

## **Financial Interrelation of Price, Tax, Credit, and Costs in Competitive Market Development**

**Jasmina Jasurovna Bakhtiyorova**

Student, Samarkand Branch of Tashkent State University of Economics, Samarkand, Uzbekistan

**Abstract:** The presented article examines the financial relationship of price, tax, credit, and costs, which relates, first of all, to its interaction and formation, as well as the distribution of the net national income of society as a whole. Experience shows that an increase in prices can lead to a decrease in the amount of tax payments to the budget, and a decrease in prices can lead to an increase in the amount of receipts to the budget.

**Keywords:** credit, inflation, price, market factor, financial dependence, balance, credit interest, financial resource.

### **Introduction**

The study of the relationship and interdependence of the financial system and the cost of education is of great importance in connection with the need to achieve and maintain material and monetary balance in the development of the economy. Finance and prices perform both general and specific functions that are inherent only to prices, or only to finance. The general function of finance and prices includes, first of all, their interaction in the formation and distribution of the net (national) income of society, the consumption of certain types. Based on this, stimulation, restriction of consumption of certain types of consumer goods occurs by changing retail prices, which has a significant impact on the size of the state's financial resources. At the same time, an increase in retail prices can, as experience shows, lead and often leads to a decrease in the mass of tax deductions to the budget, and a decrease in prices - to an increase in the amount of revenues to the budget.

Price formation under the influence of market factors is largely determined by financial standards and the need for financial sources for society as a whole and in particular for the enterprise. So, taxes and other tax payments, which are the income of the state as a whole, are paid partly from the cost, partly from the profit, or are a direct surcharge on the price (VAT, excise, etc.).

### **Main part**

The structure and level of current prices determine the primary income of the enterprise, into which the proceeds credited to its current account break down. But already at the stage of volume, with the help of prices, the process of redistribution of income takes place.

In the process of distribution of revenue through the formation of various monetary funds of the enterprise and deductions to the budget system, secondary incomes of employees, the state enterprise itself, are formed. Further redistribution is carried out by spending budget funds and extra-budgetary funds, finances of enterprises in the manufacturing sector.

Taxes and other financial payments, which together make up the system of financial relations between enterprises and organizations with the state, are not equally reflected in the composition of prices and interact with them in different ways. As already noted, some of them are included in the cost, others are paid from the profit remaining with the enterprise, and others

are a direct premium to the price.

What types of payments and deductions are included in the composition of costs (cost), what place do they occupy in the cost structure and how do they interact with prices?

The Regulation on the composition of costs for the production and sale of products (works, services) included in the cost of production on the procedure for the formation of financial results taken into account when taxing profits, the element "material costs" includes:

- deductions for the reproduction of the mineral resource base;
- payment for wood shipped standing;
- payment for water withdrawn from water management systems;
- payment for the right to use subsoil, etc.

Payments and deductions included in production costs are related to prices in two ways.

First, they, like any tax payments through the cost price, are reflected in the composition of the price of products and thus realize its redistributive function.

Secondly, these payments and deductions are themselves the prices of the corresponding types of resources. The value-added tax and excises have the greatest influence on the level and structure of prices. The VAT rate is set at 20% at the current income tax rate.

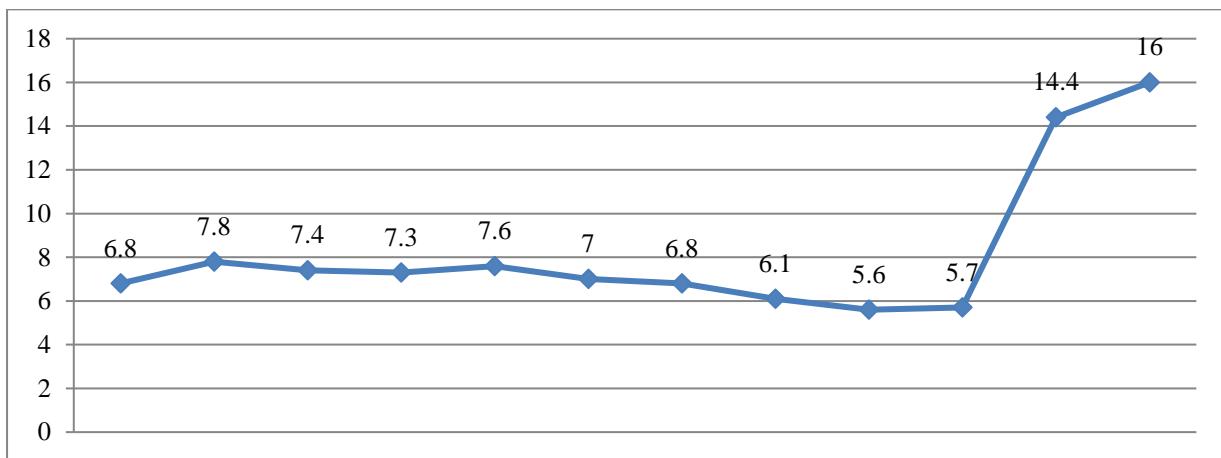
However, the VAT rate is set to the selling price, and the income tax rate is set to the taxable profit, which is only a part of the price. The amount of VAT is calculated on the basis of the established rate to the value of turnover, that is, sold products (works, services), expressed in prices, minus VAT paid at a similar rate for material costs used in production, services and work from the outside. The VAT rate will undoubtedly raise the price, so the biggest impact on the price level is the VAT on goods that are subject to excise, since VAT rates are applied to prices, indirect taxation of goods and leads to higher prices. This greatly increases the indirect taxation of goods and leads to higher prices. Excise taxes are included in the producer price, they are set for a strictly limited list of goods and are differentiated depending on the ratio of costs and demand for a particular excisable product. So, the low level of costs for alcohol and vodka at a relatively high level of prices for them is ensured by very high excise rates. For other goods, where high prices are not accompanied by low costs, excise rates are much lower, and they do not have such a strong impact on the price level and structure.

The next tax payment that affects the level and structure of prices is income tax, which is subject to the greatest redistribution and is more closely related to the level of prices and costs than VAT and excises. This is achieved by increasing sales volumes, reducing costs and improving the quality of goods. In conditions of inflation, a decline in production can be observed, therefore, in such conditions, enterprises extract maximum profit by increasing prices.

One of the types of tax payments, which are quite closely related to prices, are customs duties. Customs duties are set to the value of both exported and imported goods. The republic imports raw materials, and relatively low domestic prices for some of them encourage exporters to trade at dumping prices on the world market. The relationship of finance with the price is also characterized by other tax payments and deductions. Money circulation and prices are also closely related.

The dependence of pricing on changes in the amount of money in circulation is manifested through the operation of the laws of value and money circulation. With this in mind, the prices of goods are set taking into account the cost. According to the law of monetary circulation, the amount of money in circulation must correspond to the volume of goods (services) produced, based on the current prices in this system.

However, in practice, the operation of these laws manifests itself as a trend. Hence, the actual prices of goods, under the influence of many market factors, deviate from their value, and the amount of money in circulation is regulated by the degree of saturation of the payment demand for prices, the lack of goods in demand leads to an increase in prices, and thus, which in an economy is associated with inflationary processes (see pic. 1.).



**Pic. 1. Changes in the inflation rate under sustainability economic development**

The discrepancy in the ratio of supply and demand for goods on the market, as a rule, is reflected in the dynamics of prices. The excess of supply over demand leads to lower prices, and the lack of goods in demand leads to higher prices and thus creates a monetary imbalance.

Hence, any increase in the supply of a commodity on the market or an increase in its price necessitates an increase in the volume of the money supply or an acceleration in the circulation of money. The increase in the money supply or the acceleration of its turnover at constant prices should also be in a certain ratio with the growth in the supply of goods and services. In economic life, the growth rate of the money supply often outstrips the growth in the supply of goods and services. The gap between the volume of money and the mass of commodities will be balanced by "adjusting" the price system.

Prices and credit are also closely related. It manifests itself in the fact that credit directly affects the amount of money in circulation - cash and non-cash money, and the amount of money in circulation affects the price level. This interconnection and interdependence are especially acute in conditions of inflationary price growth.

The rise in prices promotes the development of credit, since the rise in prices for material and technical resources causes a sharp increase in costs. As a result, enterprises that are not able to pay for the purchased raw materials, materials, equipment, and so on at their own expense are forced to use loans from commercial banks. The limited availability of cash resources for lending is determined, on the one hand, by the development of lending operations, and on the other hand, it contributes to an increase in its price, which is accompanied by an increase in financial costs.

The activities of banks are also subject to general economic laws that regulate the process of pricing in market conditions. The inflation operating in the economy ensures the value of money not only in relation to the prices of other goods, but also in relation to freely convertible currencies. This leads to an increase in prices for money capital when it is transferred into temporary ownership on credit.

So, an increase in interest rates for a loan lead to a narrowing of lending volumes.

The increase in the price of a loan also contributes to an increase in the number of loans that have not been returned and are not extinguished on time, a high proportion of short-term loans, and more. The use of working capital in the economy, acquired at the expense of imitated credit, increases the costs of production and circulation of output products, which leads to higher prices and increased inflation.

Consequently, the constant rise in prices causes an increased demand for credit resources and thus contributes to maintaining a high price for a loan.

### Conclusion

At the present time, price liberalization has led to the fact that the price of credit has largely become dependent on inflation and changes in the money supply in circulation. The chronic nature of modern inflation leads the lender to seek to compensate for the future provision of money capital given on credit, which causes an increase in the cost and price of credit. Therefore, inflation increases the degree of risk in the activities of banks, the risk of increasing unpredictable losses,

which forces them to seek sources to cover these losses, which forces them to seek sources to cover these losses by raising prices for banking services.

The study of the dynamics of interest rates and inflation in recent years reveal the following pattern: the value of interest rates is, as a rule, directly dependent on the level of inflation. This is explained by the fact that at a very high level of inflation, an increase in the interest rate restrains the demand for money capital.

Based on this, due to the high level of inflation, the interest rate for a loan has become an important factor influencing the level and dynamics of prices. Therefore, the interest rate, as well as the price of loan capital, is, in timely conditions, the most important component of the entire system of financial relations.

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