DISTINCTIVE FEATURES AND PRINCIPLES OF DEVELOPING THE FINANCIAL MANAGEMENT SYSTEM FOR INSURANCE COMPANIES IN UZBEKISTAN

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Abstract:

Particular attention is paid to the development of the digital economy at the present stage of fundamental reforms being implemented in the economy of Uzbekistan. The gradual development of the financial management mechanism in joint-stock companies based on digital financial technologies is of particular importance for solving issues such as improving modern processes of international integration, selling to foreign investors based on reducing the state's share in large joint-stock companies. This article is devoted to the features and principles of the development of the financial management system in Uzbekistan and is aimed at revealing its uniqueness.

Keywords: insurance, accounting (financial) reporting, enterprice management, financial analysis, financial management, financial indicators, financial resources.

Introduction

In the context of diversification and structural changes in economic sectors, as well as the development of financial activities in corporate structures, further enhancing the role and significance of financial management in ensuring financial stability is becoming increasingly relevant. The implementation of modern corporate governance methods in enterprises (joint-stock companies) operating in our republic is considered important, particularly the study of theoretical and economic foundations of financial management, the development of knowledge aimed at improving financial management mechanisms, and the rational utilization of advanced foreign experience in this scientific field.

It should be noted that in the context of developing market relations, special attention is given to a new approach to the financial management system of joint-stock companies. Enterprise management depends on a number of factors, such as the presence of economically independent and financially stable activities, the correct organization of management in them, the rational organization of production and service with the effective use of existing opportunities, the use of scientific and technical innovations, new information technologies, and the correct organization of financial management work.

After the Republic of Uzbekistan gained independence, the priority task was to create legal and organizational foundations for the formation of a multi-level economy and a competitive environment capable of ensuring high rates of economic growth and sustainable development of society. The experience of reforming transition economies demonstrates that the most important means of a harmonious transition from an administrative-planning economy to a market model of economic activity are privatization and shareholding, which lead to the formation of a real class of property owners. Financial management acquires particular importance in implementing effective methods of corporate governance for privatized property.

As a result of economic reforms in Uzbekistan, enterprises are undergoing structural transformations and implementing modern management methods in their operations. However, under current conditions, the level of ensuring the functioning of modern management mechanisms at enterprises based on the use of innovative ideas and technological developments, improving management efficiency, and effective utilization of investments remains low. Therefore, the new development strategy of Uzbekistan for 2022-2026 has identified priority tasks such as "accelerated development of the national economy and ensuring high growth rates" [1]. The implementation of this task requires enhancing the effectiveness of modern management methods in overseeing enterprise activities.

In writing the thesis, the current state of the features and principles of development of the financial management system in Uzbekistan was assessed using the expert evaluation method and the directions for improvement were determined. The expert evaluation method is a complex of logical and mathematical-statistical methods and procedures aimed at obtaining the necessary information for preparing and selecting rational solutions to a specific range of issues.

Main part

Economists express varying opinions when explaining the economic content of financial management in international and national practice. Naturally, we can observe that these expressed opinions sometimes diverge in their approach to this concept, beyond merely explaining the essence of financial management. Before examining the views of scholars, it is important to focus on the international approaches to the concept of financial management and its various aspects, as this forms the main basis for understanding these differing opinions.

The authors of numerous scientific works dedicated to the economic content and practical aspects of financial management are American economists James C. Van Horne and John M. Wachowicz, who describe financial management as follows. Financial management is the process of forming, financing, and managing assets, which involves achieving several main objectives. Accordingly, in financial management, the decision-making function focuses on three primary areas: investment, financing, and asset management decisions. According to these scholars, financial managers, through effective formation, financing, and rational management of financial assets, contribute not only to ensuring the company's future financial stability but also to fostering economic progress. Although firms and companies have different goals, the primary one is to maximize the improvement of the financial condition of the company's owners (proprietors)[2].

Renowned American economists Stephen A. Ross, who conducted numerous studies in the field of financial management, Randolph W. Westerfield, and Bradford D. Jordan believe that financial managers should take responsibility in three main areas of company activity. The first is the financing (budget development) of capital investments, that is, planning and managing the company's long-term capital investments. The second is the capital structure of the company, which involves identifying and managing the necessary sources of funding for the company's long-term capital investments. The third is working capital, which entails managing shortterm assets and liabilities to ensure the regularity of the company's operations and the continuity of the production process.

Based on the definitions provided by the aforementioned scholars, the concept of financial management can be described as follows: financial management is the development and implementation of current and strategic goals of an enterprise, carrying out functions such as forecasting the financial situation in the future, managing and assessing financial risks, planning, and overseeing processes for the effective formation and rational utilization of financial resources.

In our opinion, financial management is both a science and an art of managing cash flows in joint-stock companies, attracting the most rational sources of financial resources, and utilizing them with maximum efficiency to achieve the strategic and tactical objectives of these companies.

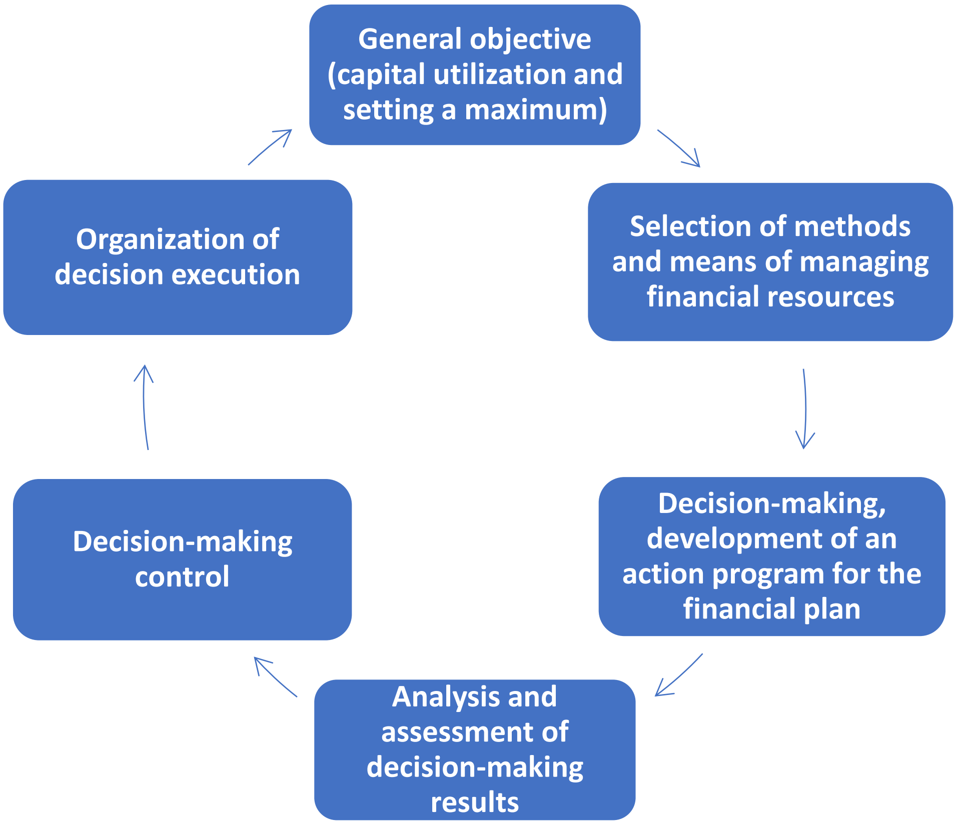
The content of financial management is a much broader concept than its essence. In a market economy, the law of value plays a regulatory role, and financial relations encompass the entire production process in joint-stock companies, including all economic relationships. Consequently, financial management is the primary component of the overall management system in a joint-stock company. Financial management, with its goal of profit maximization, is simultaneously the objective of the entire management system, including technical and production management.

The process of making financial decisions, like making any managerial decisions, consists of three stages.

Each type of decision requires specific informational and analytical support.

Forecasting and planning decisions are based on consolidated financial statements spanning several years or quarters, utilizing prospective trend analysis methods. Decisions regulating the course of economic activity rely on operational data, including accounting information, and employ operational analysis methods. Assessment and control decisions are grounded in retrospective analysis, utilizing current analytical methods and comparing actual data with planned (forecasted) figures for the current reporting period.

The content of modern financial management is characterized by the deepening of financial analysis methods and the resolution of new challenges associated with the Republic of Uzbekistan's transition to market conditions. These challenges include, for instance, discounting of income and capital, managing capital structure through determining the cost of capital, the ability to utilize economic diagnostic methods, financial risk management [3], the effect of financial leverage, and so on. Addressing these issues in practical management enhances the effectiveness of financial management in joint-stock companies.



Scheme 1. General scheme of financial management

Financial management of a joint-stock company is an integral part of the overall management system, which, in turn, represents a system of rational management of the financing process for joint-stock companies' economic activities. This system involves the movement of financial resources and the formation of financial resources arising from this movement [4]. Based on this, financial management can be characterized as a system for the rational and efficient use of capital, as well as a mechanism for managing the movement of financial resources aimed at increasing capital volume, investments, and financial resources. Financial management is oriented towards maintaining a normal process of financial resource circulation, the effectiveness of which is characterized by the speed of circulation.

The emergence of a new, complex phase in the development of a market economy in the Republic of Uzbekistan has created the necessity to teach financial management as a science of managing the finances of joint-stock companies, aimed at achieving strategic and tactical objectives[5].

The primary objective of financial management is to maximize the economic efficiency for the property owner. The mechanisms for achieving this goal include effective dividend and investment policies, credit policies of joint-stock companies, adequate liquidity and optimal working capital management, and maintaining optimal policies for tax base formation[6].

The second goal of financial management complements and refines the primary goal. Its essence lies in organizing effective business cooperation within a joint-stock company with clients, creditors, and economic entities that contribute to the development of this company's business. The mechanism for ensuring the effectiveness of business cooperation is based on the relationships between parties, where invested funds are fully returned and monitored for a specified period[7]. The provision of guarantees, collateral, rent, trade credits, and banking services forms the basis for an effective scheme to service the principal amount of debt.

Our next goal is to ensure the social responsibility of our joint-stock company's activities. The stability of the joint-stock company's business operations creates favorable prospects for expanding the tax base, increasing employment, boosting demand for means of production, and supporting commercial relationships through interconnection and interaction among market participants both domestically and internationally[8,9]. Special attention is given to social indicators that influence economic and financial growth, social planning, investment in human capital, monitoring of potential bankruptcy, and business decision-making[10].

In the process of a country's economic development, the goals of financial management evolve.

As mentioned above, the goal of financial management is to maximize profit. However, maximizing the market value of a joint-stock company is not always automatically achieved by maximizing its profit. For example, high profits can be entirely spent on current needs, resulting in joint-stock companies losing their main source of financial resources for development. Moreover, a high level of profit can be achieved with a high level of financial risk, which may justify a decrease in the market value of joint-stock companies.

Conclusion

In conclusion, it should be noted that the practice of effective management in Uzbekistan is at the development stage, facing challenges related to objective economic difficulties, imperfections in the regulatory framework, and insufficient training of specialists. The following characteristics are considered typical for the modern economy:

- privatized joint-stock companies are reducing their charter capital;
- high cost of financial resources;
- low investment attractiveness of joint-stock companies;
- underdeveloped stock market and financial infrastructure.

An examination of the trends and current state of changes in the development of financial management in the economy of the Republic of Uzbekistan leads to the conclusion that this field will not only have certain established traditions but also a promising future.

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