services (sanitation, intercom installation, utility repairs) and rental of common property. A sound financial position of management service companies contributes to providing the population with quality services, reducing debts to resource suppliers, and ensuring the stable operation of the entire utility network.

Financial condition is a system of key indicators that express the stability and competitiveness of any enterprise, including management service companies. Russian scholars A.D. Sheremet and E.V. Negashev describe the financial condition as the allocation and utilization of enterprise funds; they define its level as being determined by the fulfillment of the financial plan, the increase in own funds from profits and other sources, and the speed of capital turnover. The authors emphasize that the financial condition is manifested in the enterprise's ability to fulfill its obligations on time, pay suppliers, repay loans, pay salaries to employees, and pay taxes to the budget. Therefore, improving the financial condition of management service companies is crucial for the quality of services provided to the population and the stability of the industry.

When analyzing the financial condition, it is first necessary to assess the capacity of the enterprise based on accounting reports and financial ratios (Figure 1).

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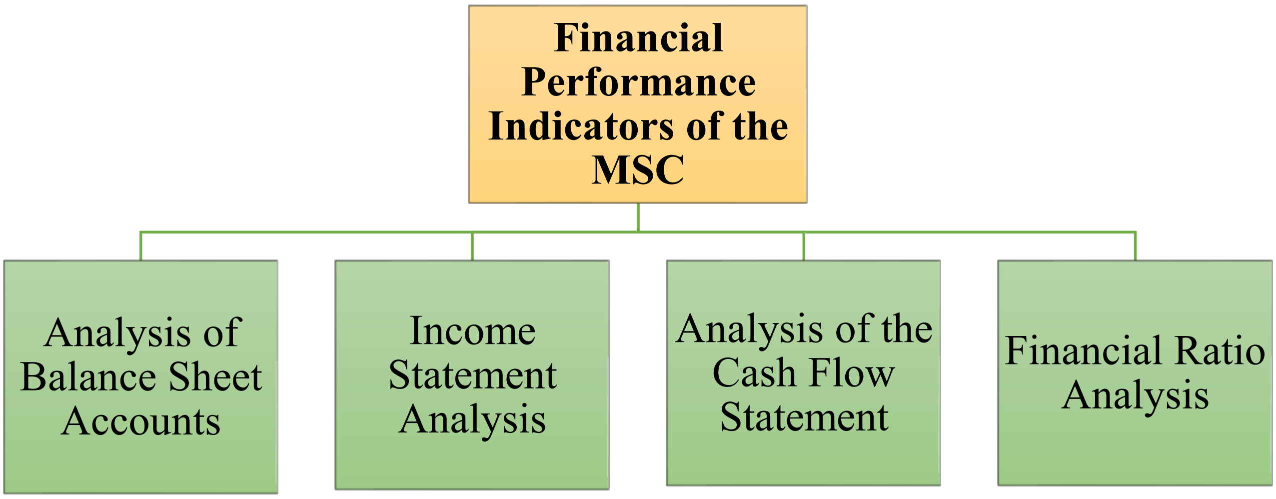

Figure 1. Indicators of the financial condition of the MSC.

Including:
1. Balance sheet analysis. The balance sheet provides information about assets, liabilities, and owners' equity. This document shows the short-term and long-term portions of assets, the ratio of the enterprise's debt to capital, and also allows for the analysis of settlement periods with debtors and creditors and the turnover of inventory on hand.
2. Analysis of the Income Statement (Profit and Loss Statement). This report shows income, expenses, and profit for the period, including gross profit margin, operating and net profit margins, as well as interest payments on loans. It reveals the growth rates of the enterprise's income and the composition of profit.
3. Analysis of the Cash Flow Statement. The cash flow statement shows cash inflows and outflows for the company's operational, investment, and financial activities. It helps to determine the liquidity position, sources of cash flow, and the amount of free cash.
4. Analysis of Financial Ratios. Profitability, liquidity, debt, efficiency, and market value ratios, calculated based on the balance sheet, income statement, and cash flow statement, allow for a more comprehensive assessment of the enterprise's financial condition. The main ratios include gross and net profit margins, coverage ratio (ability to cover debts and interest payments), current liquidity ratio, quick ratio, debt-to-equity ratio, inventory turnover ratio, asset turnover, return on equity, and return on assets.

The revenue of management service companies primarily consists of regular payments from property owners, fees for management services, and additional services. Their profit typically amounts to around 10% of the total income, with companies of various sizes operating in this sector. They must cover expenses such as housing stock maintenance and operation, office and technical parking facilities, employee salaries, taxes, and payments to resource suppliers. Therefore, when assessing the financial condition, non-financial indicators are also taken into account - including service quality, team loyalty, and relationships with debtors.

Factors negatively affecting the financial condition of management service companies include:

1. Debtor indebtedness and difficulty in collecting payments. Management companies constantly face the problem of accounts receivable and challenges in fully collecting utility payments. Large accounts receivable leads to delays in fulfilling obligations to resource suppliers.
2. Lack of inventory management. Management companies often do not maintain accurate data on the areas of houses and apartments. Discrepancies between incorrect documentation and actual areas reduce the company's revenue. Experts recommend that management companies conduct annual inventories and maintain digital records.
3. High costs and low level of digitalization. Due to non-digitized processes, it will be difficult to allocate and optimize expenses later.
4. Underdevelopment of marketing and additional services. If income sources are limited only to the established tariff, the company's profit will be low. Failure to offer property owners additional services (internal household provision, installation of modern communications, rental of advertising spaces) leads to a loss of potential income.

A complex of various financial, organizational, and information-technological measures is necessary to ensure financial stability. The following measures will help improve the financial condition of management service companies:

5. Development of the information and analytical system. Implementation of an information and analytical system for dynamic analysis of the enterprise's financial condition, cash flow modeling, and evaluation of strategic decisions.
6. Improvement of financial reporting. Integration of accounting, management, and tax reporting systems. This allows the company's management to make prompt and well-founded decisions.
7. Increasing reserves and sources of profit. An important way to ensure financial stability is to increase the sources of reserve formation. This includes reinvesting profits and attracting loans on favorable terms.
8. Optimizing cash flows. It is necessary to attract long-term loans, collaborate with strategic partners and investors, increase positive cash flow through the sale of non-profitable assets, and reduce fixed costs.
9. Managing accounts receivable and payable. It is essential to maintain an optimal ratio between accounts receivable and payable. This involves analyzing accounts receivable, shortening payment terms for debtors, negotiating the most favorable agreements with creditors, and planning payments.
10. Efficient use of working capital. Financial stability is affected by maintaining sufficient levels of current assets, the share of liquid assets, and ensuring optimal volumes of warehouse and finished product inventories. It is recommended to accelerate inventory turnover, optimize delivery intervals, and sell excess materials and idle property.
11. Digitalization and control of payment collection. Regular collection and monitoring of user payments limits the growth of accounts receivable.
12. Inventory and digital accounting of housing stock. It is necessary to collect accurate data on housing areas, obtain documents from a unified registry, and regularly update them through a digital accounting system. Inventory prevents errors and allows for a complete calculation of income.

13. Utilization of outsourcing and digitalized call centers. Connecting to a digital service center reduces dispatching costs by 50%, and the number of employees decreases due to the ability to receive inquiries through chatbots and automated phone systems.
14. Expansion of additional services and revenue sources. In addition to utilities, management companies can generate extra income by offering supplementary services, renting out common property (basements, attics, facades), or providing advertising spaces. Such diversification increases profits and strengthens financial stability.
15. Transparency of tariffs and expenses. Active communication with property owners should be maintained, and the established tariffs should be justified and evaluated. The cost estimate for housing stock maintenance should be compiled annually, clearly indicating the sources of income and expenses. To achieve this, it is necessary to accelerate digitalization efforts in this sector.

Conclusions and Suggestions

The financial condition of management service companies directly affects the stability of the utility sector and the quality of services provided to the population. To improve the financial situation, it is necessary to implement comprehensive measures, such as accurately assessing the situation through accounting reports and financial ratios, planning and calculating cash flows, managing accounts receivable and payable, optimizing reserves, utilizing digitalized information and analytical systems and mobile applications, automating payment collection, and making extensive use of outsourcing services. Cyberleninka research recommends creating an information-analytical system to ensure financial stability, modeling indicators, increasing reserve sources, optimizing cash flows, reducing costs, and balancing the relationship between debtors and creditors. Experts from SberBusiness and Doma.ai demonstrate that it is possible to increase income and achieve financial stability by maintaining accurate records of housing spaces, collecting utility payments through digital platforms and mobile applications, analyzing expenses, outsourcing dispatch services, and offering additional services. Such a comprehensive approach strengthens the financial position of management service companies and creates a solid foundation for attracting investments to the utilities sector.

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