

American Journal of Economics and Business Management

Vol. 9 Issue 10 | **pp.** 307-311 | **ISSN:** 2576-5973

Available online @ https://www.globalresearchnetwork.us/index.php/ajebm

Article

Ways to Enhance the Financial Stability of Construction Materials Industry Enterprises under Market Economy Conditions

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Abstract: *This article examines the financial stability of construction materials enterprises, taking into account capital intensity, seasonal demand, and dependence on energy and raw materials. The study aims to assess changes in key financial indicators and identify priorities for financial management. Comparative financial ratio analysis and logical generalization are applied to the indicators presented for 2021, 2023, and 2025. The results show improvements in current liquidity, financial independence, asset profitability, and receivables turnover, accompanied by a decline in the reported share of accounts payable. These changes indicate a favorable direction, although the ratios alone do not establish the adequacy of liquidity or the sustainability of debt financing. The analysis links financial management priorities to the industry's operating conditions. The proposed measures include matching financing maturities to investment needs, improving working capital management, evaluating energy efficiency investments, and strengthening cash flow planning and financial risk monitoring.*

Keywords: *financial stability, construction materials industry, liquidity, solvency, capital structure, working capital, financial risk, profitability.*

Citation: Usmanova, G. U. Ways to Enhance the Financial Stability of Construction Materials Industry Enterprises under Market Economy Conditions. American Journal of Economics and Business Management 2026, 9(10), 307-311.
Received: 10th Aug 2026
Revised: 21th Aug 2026
Accepted: 31th Aug 2026
Published: 11th Sept 2026

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1. Introduction

Under the conditions of modernizing and ensuring the sustainable development of the national economy, the construction materials industry holds particular importance, as it not only forms the material and technical base of the construction sector but also plays a key role in creating new jobs, industrializing the regions, and enhancing export potential. The rising standard of living of the population, the expansion of housing construction programs, and the development of industrial and social infrastructure facilities are consistently increasing the demand for construction materials.

Fluctuations in raw material and energy prices, borrowing costs, exchange rates, and customer payment periods can weaken enterprises' financial stability. Higher operating costs may reduce margins, while delayed collections increase the amount of capital tied up in receivables. Financial management therefore needs to coordinate investment financing, working capital requirements, and debt repayment schedules rather than assess these elements separately [1–3].

For this reason, scientifically substantiating ways to enhance the financial stability of construction materials industry entities, improving the methodology for assessing their

financial condition, and developing practical recommendations are of pressing scientific and practical importance. The purpose of this article is to systematize the factors influencing the financial stability of construction materials industry enterprises under market economy conditions, to analyze their financial condition, and to develop concrete measures aimed at enhancing financial stability.

Literature Review

The literature on corporate financial stability combines financial ratio analysis with the assessment of capital structure, cash flows, and financial distress. Financial distress models provide a framework for evaluating several indicators jointly, rather than treating a single ratio as sufficient evidence of stability [4,5]. Their application requires attention to the accounting definitions, enterprise characteristics, and conditions under which the models were developed.

Working capital research examines the relationship between operating asset management, corporate performance, and financing constraints [6,7]. A complementary strand of research addresses liquidity stress and corporate cash requirements [8]. These approaches provide a basis for interpreting financial stability in construction materials enterprises. The practical task is to connect changes in financial ratios with the industry's investment requirements, seasonal cash flows, and exposure to energy and raw material costs.

2. Materials And Methods

The study uses comparative financial ratio analysis and logical generalization to examine the indicators presented for 2021, 2023, and 2025. The assessment covers current liquidity, financial independence, return on assets, receivables turnover, and the share of accounts payable. Current liquidity is interpreted through the relationship between current assets and current liabilities, while financial independence reflects the equity share in total assets. The indicators are evaluated jointly because their interpretation depends on asset composition, financing arrangements, and operating conditions [9]. The comparison is descriptive and does not establish causal relationships between particular management measures and changes in financial performance.

3. Results

1. Sectoral characteristics of the construction materials industry affecting financial stability

The construction materials industry has a number of specific characteristics that create additional complexities in ensuring enterprises' financial stability. First, the industry is characterized by high capital intensity — the production of cement, brick, reinforced concrete products, glass, and other materials requires expensive fixed assets and large production capacities, resulting in high depreciation costs and a long payback period for investments.

Second, demand for the industry's products is seasonal in nature, rising mainly during the spring-summer-autumn period as construction activity intensifies and declining noticeably in winter. This leads to uneven cash flows and a slowdown in the turnover of working capital. Third, energy and raw material requirements are particularly important in cement, lime, brick, and glass production. Changes in input costs may weaken operating margins when enterprises cannot offset them through productivity improvements or selling prices. Research on the cement and concrete industries provides a basis for discussing energy efficiency and material substitution as potential responses to these pressures [10,11].

Fourth, because of the substantial weight and volume of the products, transportation costs are high, which limits the delivery radius to consumers and intensifies competition

in regional markets. All of the characteristics listed above call for the development of approaches specifically tailored to ensuring the financial stability of construction materials industry enterprises.

2. System of factors affecting financial stability

It is appropriate to analyze the factors affecting the financial stability of construction materials industry enterprises by dividing them into internal and external factors, as well as into financial, production, market, and managerial factor groups. Table 1 presents a systematized overview of these factors.

Table 1. Internal and external factors affecting the financial stability of construction materials enterprises

Factor group	Internal factors	External factors
Financial	Capital structure, adequacy of working capital	Credit interest rates, inflation level
Production	Capacity utilization, technological renewal	Raw material prices, energy tariffs
Market	Product quality, pricing policy	Supply-demand ratio, level of competition
Managerial	Quality of financial management, budgeting	Tax policy, state regulation

The table shows that some of the factors affecting an enterprise's financial stability can be managed by the enterprise itself (internal factors), while others are formed outside the enterprise's operations and require adaptation (external factors). Therefore, an enterprise's strategy for enhancing financial stability should be aimed both at the efficient use of internal resources and at increasing the ability to adapt quickly to changes in the external environment.

3. Analysis of the dynamics of the financial condition of construction materials industry enterprises

Table 2 presents changes in five financial indicators for 2021, 2023, and 2025. The comparison shows improvements in liquidity, financial independence, asset profitability, and receivables turnover, together with a decline in the reported share of accounts payable.

Table 2. Changes in financial indicators of construction materials enterprises in 2021, 2023, and 2025

Indicators	2021	2023	2025
Current liquidity ratio	1.12	1.18	1.24
Financial independence ratio	0.38	0.41	0.45
Return on assets, %	6.4	7.1	8.3
Receivables turnover, times	5.2	5.9	6.7
Share of accounts payable, %	34.6	31.2	27.8

The current liquidity ratio increased from 1.12 in 2021 to 1.24 in 2025, indicating a higher level of current asset coverage of current liabilities. However, the adequacy of this coverage depends on the liquidity of inventories, the collectability of receivables, and the timing of payments. The financial independence ratio rose from 0.38 to 0.45, indicating an increase in the equity share of total assets. Neither ratio should be evaluated against a single threshold presented as a universal international standard [1,9].

Return on assets increased from 6.4% to 8.3%, suggesting improved asset profitability. Its adequacy cannot be determined by directly comparing it with lending rates without considering the profit definition, taxation, and financing structure. Higher receivables turnover is consistent with faster collection when the calculation basis remains comparable across the reporting years. The decline in the share of accounts payable represents a change in financing composition, but it does not independently demonstrate an improvement in payment discipline.

Taken together, the indicators show a favorable direction of change. A fuller assessment of financial stability nevertheless requires consideration of cash flow coverage, debt maturities, overdue receivables, and seasonal financing needs. The reported improvements therefore provide a basis for identifying management priorities rather than concluding that all financial risks have been resolved.

4. Key directions for enhancing financial stability

Based on the results of the analysis conducted, the following key directions can be proposed for enhancing the financial stability of construction materials industry entities.

The first direction is optimizing capital structure. Enterprises should form the ratio of equity to borrowed funds in line with sectoral characteristics, finance long-term investment projects primarily from equity and long-term loans, and use short-term borrowed funds only to replenish working capital. This will help standardize the level of financial leverage and strengthen solvency [1–3].

The second direction is improving the efficiency of working capital use. Managing raw material and finished-goods inventories on the basis of scientifically substantiated norms, improving the system for monitoring receivables, and using mechanisms such as advance payments and factoring in settlements with customers all serve to accelerate the turnover of working capital. To mitigate the effects of seasonality, enterprises should build up an order portfolio for the winter period and plan warehouse operations rationally [6,7].

The third direction is improving energy and resource efficiency. Enterprises should evaluate investments in equipment upgrades, process optimization, and suitable alternative materials according to their expected operating savings, initial cost, and payback period. The feasibility of renewable energy and waste utilization depends on the production process and local supply conditions. Such measures can support financial stability when the resulting savings justify the investment and financing costs [10–12].

The fourth direction is strengthening financial planning and risk monitoring. Enterprises should prepare cash flow forecasts that account for seasonal sales, customer payment periods, debt repayments, and changes in input costs. Financial distress models may complement this assessment when their assumptions are appropriate for the enterprise. Stress scenarios should also be used to evaluate the effects of delayed collections, higher borrowing costs, and lower operating margins [4,5,8].

The fifth direction is product and market diversification. Reducing dependence on a single type of product, expanding the product range, and developing export markets alongside the domestic market increase enterprises' resilience to market risk. In particular, promoting the export of construction materials to neighboring countries creates an additional source of income for enterprises.

The sixth direction is improving state support mechanisms. Providing preferential loans to the construction materials industry, ensuring predictability for enterprises by setting long-term energy tariffs, and granting tax incentives for the modernization of production capacities all contribute to the sustainable development of the industry.

5. Conclusion

The comparison of the reported indicators for 2021–2025 shows a favorable direction of change in the financial position of construction materials enterprises. Current liquidity increased from 1.12 to 1.24, financial independence rose from 0.38 to 0.45, and return on assets improved from 6.4% to 8.3%. Receivables turnover also increased, while the

reported share of accounts payable declined. These changes indicate improvement, although their interpretation requires consideration of asset quality, cash flows, and debt repayment schedules.

The main management priorities are to align financing maturities with investment needs, accelerate the collection of receivables, manage seasonal working capital requirements, and select energy efficiency investments according to their economic feasibility. Financial planning should connect these measures with cash flow forecasts and risk monitoring. Their effectiveness should be assessed through subsequent changes in operating cash flows, profitability, and debt servicing capacity.

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