Theoretical Foundations of Financial Management under Conditions of Sustainable Economic Development

Susanna S. Alieva
Ph. D. in Economics, Associate Professor, Department of Finance, Samarkand Institute of Economics and Service, Uzbekistan

Abstract: The paper deals with the theoretical foundations of financial management, primarily from the point of the goals view that the state serves. It is noted that in order to ensure financial activity, the modern state needs to consider different, influencing, independently functioning factors, in particular, allocation, distribution and stabilization. Their characteristic features, sources of formation are outlined, as well as their essential aspects are disclosed. It is noted that the essential aspects of these influencing factors should be taken into account when regulating the tax burden and financing social sectors of the economy at the expense of the state budget. Concrete proposals are given as part of mitigating the tax burden.

Keywords: allocation, distribution, stabilization, equilibrium, expenditures, public debt, production financing, budget expenditures, economic activity.

Introduction. In the conditions of globalization further development and internal and external competition, the state must improve the system of relations designed to normalize the financial resources necessary for the socio-economic development of society, to exercise control over their rational use. Financial management is aimed at solving this problem - a complex process that represents the unity of the controlled (objects) and control (subjects) systems. Control system - "financial system" - a set of financial institutions (institutions), controlled system - "system of finance" - a set of monetary relations. At the same time, the process of financial management is not unambiguous, it includes not only the management of objects, but also the improvement of activities, the organization of the subjects of management themselves.

Public financial management is basically concerned with all aspects of resource mobilization and expenditure management in government. Just as financial management is an important management function in any organization, similarly public financial management is an important part of the management process. Public financial management includes resource mobilization, program prioritization, the budget process, effective resource management and control. Increasing aspirations of people make more demands on financial resources. At the same time, the focus of citizens is growing in terms of value for money, making public financial management more important.

The financial management system should develop as part of a unified financial system in the Republic of Uzbekistan. In the process of development, ensuring the stability of this system should acquire particular relevance for maintaining the unity and integrity of the financial system. Of paramount importance is the identification of development risks (inadequacy of the real economic situation, incompatibility of information, inconsistency of regulation, one-sidedness of development, etc.). Prevention or mitigation of the consequences of the coronavirus pandemic, which is accompanied by a high risk, requires the implementation of a set of appropriate measures. As domestic and world experience shows, the development of finance should take place in close connection with changes in the world economic situation and correspond to the nature and level of development of the domestic economy.

Literature review. Many representatives of classical political economy presented the results of their research on the impact of state taxes, expenditures, and the budget on the country's economy: W. Petty, A. Smith, D. Ricardo, and others. A. Smith is considered the founder of financial science. In his opinion, taxes have a negative impact on the development of the economy, since the state unproductively wastes the capital created by enterprises [Gottfried Haberler, 2005; Morozova S., 2014.]. The main provision of A. Smith's research is the creation by the state of extremely convenient conditions for the accumulation of capital. He also noted that a certain share of taxes should be for the state to carry out its functions. D. Ricardo also had a similar opinion, who believed that taxes inevitably affect either capital or income. With an increase in taxes or an increase in government spending, consumption by the people decreases, which negatively affects production [Nikolaeva T.P., 2011.].

A. Smith's position on the unproductive waste of previously created capital by the state is reflected in the inefficiency of public spending (luxury government purchases, the inefficiency of state-owned companies covered by the budget, etc.). Partially, this justifies the actions of the authors of the "grey" tax evasion schemes.

The development of production in the 19th century led to conflicts between labour and capital. At this time, the English scientist D.S. Mill proposed to change the sphere of income distribution in the country in order to relieve social tension [Schumpeter J., 2011]. He developed the "service theory", according to which each worker must give the state part of their earnings in exchange for the support received from the state. This theory influenced the ideas of the American scientist P. Samuelson, who believed that tax increases should be accompanied by an increase in services received from the state [Gottfried Haberler, 2005; Adam Smith, 2016].

A. Wagner assumed that finances could be used by the state for the accumulation and fair distribution of income in the country [Morozova S., 2014]. This is absolutely true. To date, the level of technical, scientific development has reached the level when, using modern computer technology, to perform economic calculations that can significantly change the distribution of income in the country with the aim of more equitable socio-economic development.

In 1929–1933 - the years of the world economic crisis, the theory of J. Keynes appeared. It is based on the idea of "effective demand". He justified state intervention in the economy. The main instrument of this intervention is government spending, the structure and growth of which can affect “effective demand”[1]. To do this, the state must increase spending and stimulate personal and investment consumption. The theory of J. Keynes was used in many countries until the 1970s. In the 1950s–1960s the theory of economic growth appeared (A. Hansen, F. Perroux, and others). It substantiates state intervention in the economy in order to reduce the cyclical nature of development through the balanced use of government revenues and expenditures. Neo-Keynesians argued the idea of "deficit financing", the essence of which was that the state should increase its spending, regardless of the growth of public debt.

Common to all financial relations is their monetary expression.

Analysis and results. It is customary to consider the financial activity of a modern state, first of all, from the point of view of the goals it serves. In this sense, three independent

[1] URL: https://bcs-express.ru/kotirovki-i-grafiki/usd000utstom13. http://edition.cnn.com/ - 12.

components are distinguished within the framework of the priority function of finance - distribution.

We will try to consider three key components of innovative phenomena within the framework of an innovatively developing economy: allocation, distribution and stabilization.

The first is allocation, expressed in the adjustment of the allocation of financial resources in the economy, if it is not effective enough due to flaws in both the internal and external markets. The allocation task is fulfilled when the state limits the production of goods with negative externalities through taxes or promotes the production of goods with special merits through subsidies. With the help of public finance management, the concentration of all resources (financial, labour, material) is carried out for the production of most of the public goods, both directly – in the form of public investment, and through tax incentives and subsidies to various producers.

The distributive task, often announced as a function, consists in the implementation of redistributive processes, in the transfer of the results of economic activity, income from one individual to another. It manifests itself, for example, in the payment of benefits to the disabled and unemployed at the expense of wealthy citizens, i.e. by differentiating the income of the population's active part the or by applying a progressive scale of income taxation.

In the implementation of each of these tasks of the state, one way or another, the direction and scale of financial flows change. But, if the allocation task concerns, rather, flows between industries and organizations that form and use income, then the distribution task concerns between individuals. Thus, financing organizations of fundamental science through tax benefits of banks can serve as an example of the implementation of the first of the tasks, and financing the needs of people with disabilities through deductions from the incomes of the active and able-bodied part of the population is an example of the implementation of the second.

The stabilization impact of public finances ensures, first of all, the maintenance of macroeconomic balance. At the same time, the degree of state influence significantly depends on the nature and amount of taxes, public spending, public debt and ways of financing it.

The above classification also determines the main directions of the financial and economic policy of the state. The close interrelationship of these influencing factors should be taken into account: the distribution policy significantly affects macroeconomic stability, hence it follows that any allocation actions have a distributive aspect. For example, state support for an industry, ceteris paribus, increases the labour income of its employees at the expense of those employed in other sectors of the economy. However, the distinction between distributive aspects is necessary in order to clearly define and analyse the goals that can be achieved through the development of the public sector and the various options for using its resources. Based on the foregoing, it is clear that the scale of the public sector is characterized by both the size of state property and the volume of state revenues and expenditures. In the first case, we are talking about the stock of resources owned by the state, in the second case, about the flows of collected and spent budget funds.

Indicators of the reserve and flow of financial resources at the disposal of enterprises are widely used to assess the potential of their own activities. When characterizing the share of an enterprise in the economy, they usually closely correlate with each other. For the public sector, such a relationship is not necessary: the state is able to finance its expenses not only from income from its capital, but also from tax revenues. The main part of the collected taxes is directed not to increase the capital owned by the state, but to solve the current problems of redistribution and financing of production. Therefore, indicators of the overall size of the public sector, characterizing, on the one hand, the scale of state ownership, and, on the other hand, state budget revenues and expenditures, can differ quite significantly. The first values are usually noticeably inferior to the second, and their ratio is used, according to some economists [Gershcheva I.V., 2008], to assess the "depth of market transformations".

When measuring the scale of state ownership, it is necessary to take into account the fact that the state often owns very significant values that are withdrawn from the market, and in this regard, often do not receive an adequate economic assessment. We are talking about lands not used in agriculture, protected natural and cultural values, etc. At the same time, the state's expenditures in no small part are directed to services to the population, provided free of charge or on a preferential basis. Accordingly, their economic valuation does not include profit, which must be taken into account when comparing indicators related to the public and private sectors.

Historically, the public sector occupies the strongest positions in such areas as education, science, health care, culture, and public utilities. State enterprises (organizations) usually dominate in the field of postal services and often even in transport – rail and air. In a number of countries, state-owned enterprises produce the bulk of electricity. As we know, in some countries within the framework of the public sector, manufacturing enterprises also operate in one part or another, for example, steel plants in Austria, Italy, France, Sweden, automobile plants in France, shipbuilding enterprises in Italy, Spain, Sweden [Bernstein P., 2009].

For the above reasons, when assessing the positions of the public sector in the economy, the most representative indicators of its revenues and expenditures as a percentage of GDP and GNP, since they show the share of the sector in question of the total economic activity of each country.

In economically developed countries at the disposal of the state comes from 30 to 60% of GDP. At the same time, approximately the same level of GDP production per capita is often combined with significant differences in the share of the public sector in the economy, that is, the scale of the public sector largely depends not only on the objective economic capabilities of the country, but also on historical and cultural traditions, the specifics of the economic and social policy in each of the countries. The historical evolution of the public sector also does not fit into any one-line trend. The so-called “Wagner’s law” did not find confirmation, according to which the progressive development of the economy should correspond to a consistent increase in the economic activity of the state. [Kovalev V.V., 2011] At the same time, it is unfair and quite common to say that economic progress is necessarily associated with a reduction in government intervention. At the dawn of industrial capitalism, the share of the state sector in the economy was relatively high, then it decreased significantly, but in a mature industrial society it began to grow again and reached unprecedented proportions. Thus, at the end of the 18th century the share of the public sector in the national income of Great Britain (the birthplace of the first industrial revolution) was about one quarter, at the end of the 19th century approached one tenth, and by the end of the twentieth century was about 40% [Chernomorova T.V., 2008].

In the course of historical development, the public sector, first of all, provided the maintenance of the state apparatus with relatively little activity in other areas, including education, health, science, and culture. It is natural that in the conditions of rapid innovative development, a relatively smaller share of budget revenues of all levels began to be directed to the implementation of these traditional tasks. However, in the middle of the twentieth century there have been fundamental changes associated with the emergence in a number of Western countries of the so-called "welfare state", the economic activity of which was focused on the needs of the general population and support of scientific, technical and economic transformations.

The complication of the economic tasks of the state naturally led to the expansion of the public sector.

The growth of budget expenditures cannot be unlimited, since the growth of budget expenditures implies an increase in the tax burden. It is with this circumstance that the crisis of the "welfare state" is connected. Ways to reduce the tax burden are by no means limited to limiting budget spending. Their decline, if it took place, firstly, was, as a rule, only relative, and, secondly, did not bring the share of the public sector to the initial level. The reaction to the reduction in the tax burden was not only the “withdrawal” of the state from the social sphere, which is characterized by a lack of funds (education, health care, science, etc.), because the reduction in the tax burden should not lead to an increase in the share of financing of the social sphere and minimize inefficient types of expenses in general. In recent years, for most countries, the phenomenon of so-called political correctness has become characteristic, which in some cases gave rise to a willingness to support, including through public spending, what was previously considered almost a violation of state norms. Thus, success in overcoming poverty in its traditional form does not necessarily correspond to a reduction in social spending from the state budget. That is, technological and economic development has an ambiguous effect on the scale of the public sector, causing, at the same time, constant structural shifts and necessitating constant changes in management. Against the background of fluctuations, in our opinion, there should be a change in the trend towards a constant increase in the share of the public sector in the economy, tendencies towards its stabilization.

Allocation decisions are based on the most complete and accurate determination of the cost components and their returns. In the public sector, it is much more difficult to carry out an adequate assessment, in our opinion. In this case, costs and benefits are assessed from the standpoint of not an individual, but the entire population, and the net return to be maximized is the difference between benefits and costs. It follows that both the components of the costs and the range of results obtained should be evaluated taking into account the points of maximum deviation, both negative and positive; in some cases, it is necessary to significantly adjust market prices by identifying components of costs and benefits that do not receive a market assessment.

Conclusion. Thus, we can draw the following conclusions regarding the theoretical and aspects of financial management:

- financial management, a complex process that takes place in a competitive environment and limited financial resources of all participants in financial relations, which forms a certain sequence in the process of financial management, taking into account the high qualification of the managerial level;
- the management process is aimed at achieving commercial or non-commercial (public, national) interests of the subjects of financial relations in the context of their contradictions and legitimate (legal) methods, mechanisms for their resolution;
- in the system of financial relations of the Republic of Uzbekistan, economic entities conduct their activities in the conditions of a liberal economic policy in its adapted to the crisis phenomena occurring from time to time in the international sphere;
- the institutions of public administration and regulation of the Republic of Uzbekistan, in the context of some restrictions on the international movement of goods and capital, are trying to use internal reserves (in particular, the internal capital market), taking measures and creating mechanisms that compensate for the consequences of this global process.

What should be the financial management system in today's conditions of fierce competition. Revolutionary new? But in this case, it is necessary to offer completely new mechanisms and financial management tools. Or extremely quickly evolve to solve new problems and respond to new challenges. In our opinion, the path of innovative, creative evolution is the most efficient and effective.

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