



The Role of Financial Sectors in the Financial System

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ABSTRACT

This article covers the structure of the financial sector and the financial sector, and gives a short scientific definition of it. The priority directions of the strategy for the reforms and the improvement of the state financial system have been reflected.

Keywords:

finance, financial system, money, capital flows, financial markets, financial assets, financial institutions, financial services, public finance, public financial management, development strategy, strategy for improving the public financial system.

1. Introduction.

The rapid development of economic processes largely depends on the financial sector. Money is the main tool at all stages of the reproduction process. It is not wrong to say that finance is one of the main pillars of the economy, because it creates funds for specific purposes and distributes them in order to develop the economy and meet the needs of society. The financial system consists of capital flows between individuals (personal finance), governments (public finance) and businesses (corporate finance). In modern financial systems, money, credit and finance are used as means of exchange. They serve as instruments of value and can alternatively be exchanged for goods and services. Today, all spheres of society and state life are rapidly developing, requiring the implementation of reforms based on the improvement of public finance management, which ensures rapid and high-quality progress of our country on the way to the ranks of the leaders of world civilization. In the conditions of modernization of the economy, reforms aimed at ensuring the stability of state finances are

being consistently implemented in our country. In this regard, our honorable President

It is permissible to quote the following comments of Sh. M. Mirziyoyev, "Further strengthening of macroeconomic stability and maintaining high rates of economic growth, including ensuring that the State budget is balanced at all levels, the national currency and the price level in the domestic market are stable. providing is our highest priority."

2. Research methodology.

A modern financial system can include banks (public sector or private sector), financial markets, financial instruments and financial services. Regular and reasonable capital flows are one of the main conditions that are very necessary for the rapid development of the economy.

3. Analysis and discussion of results.

There are basically four components of the financial system: Financial markets. They are any place or system that provides buyers and sellers with the means to trade financial instruments, including stocks, shares and

bonds, various international currencies, and derivatives. includes. Financial assets - products traded in financial markets are called financial assets. Cash, stocks, bonds, mutual funds, and bank deposits are examples of financial assets. Unlike land, property, goods, or other tangible assets, financial assets do not necessarily have a specific physical value or physical form. Rather, their value is measured by supply and demand factors in the market in which they trade, as well as their level of risk. Financial Institutions - Financial institutions act as intermediaries between investors and borrowers. They provide financial services for members and customers. It is also called financial intermediaries because they act as intermediaries between depositors and borrowers. Investor's funds are mobilized directly or indirectly through financial markets. They offer services to organizations that want to raise funds from the markets and channel them into financial assets (deposits, securities, loans, etc.). Financial services are services provided by asset management and liability management companies.

They help to obtain the necessary funds, and also ensure that economic entities are effectively invested through them (for example, banking services, insurance services and investment services). The financial system consists of many components depending on the level. From the point of view of the company, the financial system includes the procedures that correspond to the financial activities of the company. Examples of these are finance, accounting, income, expenses, wages, etc. From a regional perspective, the financial system facilitates the exchange of funds between borrowers and lenders. The financial system at the regional level includes banks and clearinghouses and other similar financial institutions. Globally, the financial system includes interactions between financial institutions, investors, central banks, government bodies, the World Bank, and others. Financial systems allow funds to be distributed, invested, or transferred from one entity to another between economic sectors, and they allow individuals and companies to share risks.

The infrastructure of the financial system means the payment and settlement systems

through which financial market operations are carried out. The continuous and reliable operation of payment and settlement systems helps the efficient movement of capital in the economy and thus supports financial stability. Well-functioning financial systems are not easily affected by financial crises and can perform their main functions even in difficult financial conditions. Thus, "Finance" studies the process of channeling money from entities with funds and investors to entities that need money. Savers and investors direct their money to places where they can earn interest or dividends. When individuals, companies, and governments do not have enough funds to operate, they must obtain money from external sources, such as loans. The relationship between them is very necessary and useful, and it brings the same benefit to both of them. In general, a company whose income exceeds its expenses can lend or invest the surplus with the aim of obtaining more income. Accordingly, an enterprise whose income is less than expenses can raise capital, usually in one of two ways: borrowing in the form of loans (individuals) or selling shares (which can be in different forms: preferred shares or ordinary shares) or With'li. The owners of bonds and stocks can be institutional investors - financial institutions such as investment banks - or private individuals called private investors or retail investors.

Lending is often done indirectly, through a financial intermediary such as a bank, or by buying notes or bonds (corporate bonds, government bonds, or mutual bonds) in the bond market. The lender receives interest, the borrower pays interest, and the financial intermediary receives the difference for arranging the loan. The bank concentrates the activities of many borrowers and creditors. The bank accepts deposits from creditors and pays interest on them. The bank then gives these deposits to the borrowers. Banks allow borrowers and lenders of different sizes to coordinate their activities.

Theory. In 2018, based on the critical analysis of the current budget system according to the PEFA methodology, the results of the evaluation of the efficiency of public finance

management, and the diagnostic evaluations of the openness of tax and budget policy based on the Transparency Code of the International Monetary Fund, the improvement of public finance management in the last two years a number of activities were carried out. In particular, in order to ensure the openness and transparency of information about the State Budget of the Republic of Uzbekistan (hereinafter referred to as the State Budget) and the participation of citizens in the budget process: from 2018, the information publication "Budget for Citizens" will be developed. coming out; The "Openbudget.uz" information portal, where detailed information about the state budget is posted, was launched in January 2019; Information on the implementation of the state budget is being posted on the website of the International Monetary Fund in accordance with the standards of the State Financial Statistics (GFS);

Starting from 2019, a mechanism for directing at least 10% of the additional resources generated in the district and city budgets based on the activities reported by citizens was introduced; Relevant norms have been included in the laws and by-laws that regulate the full disclosure of the process of using budget funds by those who dispose of budget funds and local state authorities on their official websites. Also, starting from 2020, based on advanced foreign experience, the draft State budget was adopted in the form of a law for the first time, and in order to increase the authority and responsibility of ministries and agencies, budget expenditures were approved not by sectors, but by ministries and agencies. At the same time, the practice of approving the expenses of the republican budget of the Republic of Uzbekistan by the chambers of the Oliy Majlis of the Republic of Uzbekistan, and local budgets by the respective councils of people's deputies was introduced. During 2018-2019, tax reforms were carried out in the country, the tax burden on the economy was reduced, the types of taxes were optimized, and the value added tax chain was created due to the increase in the number of value added tax payers. In the new version of the Tax Code, the responsibility of the state tax service authorities

for excessive collection of taxes has been strengthened, tax control forms tested in foreign practice using modern methods have been introduced, as well as the procedures for calculating and paying taxes have been simplified. showed that there is a lot of work to be done in order to achieve the goals set for the planning of the country's medium and long-term budget projects in the management system. In particular, the separate accounting of budget organizations and institutions and enterprises with a state share, as well as non-representation of extra-budgetary funds of ministries and agencies in the consolidated budget, hinders the full transparency of the State budget funds.

A transparent methodology for calculating interbudgetary transfers that would allow for independent determination of local budgets has not been developed. It is required to improve the efficiency of public procurement and investment management, develop a public debt management strategy, and introduce an effective system of risk assessment to manage public assets and liabilities. The indicated shortcomings and problems do not allow an objective and reliable assessment of the implemented budget policy and prevent effective analysis of budget expenditures with medium-term state programs. In this regard, today it is necessary to carry out scientific research aimed at improving the health of state finances. Concepts of long-term development of the country and priority state programs, in particular, the Development Strategy on the five priority directions of the development of the Republic of Uzbekistan in 2022-2026 [1], the annual address of the President of the Republic of Uzbekistan to the chambers of the Oliy Majlis, until 2030 the concept of socio-economic development and other similar state programs served as the basis for the development of the Strategy. The main goal of the strategy is to conduct a well-thought-out budget policy, to increase the effectiveness of the use of budget funds directed to the social and economic development of the country, and to create an effective system of public finance management aimed at ensuring their transparency and openness. In order to achieve the goals of the

strategy, it is necessary to implement the following main tasks:

- to conduct a tax-budget policy directed at strategic goals and intended for the medium term;

- strengthening fiscal control, increasing the responsibility and accountability of the participants in the budget process by determining the limited amounts of budget funds allocated to first-level budget allocators by the Oliy Majlis;

- introduction of tax-budget policy aimed at ensuring long-term state financial stability;

- increasing the transparency of the budget process and the openness of budget information;

- radical reform of inter-budgetary relations, increasing the independence and responsibility of local budgets, and introducing a transparent mechanism for providing inter-budgetary transfers [2].

The result. The lack of a strategic approach in the current system of budget planning limits the allocation of funds allocated from the budget based on the priorities of fiscal policy and the financial capabilities of the State budget, which leads to an irrational increase in budget obligations and the lack of control over the effective use of allocated budget funds. Based on this, the necessary reforms are as follows [3]:

1. Improvement of the budget process.

2. Development of the medium-term budget framework (MTBF)

3. Increasing the orientation of the budget according to efficiency and effectiveness.

4. Improving the effectiveness of public investments. According to the fourth goal, measures should be taken to improve the analysis of fiscal risks and their disclosure process in order to assess the long-term stability and predictability of public finances. Analysis of fiscal risks and their management ensures effective coordination of the decision-making process related to tax-budget policy in the public sector. The proposed reforms are as follows [4]:

- Introduction of risk management system

- Strengthening of asset and liability management system

- Improvement of the state debt management system According to the fifth goal, revision of the roles and tasks of the participants in the budget process, independence of ministries and agencies - allocators (receivers) of budget funds and effective use of funds allocated from the budget and requires a review of the current system of accounting in the public sector and strengthening of the responsibility and accountability of the allocators (receivers) of budget funds in the area of the tax budget, considering the increase of their responsibility in terms of performance [5].

Currently, measures are being taken to introduce international accounting standards to the public sector. At the same time, the full transition to international accounting standards in the public sector may take a long time due to the need to prepare values and improve relevant software [6]. In addition, an internal control and audit service has been established in individual ministries and agencies. However, the effectiveness of these services is limited due to the lack of legal and methodological foundations of the internal audit service, and the fact that their activity is aimed only at identifying cases of disorder related to the purposeless and ineffective use of budget funds. The proposed reforms in this area are as follows [7]:

1. Unification of budget accounting standards in the public sector;

2. Improvement of internal control and internal audit system;

3. Strengthen external control over state finances;

4. Ensuring public participation in the budget process.

According to the sixth goal, one of the important directions of the strategy is to increase the institutional capacity of state bodies to implement reforms in the state financial management system and strengthen their results [8]. The macro-fiscal activity of the financial bodies responsible for a successful transition to medium-term budget planning is

limited and does not correspond to global practice. In particular, the fact that the Ministry of Economy and Industry is responsible for preparing macroeconomic forecasts is a proof of this [9].

4. Conclusions and suggestions.

In the process of studying, analyzing and researching special literature and normative documents, as well as foreign experiences, we managed to draw a number of scientifically based conclusions. The main ones are the following. In particular:

1. To increase the powers and accountability of allocators of budget funds and local government bodies in the budget sphere and to strengthen their responsibility;

2. Ensuring the openness, completeness and compliance of the budget information with international standards [10];

3. In order to implement a strategic approach to the tax-budget policy, develop medium-term budget bases and introduce a new “result-oriented budget” system of forming the annual budget;

4. Fiscal risk assessment, accounting of financial assets and liabilities and implementation of their effective management system;

5. Strengthening financial discipline by unifying budget accounting standards, improving the internal control and audit system, and strengthening parliamentary and public control over the budget process [11];

6. Strengthening the institutional and legal framework.

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