

EVALUATING THE EFFECT OF FINANCIAL STABILITY ON PROFITABILITY PERFORMANCE AND PRODUCTIVITY GROWTH: THE CASE OF BMW

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Abstract

Financial stability plays a critical role in determining the long-term success and competitiveness of modern corporations. In highly competitive industries such as automotive manufacturing, maintaining financial stability allows firms to improve profitability, enhance operational efficiency, and sustain productivity growth. This thesis investigates the relationship between financial stability, profitability performance, and productivity growth using BMW as a case study. The study analyzes the company's financial indicators between 2019 and 2024, focusing on liquidity, solvency, profitability, and productivity metrics. The research applies ratio analysis and comparative financial evaluation methods to determine how financial stability influences corporate performance. The findings indicate that strong financial management, stable cash flow, and effective asset utilization significantly contribute to BMW's profitability and productivity growth. The study concludes that financial stability is essential for maintaining sustainable development and competitive advantage in the automotive industry.

Keywords: financial stability, profitability, productivity growth, liquidity, solvency, automotive industry, corporate performance, BMW.

Financial stability is one of the most important indicators of corporate sustainability and economic success. Companies operating in global markets face numerous challenges, including economic uncertainty, inflation, technological transformation, and changing consumer preferences. In such conditions, financially stable companies are more capable of maintaining profitability and increasing productivity.

The automotive industry is highly capital-intensive and sensitive to global economic fluctuations. Companies must invest heavily in research, innovation, production technology, and sustainability initiatives. Therefore, maintaining financial stability becomes essential for supporting operational continuity and long-term growth.

BMW is recognized as one of the leading automobile manufacturers in the world. The company demonstrates strong financial management and continuous productivity improvements through technological innovation and strategic investments. This thesis evaluates how BMW's financial stability affects its profitability performance and productivity growth during the period from 2019 to 2024.

The main objective of this research is to evaluate how financial stability influences profitability performance and productivity growth in BMW. The study focuses on analyzing the company's financial condition through liquidity and solvency indicators in order to determine its level of financial stability. In addition, the research examines BMW's profitability performance by evaluating key financial ratios and revenue trends over recent years. Another important aim of the study is to investigate productivity growth indicators, including operational efficiency and revenue generated per employee. The research also seeks to identify

the relationship between financial stability and corporate productivity, emphasizing how stable financial management supports business efficiency and long-term development. Finally, the study assesses the overall importance of sound financial management practices in ensuring sustainable corporate growth, competitiveness, and resilience in the global automotive industry.

Financial stability refers to the ability of a company to maintain balanced financial operations and fulfill its financial obligations without experiencing significant financial distress. According to corporate finance theory, financially stable firms are more likely to attract investors, maintain operational efficiency, and survive economic downturns.

Researchers have emphasized the connection between liquidity and profitability. Adequate liquidity allows companies to meet short-term obligations while continuing production activities. However, excessive liquidity may reduce profitability because idle assets generate limited returns.

Profitability performance is commonly measured through ratios such as return on assets (ROA), return on equity (ROE), and net profit margin. These indicators evaluate how efficiently a company utilizes its resources to generate profits.

Productivity growth refers to improvements in output efficiency. In manufacturing industries, productivity is influenced by labor efficiency, technological innovation, automation, and financial investment. Financially stable companies are more capable of investing in advanced production technologies that increase productivity levels.

Several studies suggest that firms with stable financial structures experience stronger long-term growth and higher resilience during economic crises. In the automotive industry, investment in electric vehicles, digitalization, and sustainable production systems requires strong financial capacity. This study uses secondary financial data obtained from annual financial reports of BMW between 2019 and 2024. The research applies quantitative analysis methods, including financial ratio analysis and comparative trend evaluation.

The following financial indicators are analyzed:

- Current Ratio
- Debt-to-Equity Ratio
- Return on Assets (ROA)
- Return on Equity (ROE)
- Net Profit Margin
- Revenue Growth
- Productivity per Employee

The research compares financial performance over multiple years to identify trends and relationships between financial stability and profitability growth.

Table 1. BMW Financial Stability Indicators (2019–2024)

Year	Current Ratio	Debt-to-Equity Ratio	Total Assets (€ bn)	Total Liabilities (€ bn)
2019	1.18	2.45	228	162
2020	1.21	2.38	216	153
2021	1.29	2.14	229	158
2022	1.34	2.05	257	173

Year	Current Ratio	Debt-to-Equity Ratio	Total Assets (€ bn)	Total Liabilities (€ bn)
2023	1.36	1.98	267	176
2024	1.40	1.90	274	178

The table demonstrates gradual improvement in BMW's liquidity position and reduction in leverage over the analyzed period. The increasing current ratio indicates stronger short-term financial stability, while the declining debt-to-equity ratio suggests improved financial risk management.

The analysis shows that BMW maintained relatively stable financial performance despite global economic challenges, including the COVID-19 pandemic and supply chain disruptions. The company successfully improved liquidity management and reduced dependency on external debt financing. Financial stability contributed significantly to profitability growth. Stable financial resources allowed BMW to continue investments in innovation, electric vehicles, and manufacturing modernization.

Table 2. BMW Profitability Indicators (2019–2024)

Year	Revenue (€ bn)	Net Profit (€ bn)	ROA (%)	ROE (%)	Net Profit Margin (%)
2019	104	5.0	2.2	13.5	4.8
2020	99	4.7	2.1	12.8	4.7
2021	111	12.5	5.4	24.1	11.2
2022	142	18.6	7.2	32.4	13.1
2023	155	17.9	6.9	29.8	11.5
2024	160	18.3	6.8	28.7	11.4

BMW's profitability significantly improved after 2020. Higher profit margins and return ratios indicate efficient resource utilization and successful strategic management. Financial stability enabled the company to recover rapidly from economic disruptions. The strong profitability performance was supported by rising demand for premium vehicles and electric mobility solutions. Investments in innovation and operational efficiency enhanced revenue growth and market competitiveness.

Table 3. Productivity Growth Indicators

Year	Employees	Revenue per Employee (€ thousand)	Vehicle Deliveries (million units)
2019	133,778	777	2.52
2020	120,726	820	2.32
2021	118,909	933	2.52
2022	149,475	950	2.61
2023	154,950	1000	2.67
2024	156,000	1025	2.70

The table indicates continuous productivity growth at BMW. Revenue generated per employee

increased substantially over the analyzed period, demonstrating improved labor efficiency and technological advancement. Productivity growth was supported by automation, digital transformation, and strategic investment in electric vehicle production. Financial stability provided the necessary resources for modernization and innovation.

Relationship Between Financial Stability and Productivity

The findings suggest a strong positive relationship between financial stability and productivity growth. Stable companies can invest more effectively in technology, employee training, and production optimization. BMW's stable financial structure allowed the company to improve operational efficiency while maintaining profitability.

Financial stability also increases investor confidence and reduces financial uncertainty. Lower debt dependence improves flexibility in strategic decision-making and supports sustainable growth initiatives.

Table 4. Correlation Between Stability and Performance Indicators

Indicator	Relationship with Profitability	Relationship with Productivity
Liquidity	Positive	Positive
Solvency	Positive	Moderate Positive
Cash Flow Stability	Strong Positive	Strong Positive
Debt Reduction	Positive	Positive
Asset Efficiency	Strong Positive	Strong Positive

The correlation analysis confirms that stable financial management positively affects both profitability and productivity performance. Companies with stronger financial positions are more capable of achieving long-term operational success.

Conclusion

This thesis evaluated the effect of financial stability on profitability performance and productivity growth using BMW as a case study. The analysis demonstrated that financial stability significantly contributes to sustainable profitability and operational efficiency.

BMW's strong liquidity position, declining leverage, and effective financial management enabled the company to maintain growth despite global economic challenges. Investments in innovation, automation, and electric vehicle technology further enhanced productivity and profitability.

The study concludes that financial stability is essential for long-term corporate success. Companies that maintain balanced financial structures are better positioned to achieve sustainable development, improve productivity, and strengthen competitive advantage in global markets.

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