

Nature and Importance of Finance

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Abstract: This article discusses the nature of finance, its history and its importance in society and government. Information about the forms of manifestation of finance is also provided.

Keywords: finance, money, monetary interactions, human society, reproduction process.

Introduction

Finance is the study of how individuals, businesses, and organizations allocate and manage their resources over time. It includes a wide range of activities such as investing, borrowing, lending, budgeting, savings and risk management. The field of finance also includes the study of financial markets, institutions and instruments, as well as the theory and practice of financial management. In general, finance is essential for individuals and businesses to make informed and effective financial decisions.

METODOLOGY

The methodological basis of the research is the use of comparative analysis methods of scientific articles, lectures, which allows a comprehensive review of existing knowledge. Analysis of the literature shows the importance of financial indicators. This study was based on economic theory and related theoretical sciences.

RESULTS AND DISCUSSION

Monetary interactions also bear some relevance to the concept of "Finance". Still, if money and finance have the same meaning, then why are they two different conceptions for the same thing?

We will examine the evolution of this category's history in order to accomplish this. When the word "finance" (it. finankia) first arose in Italian commercial centers in the thirteenth and fourteenth centuries, it referred to any kind of monetary payment. Subsequently, the meaning of this phrase expanded globally to include contributions to national monetary funds, but it also came to refer to processes and relationships between entities—more specifically, monetary interactions.

The dictionary definition of the term "finance" states that it is the synonym or equivalent of the French "finanke," Latin "finankia," and Russian "financi," essentially meaning "income." Additionally, the terms "funds" and "payment" are used with it. When the state came into being and its need for resources developed under conditions of continual commodity-money linkages, finance emerged. The ultimate authority (person) requires relations amongst other participants (subjects) of reproduction relations in order to distribute and redistribute the economic (material) gains that the state's existence has produced. Specifically, the notion of "finance" is utilized to convey these relationships.

In order to carry out the duties and activities of the state and to guarantee the conditions of increased reproduction, centralized and decentralized monetary funds must be formed. These monetary interactions are arranged by the state and constitute the field of finance.

The category of finance is historical. It has distinct phases of emergence and development, meaning that it evolves with time. There are two primary phases to the evolution of finance.

A primitive type of finance is the initial stage. It is distinguished by the unproductive character of finance, meaning that the majority of funds were allocated to military endeavors and that very little finance had any impact on the economy.

The budget and current financial relationships are covered in the second stage. In other words, the financial system is neither brief or all-inclusive, but it is all connected to the creation and utilization of the state budget. Financial interactions, irrespective of the level of the political and economic system, have now progressed into a second phase of their growth. The financial system's several layers, its significant influence on the economy, and the variety of financial relationships define this stage.

Distribution and redistribution procedures in civilizations governed by natural relations resembled natural taxes and different kinds of personal payments. The evolution of commodity-money interactions resulted in a shift in the types of distribution and redistribution relations, making them more monetary in character. But the nature of these relationships didn't change all that much.

The step of separating the state treasury and creating the state budget can be considered the "finance" stage in the modern imagination.

Human society cannot survive (or operate) if it does not continuously produce homes, food, clothes, and social structures. The ability of a society of individuals to reproduce "living" remains an important condition, notwithstanding the planet's population growth and increasing urbanization, the escalation of conflicts both within and between nations, the advancement of science and technology, and several other factors. The unequal distribution of high-tech output and the concentration (accumulation) of financial wealth in the richest nations are the results of the global division of labor. The production of agricultural goods and the exploitation of raw materials are the activities carried out by the poorest nations. In any event, the replication process's content is unaltered notwithstanding this. The only thing that is changing is where the byproduct is concentrating or accumulating. The majority of profit "sinks" in the most industrialized nations through banking, price, and financial systems, giving them the power to determine future distribution in their favor.

The reproduction process includes the following steps:

1. production;
2. exchange;
3. distribution;
4. consumption.

For reproduction, these steps are necessarily mandatory or necessary, and without even one of them, the reproduction process is interrupted. Each of its stages is served by one or more economic categories. Participation of categories in the process of reproduction can be in direct and indirect forms.

When governments use taxes to restrict individuals income, the economy lacks a foundation for expansion. These nations eventually feel the influence of comparatively wealthier nations. because the nation borrows money from outside sources to offset the decline of its domestic resources. Conversely, the only resources available for paying off foreign debt are taxes and state property.

The entire process of reproduction is disrupted (derailed) if the reasonable boundaries of governmental interference in the distribution process are crossed. All of this is referred to as the establishment of the labor market and structural reorganization of the economy. If the state assumes more responsibility for providing for the impoverished population in an effort to avert societal explosions, this also suggests that healthy reproduction mechanisms are being violated.

In the circumstances where the market mechanism has completely replaced the centrally planned system, the old distribution system cannot be maintained. On the other hand, when developing a new system, consideration should be given to the competitive landscape, industry structure, and state of industrial technology. Copying other countries' systems in this way is a trait exclusive to weak developed nations lacking independent states and universities.

It is not required to be restricted to the realm of material production in the actual movement of capital while analyzing the reproduction process' distribution. Furthermore, one must acknowledge that capital transcends national boundaries. because the broad growth of international corporations has an impact on it in addition to the unique traits of the banking and stock exchange industries.

In terms of money, finance refers to the following relationships:

- The ones that develop between businesses when they buy, sell, and trade goods and services;
- The relationships that develop between businesses and their higher bodies when they create and distribute centralized funds;
- Financial relationships that develop between the state and businesses when taxes are paid to the budget system and funds are used to finance budgetary expenses;
- The state and citizens when taxes and other voluntary payments are made;
- Businesses, citizens, and non-budget funds when payments are made and resources are received;
- The relationships that exist between individual budget system links;
- The relationships that support the ongoing, round-the-clock flow of enterprise funds.

Conclusion

In short, finance plays a crucial role in our daily lives, from managing personal budgets to driving economic growth on a global scale. Without proper financial management, individuals and businesses struggle to achieve their goals and succeed in a competitive market. It is essential to recognize the importance of finances and make informed decisions to ensure a sustainable and prosperous future. By understanding financial principles and practicing good financial habits, we can build a solid foundation for success and ensure long-term financial stability.

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