



THE CONCEPT OF FINANCE AND ITS ROLE IN THE ECONOMY

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A B S T R A C T	K E Y W O R D S
<p>Finance is a field that deals with issues related to money—such as earning money, managing it, and investing it. Finance can also create centralized and decentralized monetary funds. Therefore, its role and significance depend on the place of monetary relations in the system of economic relations. This article discusses financial analysis, the socio-economic nature of finance, financial theories, public finance, and international financial relations.</p>	<p>Finance, money, consumer fund, financial reporting.</p>

Introduction

The word “finance” is derived from Arabic and means “monetary funds” in Uzbek. In practice, this term is used in several ways. First, it refers to a set of economic relations that arise in the process of creating, accumulating, distributing, and using targeted monetary funds, as well as a system for forming, allocating, and spending money, such as financial capital and financial systems. Second, it denotes monetary funds owned by individuals, families, communities, institutions, organizations, or the state, for example, enterprise finance. Third, in colloquial usage, it may refer to a state body responsible for financial affairs.

The main functions of finance are distribution and control. According to scholars, the formation of finance was significantly influenced by the bourgeois revolutions in the Netherlands and England during the 16th–17th centuries. This indicates that finance is not a newly emerging field but rather a system that has developed over a long historical period. Financial relations differ from other types of economic relations in that they involve the creation of various monetary funds with predetermined purposes during the redistribution of Gross Domestic Product (GDP)[1].

From a theoretical perspective, finance reflects the level of development of productive forces in different countries and their influence on macroeconomic processes. Therefore, it serves as an important indicator for assessing a country’s economic condition. As a mechanism for forming and using monetary income and funds, finance plays a key role in the distribution process within the economy.

MATERIAL AND METHODS

General knowledge about finance can be obtained from scientific journals and academic literature. In particular, the book “*Finance*” by T. Malikov and O. Olimjonov provides information on financial relations and fundamental financial concepts. The work “*Financial Analysis*” by M.Y. Rakhimov and N.N. Kalandarova explains financial analysis and financial reporting, while “*International Financial*

Relations” by J.X. Ataniyozov explores the economic essence of international finance and global financial relations.

The research methodology of this study is based on the analysis of existing scientific sources on finance, including financial relations, state finance, and recent developments in financial systems[2]. International finance refers to the totality of economic relations associated with the formation and use of foreign currency resources required for international economic and other activities of states, legal entities, and individuals. It also represents the system of financial resources at the global level. International finance encompasses various types of relations, including international currency relations, international tax relations, the management of countries’ balance of payments, and cooperation with international financial organizations.

DISCUSSION AND RESULTS

The financial sector is a major part of the economy responsible for managing funds through their acquisition, investment, and control. It involves analyzing how individuals and organizations collect and utilize financial resources in accordance with their needs and economic conditions. In general, finance is concerned with all monetary matters, including earning, managing, and investing money, and it examines different methods by which individuals and companies generate and use financial resources effectively. Money, in this context, is a component of finance and serves as a medium for buying and selling goods[3].

Finance and money differ in several aspects. In terms of scope of use, finance includes a wide range of activities such as investment, borrowing, leasing, and budgeting, whereas money functions as an instrument used to carry out economic transactions within these financial processes. Regarding functions, finance focuses on the efficient management of money and other assets to achieve economic and personal objectives, while money serves as a medium of exchange, a unit of value, a store of value, and a means of payment. In terms of goals, finance aims to maximize capital efficiency, increase investment returns, manage risks, and ensure financial stability for organizations and individuals, whereas money is directly used for conducting transactions. In terms of fields of study, finance includes corporate, personal, international, and public finance, while money is studied within monetary economics, focusing on its impact on the economy[4].

The state finance system consists of the state budget, extra-budgetary targeted funds, state credit, and the finances of state enterprises. These components have different functional purposes. Therefore, states widely use finance in providing large-scale socio-economic services.

From this, it can be understood that state finance is a set of economic relations arising in the monetary circulation related to the distribution and use of financial resources.

The material basis of financing is money. Real money circulation creates the movement of value. In addition, it is an economic process accompanied by flows of payments and settlements. State finance is a powerful tool of macroeconomic regulation. That is, by using it, the country’s economy develops. State finance forms the basis of activities in the state.

Financial analysis is usually focused on formal and informal regulatory frameworks. Formal bases are established and implemented on the basis of specific regulatory documents, whereas informal bases are independently carried out by managers based on their own objectives. Since there is no single methodology for financial analysis, each manager uses individual approaches based on experience, operational and managerial characteristics, and available information sources[2].

Forms of financial reporting and their informativeness

Forms of reporting			
Forms of reporting	Balance Sheet	Income Statement (Profit and Loss Statement)	Statement of Changes in Equity
Description	Information about economic resources, liquidity and solvency, and the company's ability to adapt to changes	Provides information about positive cash flow balance from resources, financial results, and profitability	Allows assessment of operating, financing, and investing results, cash-generating ability, and funding needs

CONCLUSION

In conclusion, the financial system plays a crucial role in the economic development of countries. For the sustainable development of any state, a financially well-developed system is essential. In particular, the functions of public finance are of key importance in national development. Through the effective implementation of its functions, public finance mobilizes a certain portion of financial resources needed to achieve the country's strategic goals.

It can be noted that all reforms implemented in our country are also carried out with the support of public finance. In addition, the socio-economic significance of finance is very high. The essence of finance is reflected in its multifunctional role in society. It not only involves the movement of monetary funds but also ensures the distribution of national income. The development of finance contributes to the further progress of the country.

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