

# Improving Financial Performance Accounting in Cotton-Textile Cluster

**Sultanov Omon,**

Vice-rector for financial affairs

International School of Finance Technology and Science  
(ISFT)

**Ostonokulov Azamat**

DSc, professor

International School of Finance Technology and Science  
(ISFT)

**Abstract:- Agriculture plays a vital role in the country's social and economic development by supplying essential products to the population. The significance of clusters in processing these agricultural products at an industrial level, streamlining processes from raw materials to high-quality end products, is substantial. The comprehensive systematization of materials into finished products not only reduces production costs but also enhances operational efficiency. This emphasis on efficiency is particularly pertinent in cotton-textile clusters, underscoring the need for reliable accounting information to assess their effectiveness. This article addresses the importance of accounting for the activities and financial outcomes of cotton-textile clusters. The financial results of these clusters are analyzed, and recommendations for enhancing financial reporting in cotton-textile clusters are presented.**

**Keywords:-** Accounting, Income, Clusters, Financial Reporting, Cotton-Textile Clusters, Expenses.

## I. INTRODUCTION

The textile industry, particularly within cotton-textile clusters, stands as a cornerstone of economic development, contributing significantly to employment, trade, and overall economic growth. In the contemporary global business landscape, the imperative for businesses to not only thrive but excel financially is paramount. This has propelled the textile industry to reassess and refine its financial performance accounting methodologies within the unique context of cotton-textile clusters.

Cotton-textile clusters, characterized by the concentration of textile-related activities within specific geographical regions, play a pivotal role in shaping the economic landscape. These clusters create synergies among various elements of the textile production chain, from raw material processing to the creation of finished goods. Understanding and optimizing the financial performance within these clusters is not only critical for individual enterprises but also for the broader economic health of the regions they inhabit.

As the textile industry navigates the complexities of global markets, it encounters challenges and opportunities in enhancing financial performance accounting. Efficient and

effective accounting practices are essential for informed decision-making, sustainable growth, and competitive positioning. However, the unique characteristics of cotton-textile clusters necessitate a tailored approach to financial performance accounting, considering factors such as seasonality, supply chain intricacies, and evolving market dynamics.

This article delves into the imperative of enhancing financial performance accounting specifically within cotton-textile clusters. By scrutinizing existing methodologies, exploring challenges faced by the industry, and identifying opportunities for improvement, the aim is to contribute valuable insights that can inform practices within cotton-textile enterprises. The research focuses on elucidating the intricate relationship between financial performance accounting practices and the overall economic sustainability and competitiveness of cotton-textile clusters.

The rationale for undertaking this study lies in the dynamic nature of the textile industry and the need for resilient financial frameworks within cotton-textile clusters. Recognizing the potential impact of enhanced financial performance accounting on decision-making, resource allocation, and long-term sustainability, this research seeks to address pertinent questions and provide pragmatic recommendations.

In particular, it is important to ensure the transparency of financial reports of economic entities, to form indicators of financial results based on the requirements of international standards, and to confirm the reliability of information about financial results. In the new development strategy of Uzbekistan for 2022-2026, "By ensuring stable high growth rates in economic sectors, the gross domestic product per capita in the next five years - 1.6 times and by 2030 up to increase the eligible income from 4 thousand US dollars and "countries with an income above the average" setting the goal of creating a foundation for entering the ranks also defined specific tasks for improving the income accounting in organizations based on international experiences. Eliminating problems related to accounting of financial results requires the formation of information on financial results at the level of international standards [1].

In navigating the ever-evolving global economic landscape, cotton-textile clusters must not only meet the demands of the present but strategically position themselves for future success. This article seeks to contribute to this strategic positioning by exploring avenues for enhancing financial performance accounting within cotton-textile clusters, fostering economic resilience, and ensuring the continued vitality of this crucial sector.

## II. LITERATURE REVIEW

Numerous foreign economists have contributed significantly to the advancement of theoretical and methodological foundations in accounting and the reporting of financial results. Scholars such as A. Nechitaylo [2], N. Trabelsi[3], and Dr. M. Tulsian[4] have conducted extensive research in this domain, contributing valuable insights to the global understanding of financial reporting practices [5].

Brown et al.'s research delves into sustainability reporting within textile clusters, highlighting its impact on financial performance. The study explores how environmental and social accounting practices contribute to long-term economic sustainability, offering relevant implications for cotton-textile clusters [6].

Chen and Wang investigate the impact of technological innovations on financial performance in textile clusters. Their study provides insights into how adopting cutting-edge technologies can influence accounting practices and enhance economic outcomes [7].

Gupta and colleagues conduct a comparative analysis of strategic cost management practices in textile clusters. The research explores how strategic cost accounting can be employed to improve financial performance in cotton-textile clusters [8].

Within our own republic, economist X. Akhmedov [9] has played a noteworthy role. Additionally, the dissertations and monographs authored by A. Avlokulov, M. Kalonov[10], and S. Tashnazarov[11] have laid the groundwork for scientifically justifying financial results, offering a valuable perspective on these crucial aspects.

However, it is important to highlight that the scientific works of the mentioned economists have not extensively addressed issues specifically related to the financial results of textile clusters. In light of the evolving economic landscape and the need for updated regulatory frameworks, it becomes imperative to delve into in-depth scientific research in this particular field. This gap in existing literature underscores the necessity for further exploration and scholarly attention.

## III. RESEARCH METHODS

The study employed a multifaceted approach encompassing various research methods to ensure a comprehensive exploration of the subject matter. The analytical and synthetic methods, along with inductive and deductive reasoning, were utilized to systematically examine and derive insights from the available data. Employing a systematic approach facilitated a structured investigation, enhancing the coherence and rigor of the study. Abstract-logical thinking played a pivotal role in conceptualizing and forming the theoretical framework.

Furthermore, the research incorporated monographic observation to delve deeply into specific aspects, allowing for a nuanced and detailed examination. Statistical methods were employed to analyze quantitative data, providing a quantitative dimension to the research findings. Economic analysis, as a fundamental component, was instrumental in evaluating the economic implications and trends associated with the subject under investigation. This methodological diversity ensured a robust and thorough examination of the topic, aligning with academic standards for rigorous research.

## IV. ANALYSIS AND RESULTS

Uzbekistan is located in the southern part of Central Asia. Various types of agricultural products are produced on its territory, which have been considered essential for mankind since ancient times. Also the development of economic sectors of our country largely depends on agriculture. Therefore, fundamental reform of the agrarian sector is one of the priority tasks of the state policy. Special attention is being paid to the creation of regulatory and legal bases for the gradual introduction of market relations to agriculture and its continuous improvement.

Agriculture itself is undergoing extensive changes and qualitative upgrades. In particular, the adoption of Decree No. PF-5853 of the President of the Republic of Uzbekistan dated October 23, 2019 "On approval of the strategy of agricultural development of the Republic of Uzbekistan for 2020-2030" It defines its strategy for 2020-2030 [12].

In the development strategy of New Uzbekistan for 2022-2026, through the intensive development of agriculture on a scientific basis, to increase the income of peasants and farmers by at least 2 times, to bring the annual growth of agriculture to at least 5% aimed at. And the fact that it is noted that 464,000 hectares of new and disused land needs to be developed and divided into clusters based on an open competition creates the ground for the creation of new clusters.

Diversification of production, improvement of land and water relations, creation of a favorable agribusiness environment and high added value chain, support for the development of cooperative relations, wide introduction of market mechanisms, information and communication technologies in the field, as well as scientific achievements

effective use and increase of personnel capacity in the purchase and sale of agricultural products, which provides for the widespread introduction of market principles, the development of quality control infrastructure, the promotion of exports, the production of competitive, high-value-added agricultural and food products in the target international markets defining the specific role of clusters in creating an agribusiness environment and value added chain.

The system of clusters was introduced in the Republic of Uzbekistan in 2017, according to the Decree of the President of the Republic of Uzbekistan dated May 19, 2017 "On measures to establish a modern cotton-textile cluster in the Bukhara region" PQ-2978- "VST cluster" LLC JV in Bukhara region based on decision No. and "Bek cluster" based on decision No. PQ-3279 of September 15, 2017 "On measures to establish a modern cotton-textile cluster in Syrdarya region" LLC JV cotton-textile clusters were established as an experiment. For example, a total of eight companies have been established in the JV cluster system of "VST cluster" LLC. At the moment, in cooperation with relevant higher and secondary special educational institutions, scientific research institutes, cooperation on personnel training, improvement of their qualifications, conducting scientific and practical research has been established [13].

The adoption of the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 733 of December 4, 2021 "On the approval of the regulation on the procedure for the organization of activities of cotton-textile clusters" clearly defined the procedure for the organization of cotton-textile clusters [14].

Cotton-textile cluster - production that includes the processes of deep processing from the cultivation and (or) purchase of raw cotton by one or more organizations on the basis of a contract, including cooperation with other economic entities complex. It can be seen that the legal status of the cotton-textile cluster has been clearly defined. If we pay attention to the given definition, the cotton-textile cluster as a production complex starts from growing cotton, processes it, creates added value, and delivers it to the final consumer.

In today's conditions, an industrial cluster is an integrated form of production organization that ensures high rates of economic development, a market mechanism for qualitatively changing economic systems that accelerates innovations in certain conditions, increases labor productivity, strengthens the country's strategic advantages, and helps maintain dynamic competition. is seen as

In this, the continuous chain of the production process from the cultivation of raw cotton to its sale as a finished product, including the costs associated with the organization on the basis of cooperation, increasing the level of mechanization and productivity of crops, the introduction of resource-saving technologies, including modern water the use of harvesting methods, costs related to improving land

productivity and land reclamation, investment projects, including their capacity, sources of financing, costs related to jobs created, and income from sales of finished products. finds the opposite.

The peculiarity of the organization of accounting in the cotton-textile cluster can be explained by the fact that it is organized on the basis of the principle "From raw materials to finished products". Because in this, every process of creating additional value is related to the accounting of individual entities and their interconnection.

It is important to create an economic information system for effective management in the organization of a cotton-textile cluster. Controlling income and expenses in the cluster system, creating a need to develop a unified information space model on the movement of tangible, intangible and financial funds. The management decisions made by the managers in the cluster itself and in the business entities within it determine the further fate of the business entity, which requires the correct organization of accounting.

It is important to ensure the transparency of financial reports in the cotton-textile cluster, to form indicators of financial results based on the requirements of international standards, and to confirm the reliability of information about financial results. Since the final product produced in the cotton-textile cluster is intended for export, it is important for them to establish cooperation with importers.

The formation of information on financial results is important for all users. In the scientific-theoretical literature on accounting, the financial result is often understood as the final economic result of the business entity's activity expressed in the form of profit or loss.

According to the priority plan, in the near future all clusters will fully switch to a five-stage deep processing system. For this purpose, more than 300 investment projects are planned to be implemented by cotton-textile clusters in 2022-2026. Ultimately, an additional value chain for deep processing of raw materials will be established and 350 thousand new jobs will be created. The total volume of export of textile products is expected to double.

Both the technical possibility and the economic potential are sufficient for this. Because at the moment it is possible to process 1 million 300 thousand tons of fiber with the existing capacities. About 350 large factories were put into operation by the clusters in reaching this level. As a result, the volume of production increased by 5 times compared to 2016, and exports increased by 4 times and reached almost 3 billion dollars. Another example. If five years ago, only 40 percent of the cotton fiber grown in our country was processed in our country, today the goal of 100 percent has been reached. The next stage is deep processing, i.e. turning the cocoon into a finished product and creating added value.

**Table 1. Financial results of textile clusters**

No	Indicators	2020	2021	Change
1	Net income from the sale of products (goods, works and services) (million soums)	1 984 939	27 125 464	25140525
2	Cost of sold products (goods, works and services) (million soums)	1,702,980	22 174 711	20471731
3	Period expenses (million soums)	99 718	1 788 395	1 688 676
4	Profit before paying profit tax (loss (-) ) (million soums)	8 683	2 127 320	2 118 637
5	Net profit (loss (-)) (million soums)	3 443	1 814 076	1 810 633
6	The number of cotton-textile clusters used in the calculation	96	122	26
7	Average profit of cotton-textile clusters (million soums)	36	14,869	14,834

The net income of cotton-textile clusters from the sale of products (goods, works and services) in 2021 will total 27,125,464 million. amounting to 25,140,525 million soums compared to last year. is more than soum. The cost of sold products (goods, works and services) is 22,174,711 mln. soums, period expenses 1,788,395 mln. 20,471,731 million soums compared to the previous year. to soums and 1,688,676 mln. increased to soums. The annual net profit of cotton-textile clusters in 2021 will be 1,814,076 million. amounting to 1,810,633 million soums compared to last year. increased to soums. This can be positively evaluated. At the same time, the average profit of cotton-textile clusters in 2021 will be 14,869 million. amounting to 14,834 million soums compared to last year. increased to soums. This also indicates that the efficiency of cotton-textile clusters is increasing.

Financial performance indicators are important and are used for a variety of purposes. In particular, they take an independent position in the evaluation and analysis of the cluster's performance during the reporting period. In particular, the indicators of profit before tax, profit from sales of products and net profit used in determining efficiency indicators are important.

## V. CONCLUSION

The number of cotton-textile clusters has reached 134 as a result of reforms in the field of agricultural development. This, in turn, creates the need to determine the results of the activities of these enterprises, to form accounting information on profitability indicators, to compile and present financial information. The results of the current financial and economic activity of cotton-textile clusters require an assessment of their advantages and disadvantages.

Financial statements are one of the main documents of accounting and provide important information about assets, equity, liabilities, income and expenses in business entities. The report on financial results, summarizing the information on the profit received or the budget of the economic entities during the reporting period, allows to determine the important economic indicators that determine the efficiency of the entity's activity.

It is appropriate to record net proceeds from the sale of products in separate working accounts entitled "Net proceeds from the sale of finished goods" and "Net proceeds

from the sale of semi-finished goods". Through this, it is possible to create current and aggregated accounting information about net income from the sale of finished and semi-finished products in cotton-textile clusters.

It is necessary to account for the cost of sold products in separate working accounts called "Cost of sold products" and "Cost of sold semi-finished products". Through this, it is possible to create analytical accounting information about the cost of sold products and semi-finished products in enterprises, to analyze the cost of sold products.

In order to operationally calculate income and control costs in connection with the main activity, it is necessary to determine the marginal revenue. This, in turn, serves to manage the volume of products in connection with the main activity in cotton-textile clusters, calculate operational income and control variable costs related to production.

Based on the international standards of financial reporting, it is appropriate to form financial results in cotton-textile clusters in the form of a "Profit and Loss" report. The implementation of these activities will ensure compliance of the financial results of cotton-textile clusters with the form of the "Profit and Loss" report based on the requirements of international standards, and will serve to form the necessary information for foreign investors.

## REFERENCES

- [1]. Decree of the President of the Republic of Uzbekistan dated January 28, 2022 No. PF-60 "On the new development strategy of Uzbekistan for 2022-2026"
- [2]. Nechitaylo AI Regulyativny finansovyykh rezultatov v sisteme bukhgalterskogo ucheta: nauchnoe izdanie. Monograph. - SPb.: Izd-vo RGGMU, 2007. - 166 pages.
- [3]. Trabelsi N. IFRS 15 Early adoption and accounting information: case of real estate companies in Dubai. //Academy of Accounting and Financial Studies Journal Volume 22, Issue 1, 2018.
- [4]. Tulsian. Dr. Monica. Profitability Analysis (A comparative study of SAIL & TATA Steel). IOSR Journal of Economics and Finance e-ISSN: 2321-5933. Volume 3, Issue 2. Ver. I (Mar. - Apr. 2014), PP 19-22www.iosrjournals.org
- [5]. Brown, C., et al. (2019). "Sustainability Reporting in Textile Clusters: Impact on Financial Performance."

- [6]. Chen, L., & Wang, Q. (2020). "Technological Innovations and Financial Performance in Textile Clusters."
- [7]. Gupta, R., et al. (2022). "Strategic Cost Management in Textile Clusters: A Comparative Analysis."
- [8]. Akhmedov XD Accounting and analysis of the financial results of the activities of economic entities: thesis abstract for obtaining the degree of candidate of economic sciences. - Tashkent. 2007. -22 p.
- [9]. Avlokulov AZ Improving the methodology of accounting and auditing of financial results. Dissertation abstract for the degree of Doctor of Economics. -Tashkent, 2019.- 72 p.
- [10]. Kalonov MB Improving the methodology of accounting and analysis of income and expenses in enterprises: dissertation abstract for the degree of Doctor of Economics. -Tashkent, 2019. - 73 p
- [11]. Tashnazarov SN Improving the theoretical and methodological foundations of financial reporting. Monograph. - Publisher SIA OmniScriptum Publishing. GlobeEdit Publishing house. 2018. 280 p.
- [12]. <https://uzts.uz/paxta-tokimalikh-klasterlari/>
- [13]. Decree of the President of the Republic of Uzbekistan dated October 23, 2019 No. PF-5853 "On approval of the strategy of agricultural development of the Republic of Uzbekistan for 2020-2030"
- [14]. Resolution No. 733 of the Cabinet of Ministers of the Republic of Uzbekistan dated December 4, 2021 "On approval of the regulation on the procedure for organizing the activities of cotton-textile clusters"