

THE ESSENCE AND FUNCTIONS OF FINANCE AND FINANCIAL RELATIONS

Alimova Sh.A.

Asia international university

Abstract: *The article presents in a new way the functions of the economic category "finance" - public relations regarding the formation, mobilization, distribution and use of financial resources. It is shown that this category implements the target, distribution and control functions. At the same time, the target function is the main one. The volumes of resources involved in financial turnover depend on the intended strategic goals, the scale of the tasks to be solved to achieve them. The effectiveness of the goal setting determines the effectiveness of reproduction.*

Keywords: *Finance; functions of finance; target function of finance.*

The set of distribution mechanisms, their appropriateness and efficiency have the most direct impact on social reproduction.

Evaluation of the results of using financial resources for specified purposes, identification of discrepancies, development and implementation of measures to adjust the goals is implemented through the control function.

Such an understanding of the essence and functions of finance provides a reliable methodological platform for their optimal use in economic life, forms the basis for developing an algorithm for an economic and mathematical model of social development.

The current financial crisis has revealed the inconsistency of many provisions of foreign and domestic economic science. In this regard, there was an urgent need to rethink a number of fundamental provisions, in particular, such as the essence and functions of finance.

When the word "finance" came into use, where it came from and what it meant at that time - there is no unambiguous opinion among the economically scientific public. But there are many assumptions and explanations on this topic. Without listing them all, we note that much more often there is an explanation that the term "finance" comes from the Latin "financia", which means income, payment. In the meaning of "monetary payment" it began to be used in the 12th-15th centuries. in Italy, a number of whose cities - Florence, Venice, Genoa, were at that time the largest European centers of trade and banking. Later, the term became widespread internationally and began to be used as a concept associated with the system of monetary relations, the formation of monetary resources mobilized by the state to perform its political and economic functions.

Finance is most closely related to money, but these are not identical concepts. Money is an economic category that regulates relations regarding the exchange of accumulated wealth, produced goods and services rendered. They are generated by the division of labor and the need, in this regard, for a fair exchange of its results, and finance arose as a result of the growth of the productivity of social labor, the emergence of a surplus product and the possibility of its distribution for the needs of social development without damage to production. At the same time, the task of social development was to create conditions for the protection of production and its development. It can be said that the evolution of finance went hand in hand with the formation of the state. In turn, the formation of the state actively influenced the development of financial relations, and this influence was most clearly expressed in the system of state revenues.

In pre-capitalist formations, state revenues were predominantly in kind. Most of the state's needs were met by various types of revenues from in-kind levies. With the expansion, growth and complication of state functions, the development of capitalist relations, and the deepening division of labor, the monetary income and expenditure of the state are becoming increasingly important. Indeed, it is much easier for fiscal authorities to deal with money than with a huge mass of material values. Moreover, the level of development of society and the economy already made it possible to practically freely purchase for money what is needed and at the right time.

At the same time, when discussing finances, it should be borne in mind that financial relations take on a monetary form due to its convenience and that in the chain of financial relations it is still intermediate. Intermediate because any consumption is of a natural nature, and before consumption, money is exchanged for a specific product or service.

With the separation of the state treasury from the personal assets and property of the monarch, the concepts of "public finances" and "public budget" arise.

In modern conditions, the concept of finances covers public finances, enterprise finances and population finances and is one of the widespread, generalizing economic categories.

In any economy, a system of categories operates. It covers its entire structure: the state, economic entities, population. The system of operating categories is not a combination of only economic categories. The latter are only a part of this system, and exist alongside political, legal, ideological and other categories. However, this part is essential for any society and its economy. Economic categories include the categories of the economic base, labor and capital.

These are, for example, such categories as goods and their value, capital, surplus value, money, wages, price, credit, finance and many others.

Economic categories are manifested in the economy not separately, but in interconnection, together with other systemic and superstructures categories. Finances are organically woven into the system of action of economic and other categories: political, ideological, cultural, etc. Therefore, the economic category of finances serves not only the reproduction of material goods and labor force, but the entire set of operating categories that reproduce not only goods and labor force in society, but also reproduce society itself. This is done only in the cost part of the functioning of other categories, including economic, but not financial in their composition.

Finances are an economic category that characterizes relations regarding the formation, mobilization, distribution and use of financial resources.

Financial resources are funds that can be directed towards the goals of development and social development. Sources of financial resources: newly created net income; part of national wealth (previously accumulated funds); obtaining funds from external sources. With a significant degree of conventionality, borrowing, which is currently actively used, can be attributed to financial resources - i.e. attracting funds from external sources on a repayable basis.

It is obvious that the only economically justified source of formation of financial resources is the surplus product as a part of newly created value. Indeed, if for some reason we start to withdraw the necessary product or the results of past labor, then soon the very goose that lays golden eggs will give up its life. And along with its death, the volume of resources that it generated during its life will also decrease. The source of income will start to dry up and, if it continues like this, it will soon dry up completely. It is obvious: the only source of financial resources can be the surplus product. Another question about the structure of newly created value is about the ratio of the necessary and surplus product on the scale of the economy. Somewhere latently the idea is maturing that in the agreed system of calculation they are equal to each other and that the surplus product cannot be greater than final consumption. But this is a separate topic. Speaking about financial resources, and the fact that their economic basis is newly created value, it is clear that sometimes those in power seize, in addition to the surplus product, what cannot be seized - the necessary product and even part of the past labor. There are many examples of this in history. But these were either one-time events, or lasted for a short time, since such behavior, as we found out in the example with the chicken, has a destructive nature. In general, the terms "financial resources" and "surplus product", as part of the newly created value - in the refraction of finance - are identical concepts. Speaking about finance as an economic category, it should be noted that the economic nature of the category is the economic nature of the functions that this category performs and which are immanent to it. Such a nature does not follow from abstractions, but itself

acts as a mold of the vital, economic, financial foundations of society imposed on existence. The peculiarity of the economic nature of functions consists in their lawful commonality, it does not depend on the concepts and terms used, which may not fully or not at all correspond to their objective content. An instruction or any other normative act does not create the nature of an economic category. It is created and defined by economic laws, which inevitably operate in any society, state. This is also fully true in relation to the functions of the category of finance.

Finance as a category is a specific and immanent system inherent in a significant part of the money turnover in the economy. This system cannot but bear a functional load by definition. It is objectively set and imposed for application by the very fact of the category's existence.

At the same time, as an economic category, finance performs several functions. These are: the target function, the distribution and control.

A question may arise - why talk about functions at all? The functions of a category are a reflection and expression of its nature, essence. The functions are assigned to the category along with its emergence, design and consolidation in the economic structure of society. The performance of certain functions inherent in a particular category is inevitable, systematic, widespread, lawfully conditioned, i.e. absolute. In principle, the specificity of a category is revealed through the functions inherent in this category. Their selection cannot be arbitrary. And the appearance of a particular category in the totality of existing categories does not depend on our will and desire. It is conditioned by the level of development of the social structure. Correct isolation of the functions of a category, their careful analysis, identification of the algorithm of interrelations provides a solid basis for the optimal use of a particular category in practical life.

So, returning to the functions of the finance category, it should be noted that the target function is actually the main one. Let us remember that finance is an economic category that characterizes relations regarding the formation, mobilization, distribution and use of financial resources. In modern conditions, financial resources are mobilized, distributed in the form of money and are largely represented in the form of monetary funds. However, in order to create funds, it is necessary, first of all, to determine which funds to create and what they are needed for. The formation of monetary funds is not an end in itself. The goal is the direction of use of such funds. The formation of monetary funds is carried out at different levels. At the state level, at the level of economic entities, at the personal level. This is what determines such concepts as public finances, enterprise finances, and population finances. At the state level, budgets are formed, funds of national importance, for example, pension, social insurance, etc. At the level of economic entities, funds are created that ensure simple reproduction, funds that ensure the

development of the economy, all kinds of reserve funds. At the level of a specific person, the volumes of funds allocated for current consumption, the formation of investment opportunities, social protection, etc. are determined consciously or not. All this has a specific purpose, for which monetary funds are created. The target function of finance determines the directions and rates of development. Without going into the depth of the topic, it should only be noted that the effectiveness of targeting acts as the effectiveness of reproduction, target function is implemented in the form of economic, tax, budgetary policy, policy in the field of industrial, agricultural, social development, military construction, personal development, etc.

The distribution function of finance determines the need to form a system for mobilizing and distributing financial resources, both between funds and bringing them to the final recipients from the funds for use in accordance with the intended purpose. This function is implemented in specific mechanisms for the formation of funds and their use in accordance with the specified target tasks. Taxes, fees, their rates and collection mechanism, budget processes, norms and standards - all this is a reflection of the distribution function of finance. It is important to note that the distributed ruble is the target ruble. The set of distribution mechanisms, their appropriateness and efficiency have the most direct impact on social reproduction.

The control function of finance also plays a significant role. The control function is not only the control of the correctness of the formation of monetary funds and their use. This is very important, but not the main thing. The main thing in the control function is the assessment of the achieved results of using financial resources for the specified purposes, identifying discrepancies, developing and implementing measures to adjust the goals of using financial resources. The speed and adequacy of response to ongoing processes is largely determined by the degree of rationality of building a system of government, economy, and finance. A correctly built system for implementing the control function of finance is an important part of ensuring the progressive development of an economic entity.

The essence of the economic category "finance" is public relations regarding the formation, mobilization, distribution and use of financial resources. This category implements the target, distribution and control functions. The volumes of resources involved in financial turnover largely depend on the intended strategic goals, the scale of the tasks to be solved to achieve them, and the specific, current situation. At the same time, in the foreseeable future, the size of financial resources cannot exceed the size of the surplus product generated within the framework of the newly created value. On an economic scale, the structure of the distribution of financial resources for the purposes of

public consumption and sweat is also important needs of economic entities, the relationship between final consumption and accumulation.

In conclusion, it can be noted that the understanding of the essence and functions of finances outlined above provides a reliable methodological platform for their optimal use in economic life, and forms the basis for developing an algorithm for an economic and mathematical model of social development.

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