

ELEMENTS OF TERRITORIAL AND LOCAL  
FINANCIAL DEVELOPMENT

*Jarilkapova Naubaxar*

*2nd year student of Berdakh Karakalpak State University,  
specialising in Finance and Financial Technologies*

**Abstract.** This document analyzes in detail the results of the liberalization of the financial system of Uzbekistan. The document addresses two main areas. First, we look at the reforms of financial development in Uzbekistan from independence to the present day, including the banking sector, non-banking financial institutions and securities markets. Secondly, it will examine the political successes and failures of the Uzbek path, as well as the sequence of reforms in each of these areas. Then recommendations are offered to eliminate the existing problems that we have identified. The novelty of this article is that for the first time it analyzes in detail the failures of financial reforms in Uzbekistan.

**Keywords:** finance, Financial system, money, capital flows, financial markets, financial assets, financial institutions, financial services. The modern financial system can include banks (public or private sector), financial markets, financial instruments and financial services. Regular and rational capital flows are one of the main conditions necessary for accelerated economic development.

The financial system consists mainly of four components:

Financial markets. They include any place or system that provides buyers and sellers with tools for trading financial instruments, including securities, stocks and bonds, various international currencies and derivatives.

Financial assets-products sold in financial markets are called financial assets. Cash, stocks, bonds, investment 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 they trade in, as well as their degree of risk.

Financial institutions-Financial institutions act as intermediaries between investors and borrowers. They provide financial services to participants and clients. They are also called financial intermediaries because they act as intermediaries between depositors and borrowers. The investor's funds are directly or indirectly mobilized 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 and liability management companies. They help to obtain the necessary funds, as well as ensure the effective investment of economic entities through them (for example, banking services, insurance services and investment services).

The financial system consists of many components depending on the level. From the company's point of view, the financial system includes procedures that correspond to the financial activities of the company. Examples include 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 clearing houses, as well as other similar financial institutions. Globally, the financial system includes interactions between financial institutions, investors, central banks, government agencies, the World Bank and others.

Financial systems allow funds to be distributed, invested or transferred between sectors of the economy from one entity to another, and they allow individuals and companies to share the corresponding risks.

The infrastructure of the financial system refers to payment and settlement systems in which financial market transactions are carried out accurately. The smooth and reliable functioning of payment and settlement systems contributes to the efficient movement of capital in the economy, thereby maintaining financial stability. Well-functioning financial systems do not easily succumb to financial crises and can perform their basic functions even in difficult financial conditions.

Thus, finance studies the process of redirecting money from entities and investors with savings to entities in need of money. He directs depositors and investors to where they can receive interest or dividends in order to use their money more efficiently. Individuals, companies and governments should receive money from external sources such as loans when they do not have enough funds to work. And the relationship between them is very necessary and useful, it brings them both the same benefit.

Digital technologies such as blockchain and big data have the potential to revolutionize approaches to managing transaction costs. Blockchain ensures transaction transparency and reliability, big data enables market trend analysis and demand forecasting, and artificial intelligence aids in automating routine operations and making informed decisions<sup>1</sup>.

As a rule, a business with income exceeding its expenses can lend money or invest the surplus in order to generate more income. Accordingly, an enterprise whose income is less than expenses can increase capital, as a rule, in one of two ways: by borrowing in the form of loans (to individuals) or by selling shares (which can take different

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<sup>1</sup> Ospanova, F. B. (2024). Blockchain and big data are transforming agribusiness transaction cost management. *Modern education and development*, 4(5), 342-348.

forms: preferred shares or ordinary shares). Bond and equity holders can also be institutional investors - financial institutions such as investment banks, or individuals called private investors or retail investors.

Today, all spheres of public and public life are rapidly developing, requiring reforms based on improving public financial management, ensuring the rapid and qualitative development of our country on the way to becoming one of the leaders of world civilization. In 2018, based on a critical analysis of the current budget system according to the GRFP methodology, the results of an assessment of the effectiveness of public finance management, as well as a diagnostic assessment of the openness of tax and budgetary policy based on the code of the International Monetary Fund, transparency of public finance management over the past two years, a number of measures have been taken to improve

The Public Finance Management System (UGF) is a set of rules and institutions, policies and processes that govern the use of public funds in all areas, from revenue collection to government spending control. PFM policies vary by country and may cover issues related to tax law, budget management, debt management, subsidies, and state-owned enterprises. A well-functioning ugf system is crucial to ensure accountability and efficiency of public financial resources, while a weak ugf system can lead to significant expenditure of limited resources. UGF is of particular importance for health financing, as most of the health resources usually come from the State budget. In particular, UGF systems affect how much money is allocated and allocated to healthcare, the effectiveness of healthcare spending, and the degree of flexibility in the use of healthcare funds.

Today it is important to implement measures to ensure the effective organization of the financial system. At the present stage of economic reforms in our country, reforms aimed at ensuring the sustainability of public finances are being consistently carried out.

For example, in order to ensure the openness and transparency of information about the state budget, as well as the participation of citizens in the budget process, the following reforms are envisaged:

\* Since 2018, there has been an information publication "budget for citizens";

The effectiveness of the impact of the state budget on the economic and social life of society, the income of which is formed at the expense of taxes and other mandatory payments, is a problem that requires special research. In this sense, the effectiveness of the state budget is understood, first of all, as the level of efficiency of these budget expenditures. The organization of rational and effective expenditure of budgetary resources is currently necessary in any society, since it significantly affects the achievement of optimal parameters of economic activity and the solution of priorities facing the state. During the investigation, these bodies were charged not only with the

misuse of budgetary funds, violations of budget, civil and labor legislation, but also with assessing the level of effectiveness of the use of budgetary funds. At the same time, little attention is paid to the effectiveness of the use of budgetary funds in the current budget process and the quality of financial management within the framework of financial control, and its results are practically not used in the formation of budgets and management decisions. Because of the imperfection of legislation,

#### CONCLUSIONS AND SUGGESTIONS

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 to organize the loan. The Bank concentrates the activities of many borrowers and creditors. The Bank accepts deposits from creditors, on which it pays interest. Then the bank gives these deposits to borrowers. Banks allow borrowers and creditors of different sizes to coordinate their activities.

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