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FUNDAMENTALS OF THE DEVELOPMENT OF THE FINANCIAL SYSTEM AND THE FORMATION OF THE THEORY OF FINANCIAL MANAGEMENT

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Abstract: *The effectiveness of consistent economic reforms in the formation of a national economy based on a market economy depends in many respects on the gradual improvement of the elements of the corresponding economic mechanism. Especially in the current context of the global financial and economic crisis, the world economic system, which is changing in a unique way, requires the formation of a corresponding financial system. Periodic economic crises of a discrete nature in the world economy are the driving force of economic development, and each crisis and subsequent stages of development lead to the formation of an adequate economic system and the creation of a new financial "architecture". As a result, the financial system has gone through a period of evolutionary historical development and is constantly improving. Thus, the financial system is a separate component of the economic system, fulfilling the task of effective investment of existing financial resources in the sectors and industries that need it. Therefore, the national economy formed in each country and the specifics of its development are clearly reflected in the financial system.*

Keywords: *economy, finance, management, fundamentals of economics, financial system, business analysis.*

Introduction

It is known that in the current context of globalization, the intensification of the process of integration of the national economy into the world economy limits the ability to independently determine the strategic direction of economic policy in each country with a high level of economic openness. This, in turn, is evident in the fundamental and periodic problems in the development of the financial system. This is because the growing importance of the interdependence of financial flows leads to the development of a certain vector under the influence of mutual convergence of the national financial system, which is formed on the basis of the national economies of different countries and differs from each other. A poly semantic approach can be observed in the scientific views of western economists and local economists on finance and its content, and the definitions given to it. Theoretical problems of financial development, the issues of scientific coverage of its economic essence are being studied by a number of foreign and local economists. At the same time, the backwardness of research on some aspects of the modern financial system, the extensive study of the bank of problems of the financial system in line with the modern economic system, creates methodological problems in the decision-making process. These problems are compounded by the fact that in the current global financial and economic crisis, as a result of reforms in the financial systems of developed countries, which are peculiarly "irrational", they still do not provide sustainable growth in the global economic space. Russian economists comment on the global financial and economic crisis, noting that the global crisis consists of uncertainties in its basic parameters. According to modern analysts, the consequences of the crisis are the result of the rapid growth of innovative financial instruments in line with the model of virtual markets. Furthermore, in the context of the innovative financial boom, the economic and political elites have lost almost control over the movement of financial instruments, resulting in increased contradictions between supply and demand in financial markets.

Research methodology

The article uses scientific abstraction, analysis and synthesis, induction and deduction, economic-mathematical-statistical and other methods. It is recognized that the modern financial system is associated with the development of the following areas:

- introduction of new financial instruments that are not backed by real assets as a source of financing and excessive growth of the global volume of financial markets compared to the real sector;
- Rapid integration of developing countries into savings centers and, as a result, the formation of a system of global redistribution of financial resources in developed countries;
- increase in the level of capitalization of large multinational companies, and the process of capitalization does not go hand in hand with the growth of production.

As a result of the above conditions, which are the result of globalization in the financial sector, the trend towards centralization in global finance (integration of markets, consolidation of financial and market infrastructure, development of global investors and issuers, extreme concentration of capital, financial markets) increased in importance of financial centers (Asia, Latin America), multipolar in the range of 4-5 regional clusters, the formation of a tertiary global financial system).

Table 1

Dynamics of globalization in the field of finance[1]

Indicators	1980	1990	2000	2007	2008	2020

[1] Formed by the author

Transnational inflow of capital / at current prices relative to World GDP, percent	4,7	5,2	15,3	20,7	3,1	8
Foreign direct investment accumulation (Worldwide) / At current prices relative to world GDP, interest	6,0	8,5	18,0	28,3	24,5	7

According to the table above, by the 1980s, as a result of the intensification of financial globalization, the transnational flow of capital was 4.7% of world GDP, and by 2020, it is projected to reach 23-28%. The accumulation of foreign direct investment is projected to increase from 6.0% of world GDP in 1980 to 42-47% by 2020. It can be concluded from these trends that global finance, which is a modern economic space and its main component, is formed as a result of mutual convergence of the national financial systems of countries. This, in turn, forms the fundamental foundation of modern financial theory. Thus, the global financial and economic crisis is of fundamental importance for the development of financial science and requires a study of its role in the processes of change in the modern economic space, the specific "architecture" of the financial system in a theoretical and practical combination. According to the American Economist E. Banks, the process of globalization, which covers the world economy, is a new course in the economic development of developed countries the establishment of the model affects the development ratios of the links of the financial system.

According to Russian economists M.V. Romanovskiy, O.V. Vrublevskaya, “The crisis that began in 2008-2009 has further strengthened people's attitudes towards financial issues. This is undoubtedly due to the fact that every citizen of the world pays taxes, receives various benefits from the state, makes private financial decisions to maintain their property status, to save a certain amount of money and sometimes, very large amounts of money from inflation risk through interest in national and international exchange rates. makes intuitive decisions.”

The liquidity crisis, which is the essence of the architecture of the modern financial system, is a paradox of our time. Transformation processes leading to a change in the role of financial institutions, the development of global financial markets constitute the architecture of modern finance, and these trends play an important role in the formation of neoclassical financial theory. In connection with the above, it requires a broad institutional and theoretical study of the fundamental foundations of finance and its development.

The financial system specific to each economic space formed and evolving during the evolutionary historical development of human society has formed the fundamental foundations of the theory of finance formed in different periods.

The British economist G. King his work entitled “Financial Theory,” King’s main emphasis on accuracy in relation to finance is profit, actuarial calculations, simple and complex interest rates for loan capital. Another British economist, K.S. Plen, in his “Introduction to Social Finance”, argues that the transfer of the term “Finance” from the social sector of society to the private sector of the economy occurred as a result of “Metanomy”. As a result, the term “finance” has taken on a broader meaning, encompassing the process of managing funds that are formed and used at the discretion of each of the economic agents.

Hence, it can be concluded from the above considerations that the formation of the neoclassical theory of finance, which represents the fundamental foundations of modern finance, and the first scientific approaches to it date back to the late nineteenth and early twentieth centuries. In this case, finance is not only the management of funds formed as a result of economic activity of the state, but also as a result of economic activity of the private sector the inclusion of emerging cash management problems is also recognized.

Another economist, F.J. Cleveland, on the other hand, acknowledges that the concept of a fund is money that is accumulated at the disposal of economic agents for use in society for the exchange of goods and services. Such funds are divided into two main categories: funds in the form of money and in the form of loans or deferred payments, and both funds are recognized as an integral part of the monetary economy.

While the above funds are an integral part of the monetary economy, the growing importance of these funds in the national economy, the periodic changes in the ratio of cash flows in the public and private sectors as a result of economic development create the need for their systematic management. This, in turn, is an objective condition for the development of modern financial management.

F. Cleveland also emphasizes that “Finance is a special branch of business that covers the areas of formation and spending of funds necessary for the enterprise economy. What are funds? How can they be shaped? How to manage them? - are scientific issues in the field of finance.

So, it is clear from this idea that finance should be viewed not only as a science, but also as a specific branch of business. This is especially evident after the second half of the twentieth century with the development of the private sector in the economies of developed countries, the development of joint stock companies and their increasing capitalization, the development of financial markets and their increasing role in redistribution of capital to needy sectors.

Analyzing this trend, M. Jensen and K. Smith note that the theory of corporate finance has been actively developing since the second half of the twentieth century.

In particular, while the number of corporations in the United States in the 1960s was 20 percent of the total number of enterprises, 90 percent of total business income came from corporations.

As a result of the rapid development of corporate property relations, the scale and volume of monetary funds formed at their disposal has increased. As a result, corporate finance, along with financial institutions engaged in financial intermediation operations, began to play a central role in the development of the financial system.

During the early years of corporate business development, Edward Med described his book, Corporate Finance, in which he sought to “explain the methods used in the consolidation and reorganization of corporate business, capitalization, and financial management”. Arthur Dewing, another representative of the period, said that as a field of corporate finance, it covers the problems of the accounting system, as well as investment and administrative policy, in relation to the differences between capital and income, coordinated with the development and expansion of business.

In modern terms, the definitions of "Corporate Finance" and "Financial Management" can be traced to poly semantic approaches. For example, British economists D. Watson and A. According to Haydn, corporate finance is concerned with the effective and efficient management of the financial system within an organization in order to achieve its main goal. This, in turn, emphasizes that corporate finance is based on two basic concepts, namely the concept of the ratio between income and risk, and the concept of time value of money, including a system of resource allocation, distribution planning and control. Other economists are research on financial risk assessment and management. From a financial standpoint, the corporation embodies risky cash flows, they argue.

Indeed, one of the factors influencing the development of any science is the emergence of methodological problems in it under the influence of socio-economic development.

In the first stage, financial management goes through the first period of formation and is aimed at solving the following fundamental issues:

- identification of sources and forms of capital attraction in order to ensure the continuity of reproduction in firms and companies;
- to study the possibility of providing financial resources for the process of business expansion at the expense of external sources of financing, such as the issuance of shares and bonds;

- formation of organizational and economic bases of the company's issue activity;
- study of forms and financial aspects of mergers of certain companies;
- formation of an integrated rating system of bonds and other debt instruments;
- Development of key indicators of the situation and dynamics of the financial markets.

Table 2

The main stages of development of financial management[2]

№	Period	Conceptual bases	Note
1	Until the 1930s	The main emphasis is on financial markets and securities	Assets are less focused on managing financial results
2	1930-1950 years	The main emphasis is on bankruptcy and government regulation	Probable expected returns and the need for quantitative methods of asset management efficiency.
3	1950-1980 years	Research on asset management issues, value valuation theory. Introduction of mathematical models for the management of current assets and fixed assets. Formation and development of portfolio theory	Risk management, the need for a new approach to investment analysis.
4	1980-1990 years	Formation of the theory of a quantitative approach to risk assessment and their application in investment analysis, as well as the introduction of computer technology in these processes. The main emphasis is on the concept of value maximization (Brand Capital). Increased international competition and increased focus on managing multinational companies.	The formation of a perfect market concept, the emergence of instability in financial markets.
5	From the beginning of the XXI century to the present	The growth of digital business, the strengthening of international integration processes in the financial management system. Emergence of conditions and requirements for ad-specific analysis. Development of virtual money and consequent systematization of cash flow management	Exacerbation of the consequences of business decision-making ethics.

Thus, in the first stage, as a result of a systematic study of the situation in emerging financial markets, the issues of optimal formation of capital of companies and their assessment of market value are covered. For example, the first index,

[2] Formed by the author

which represents the quotation of fixed assets, was proposed by Ch. Dow, which forms the basis of a technical analysis of the situation on modern stock markets. Also, the growing importance of basic financial assets in the stock markets as a source of funding has led to the development of the first systematic rating of economic evaluation of their quality characteristics.

Russian economist I.Ya. Lukasevich Evaluating the development of financial management in the 90s, describes that "the high point of the evolution of financial management is the formation of a new model of assessing the competitiveness of the company on the basis of a system of balanced indicators." The concept of a balanced system of indicators was developed in 1992 by R. Kaplan and D. Norton, based on 5 basic principles. This can be seen in the picture below.

But despite the popularity of this concept in the United States, it had a number of shortcomings. The main problem was that the Balanced Scorecard (BIS) was not focused on solving the fundamental problems of performance appraisal. As a result, there was a need for economists to formulate models aimed at solving such problems.

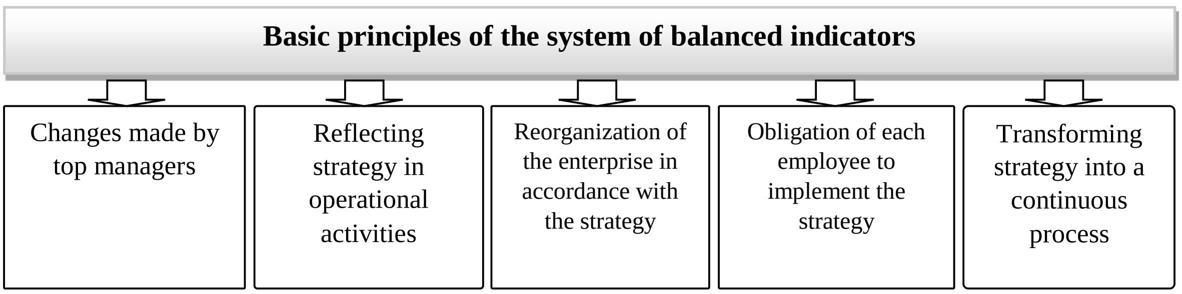

Figure 1. R. Kaplan and D. Fundamentals of Norton's Balanced Scorecard (BIS) concept[3]

The next stage in the development of modern financial management coincided with the beginning of the XXI century, when the Internet and digital business developed. During this period, a model for assessing the investment attractiveness of financial assets, primarily derivatives, was formed. The theoretical foundations of strategic financial management have been developed, which integrates the methodological basis for the development of financial strategy of joint-stock companies. A number of Russian economists have assessed the main "mission" of modern financial management in the activities of business entities, noting that the firm has the highest value of financial management, leading to a capital market, a strong position in the commodity market, guaranteeing minimum

[3] Moyer R. C., J. R. McGuigan, W. J. Kretlow. Contemporary Financial Management - South Western, 2009.

value in foreign exchange transactions. is determined by the high image of the provider firm.

In the context of the development of the existing corporate financing system in the Republic of Uzbekistan from a specific "model based on the banking system" to a "model based on financial markets", traditional methods of capital formation of most joint stock companies still prevail. In particular, the scale of distribution of financial resources through the bank loan market is becoming a priority. Currently, the current tax system and fixed interest rates on bank loans create a high level of debt burden for most joint stock companies. As a result, the value of private and debt capital differs sharply. We can consider this based on the table data.

Table 3

Annual interest rates of some elements of the capital market of Uzbekistan and dynamics of profitability of joint-stock companies [4]

№	Sources of capital	2010	2011	2012	2013	2014	2015	2016
1.	On total credit operations of commercial banks average weighted interest rate	13,4	13,2	11,0	12,4	10,5	9,5	11,5
2.	Average weighted interest rates in the interbank credit market	8,9	8,5	10,9	9,9	9,0	9,2	8,3
3.	Debt to budget and extra-budgetary funds	18,25 (0,05*365)	18,25 (0,05*365)	18,25 (0,05*365)	18,25 (0,05*365)	12 (0,033*365)	12 (0,033*365)	12 (0,033*365)
4.	Debt to suppliers,%	10 - 15	10 - 15	10 - 15	10 - 15	10 - 15	10 - 15	10 - 15
5.	WACC	11,8	12,3	12,5	15,5	15,6	15,1	16,7
6.	ROE	9,8	9,5	9,8	10,1	10,7	11,2	10,7

According to the table, the weighted average interest rate on lending to the real sector by commercial banks was 13.4% in 2010, 13.2% in 2011 and 11.5% in 2016. The average weighted interest rate on lending to the real sector by commercial banks was 8.9% in 2010, and in 2016 this figure was 8.3%. This, in turn, has a negative impact on the income that commercial banks receive from interest margins. Interest on each overdue debt to the budget and extra-budgetary funds amounted to 0.033 and 12% per annum, compared to 0.05% in 2014.

Thus, the reduction of penalties on indebtedness for taxes and mandatory payments will reduce their value, which will reduce the debt burden on the liabilities of joint-stock companies.

However, it should be noted that the return on private capital in joint-stock companies operating in the national economy in 2010 was 9.8%, in 2016, this figure

[4] Items 1 and 2 of the table are based on the website www.cb.uz. Other points were formed on the basis of data from the State Statistics Committee of the Republic of Uzbekistan.

was 10.7% (10.7% -9.8%) is growing at a rate of 9%. Hence, while the efficiency of asset utilization tends to increase (see Table 3), the efficiency of private capital remains relatively low. This, in turn, confirms that there are problems with capital structure management.

The above is the main goal of the financial services system of any joint-stock company in modern conditions and forms the basis of its financial and economic potential.

Hence, while the above-mentioned system of indicators for assessing the economic efficiency of investments is able to assess the effectiveness of projects by assessing the current value of future cash flows, it does not take into account the probable mathematical expectation of future cash flows under inflation, trade risk and other endogenous or exogenous factors. As a result, in financial management, projects that comprehensively cover these factors lead to theoretical research on improved indicators of cost-effectiveness assessment.

Analysis and Results

Global finance, which is a modern economic space and its main component, is formed as a result of mutual convergence of the national financial systems of countries. This, in turn, forms the fundamental foundation of modern financial theory. the trend towards centralization in world finance (market integration, consolidation of financial and market infrastructure, development of global investors and issuers, extreme concentration of capital, financial markets) literally decentralization (increasing importance of regional financial centers (Asia, Latin America) -5 multipolar range of regional clusters, the formation of a tertiary global financial system).

Conclusion and Recommendation

Thus, while the above-mentioned system of indicators for assessing the economic efficiency of investments is able to assess the effectiveness of projects by assessing the current value of future cash flows, it does not take into account the probable mathematical expectation of future cash flows under inflation, trade risk and other endogenous or exogenous factors. As a result, it will be necessary to conduct theoretical research in financial management on improved indicators of assessing the cost-effectiveness of projects that comprehensively cover these factors.

The system of state regulation of joint-stock companies based on vertical-integrated organizational structures is proposed to implement two main directions:

- First, it is necessary to form a regulatory framework for corporate governance and systematic control over its compliance;

- Secondly, joint-stock companies with a high share of the state in the charter capital should be directly involved in corporate governance policy through the participation of government representatives.

- Thirdly, the sale of shares of 68 large and strategically important joint-stock companies to foreign investors, the sale of state shares of more than 300 companies to private institutional investors, as well as the presence of a 15% share of foreign investors in their charter capital.

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