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PRINCIPLES OF TERRITORIAL DEVELOPMENT FINANCIAL MANAGEMENT

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Abstract. The socioeconomic growth of the regions is currently described in this article. The foundation of the current issues with regional development is the significance of financial management in resolving them. Theoretical research is done on the function of the system, mechanism, instruments, and components of financial management of regional development. There are scientific comments and proposals made regarding the necessity of creating a financial management strategy for regional development, along with the key objectives and priorities that should be included.

Keywords: regional economic development, regional financial management, financial management system, financial management mechanism, financial management tools, development strategy.

As the first President of Uzbekistan noted, "Uzbekistan's economy has grown by almost 5 times, per capita income has grown by an average of 8.7 times, the population of our country has increased by 1.5 times during this period. If we take into account that 2015 will be 31 million 500 thousand people, it is difficult to imagine that we have achieved such great results, frankly, sometimes." The country has experienced socioeconomic development as a result of the gradual transition to a socially oriented market economy following independence.[1]

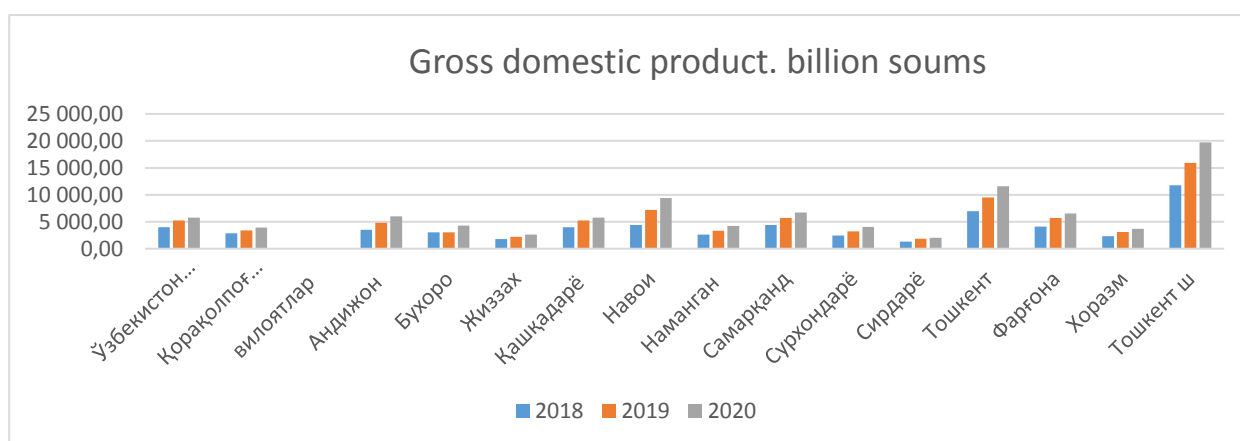


Figure 1. Regional economic indicators

In Uzbekistan in particular, the GDP grew at an average annual rate of 5.3-5.1% over the 2017–2018 period, whereas the average growth rate of spending on human capital was 3-4%. Even while our nation's economic indicators tend to rise,

the disparities in the states' levels of economic development suggest that problems must be resolved if the regions are to continue developing economically (Figure 1).[3]

From the data in the figure, we can see that there are sharp differences in terms of gross domestic product (GDP) in 2020. In particular, the highest indicators correspond to the city of Tashkent, Kashkadarya, Navoi and Tashkent regions. The lowest indicators correspond to Syrdarya, Jizzakh, Khorezm regions and the Republic of Karakalpakstan. Only, the GNI of Tashkent city is higher than the GNI of the Republic of Karakalpakstan, Jizzakh, Syrdarya and Khorezm regions.

The share of GNP (Figure 2) in January-March 2020, the city of Tashkent made the biggest contribution to the formation of GDP in the Republic with a share of 17.9%. Tashkent region takes the next place with 10.5% and Navoi region with 8.5%. The smallest share in the formation of the republic's GNP goes to Syrdarya (1.8%), Jizzakh (2.4%), Khorezm (3.4%) regions.

The proportion of GDP generated per capita varies greatly as well (Figure 3).[4] Specifically, from January to March 2020, the regions of Namangan (108.6%), Surkhandarya (107.1%), Andijan (106.3%), and Tashkent city (106.2%) all showed notable growth rates. Regional growth rates were low in Kashkadarya (100.6%), Syrdarya (102.5%), and Samarkand (103.6%) as compared to the republic level (104.1%).

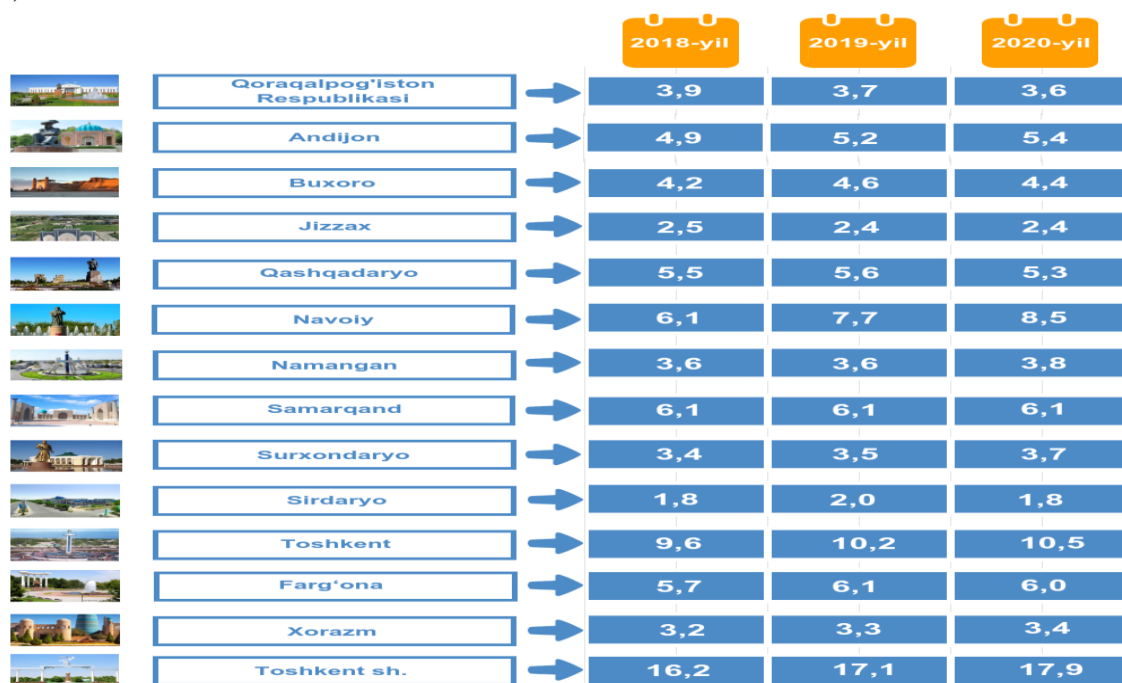


Figure 2. Share of gross regional product in GDP

- In particular, in the Decree of the President "On approving the program on the action strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021" the following tasks were defined for the complex and

balanced socio-economic development of regions, districts and cities, the effective and optimal use of their potential:

- a complex of natural, mineral and raw materials, industry, agriculture, tourism and labor potential of each region for rapid socio-economic development, increase of people's living standards and incomes
- and ensure effective use;
- to reduce the difference in the level of socio-economic development of regions due to the expansion of the scale of modernization and diversification of the economy of the regions, to accelerate the development of the compared districts and cities, first of all, by increasing the industrial and export potential;
- active development of urban-type small cities and towns at the expense of establishing new industrial production and service centers, attracting funds of large business associations, loans from banks and private foreign investments; expansion of the income base of local budgets due to the reduction of subsidized districts and cities, rapid development of the industry and service sector;
- further development and modernization of the production, engineering-communication and social infrastructure of the regions in order to create favorable conditions for the placement of industrial and other production facilities, wide development of private entrepreneurship and improvement of the living standards of the population.[5]

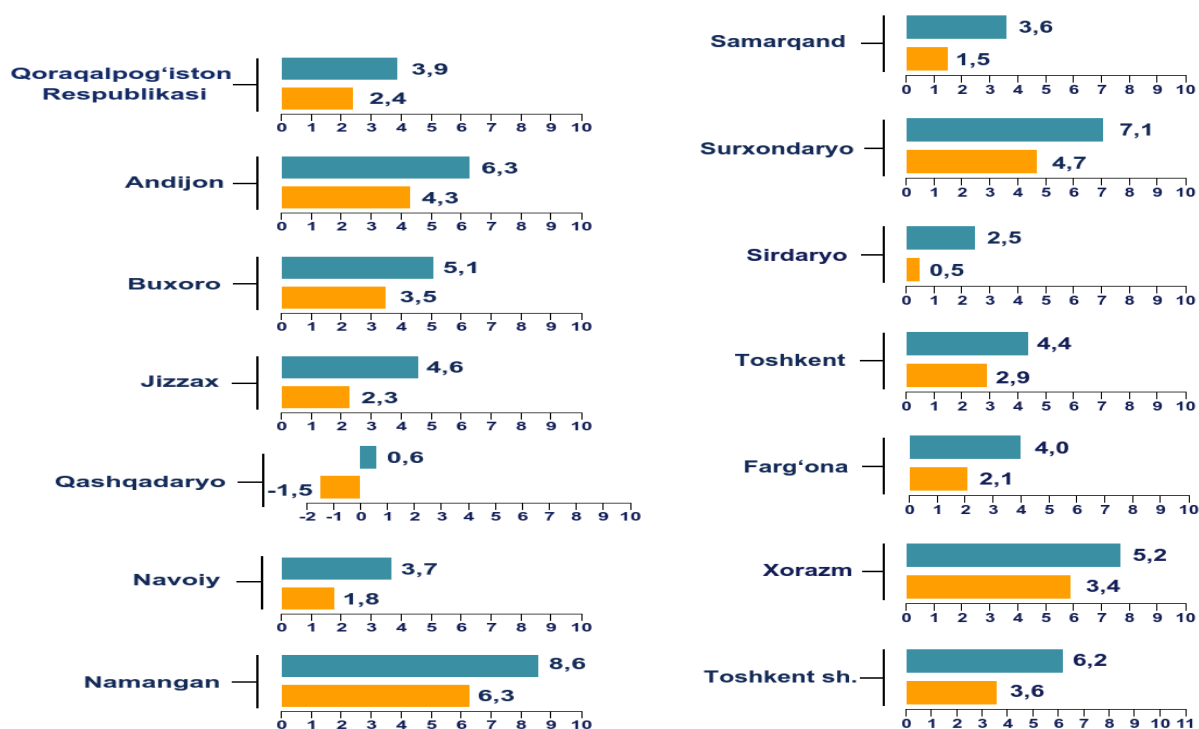


Figure 3. GNI absolute growth snapshots in 2020

From the information given above, we can see that it is urgent to separately study the issue of financial management of the regions based on the differences in the economic development of the regions of our country and the tasks defined in the

program on the five priority directions of development of the Republic of Uzbekistan in 2017-2021.

Regional development is the development of natural-material and value forms of the movement of financial resources and ensuring the functioning of the system of interdependence between the entire territorial system, that is, its structural elements (natural-climatic, geopolitical, economic, financial, demographic, informational and institutional structure of the regions) for the purpose of continuous circulation of these financial resources.

Applying a systematic approach to uncovering the essence of financial management leads to the conclusion that the level of influence of this financial management should reflect social efficiency in a certain period. In this case, it is necessary to take into account the use of effective technologies and regulatory legal framework. Because the good performance of some economic segments does not correspond to the interests of entities operating in the field of goods production and service provision. So, in this case, the market mechanism does not work due to the absence or distortion of price-forming signals. Consequently, these circumstances provide an obstacle to the swift advancement of the regions' socio-economic landscape. This serves as the rationale for the objective requirement to provide services and social goods that all members of the territorial system use, but whose creation does not profit the subjects themselves. Under these circumstances, the region's population's general interests are not served by the way the law of supply and demand operates.

The state's influence over the composition of general consumption and the process of creating and utilizing financial resources through its centralized and decentralized monetary reserves lessen the frequency and magnitude of the region's economic fluctuations. This also draws structural changes in regional economies closer together. In order to effectively control the growth of the regional economy, managing the level of regional development is becoming increasingly important and is becoming a crucial component of the state financial management system.

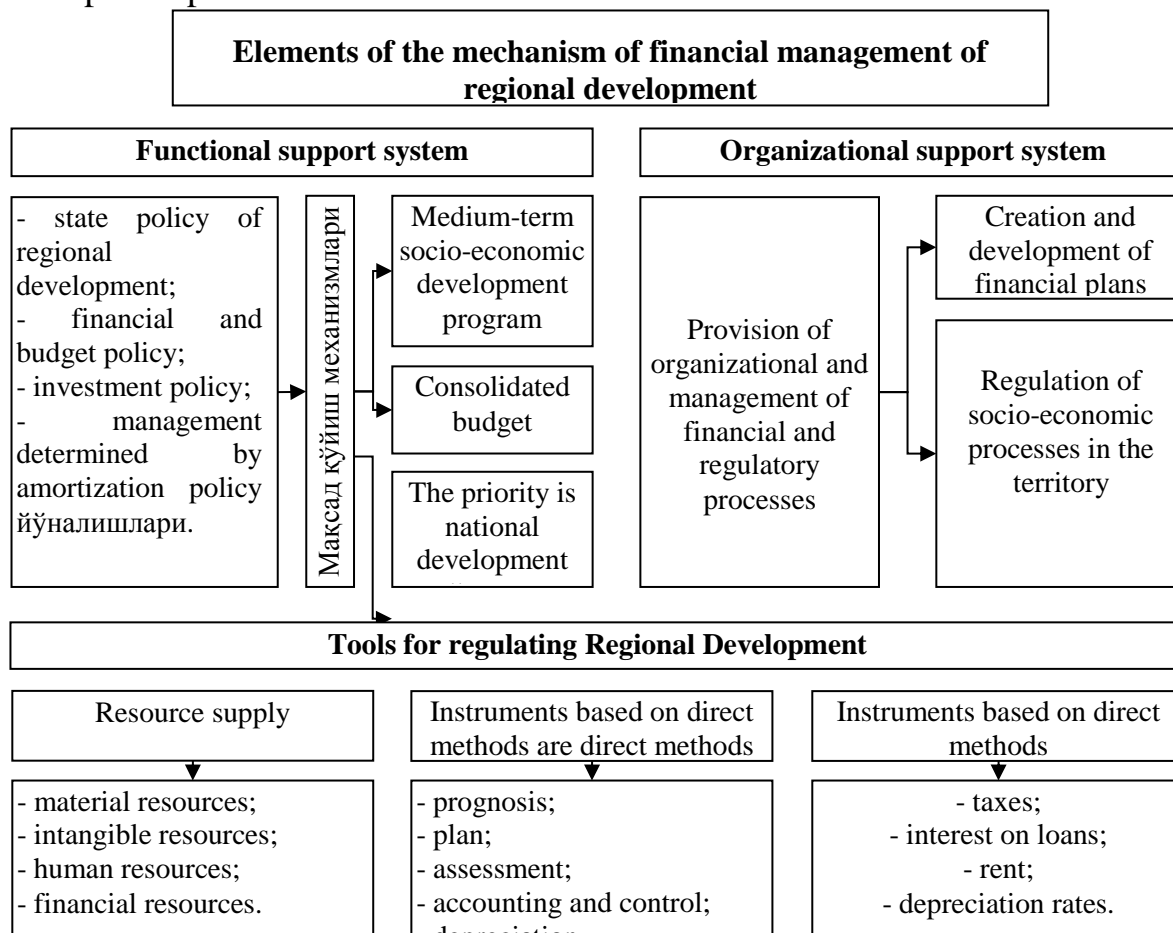
Financial management of regional development according to the views on public administration is manifested in the implementation of coordinating features of finance. On the other hand, financial management of territorial development means the use of financial instruments by the state in order to manage indicators of socio-economic development of regions.

The sustainable expansion of the economy in the structurally complex, diversified, and interrelated areas is contingent upon effective governance. The essential activities, revenues, and expenses of the participants in regional systems are impacted by the financial management of regional development, which is predicated on the use of particular forms and techniques of financial resources, including spending from the state budget. Regions serve as directly controlled factors, objects, or methods. The system of state management tools consists of this kind of financial effect on the economy.

The main task to be solved in the process of financial management of regional development is related to establishing a balance between the distribution of savings and investments. These savings and investments provide the needs of the local and

regional economy. It reflects the integration of the state financial management system with the market mechanism operating in the region.

The specific feature of the financial management of regional development is one of the factors that motivate the development in the state territories, but the existing regional management system does not fulfill its function. For this reason, financial management programs do not always correspond to the regional development plan and the achieved indicators.



1. Illustration. Components of the financial growth management system and their explanation

In order to develop the organizational and methodological foundations of the development of the regional financial management system, it is necessary to analyze the institutional reserves of territorial independence, reduce the transaction costs of financial management, strengthen the effective interaction of various control and audit institutions, and improve regional financial management. Institutional bodies include financial and tax bodies, property management bodies, treasury, statistics body, judicial system bodies. The following are involved in the formation of the regional budget's own income: finances from the budget point of view, tax potential and tax burden. They reflect the institutional interaction of power and property in the process of territorial income formation. Consequently, the institution of ownership determines the possibilities of payment of compulsory payments, generating territorial income.

It is important to consider the fact that regulators of financial influence on regional economic processes offer solutions to issues related to regional development when selecting them. Simultaneously, it is imperative to establish the prerequisites for bolstering the commercial operations of all financial and economic entities. State management organizations should periodically regulate the balance between the earnings of citizens and economic entities and the revenues of budget and extra-budgetary funds in order to keep financial regulators interested in the outcome of entrepreneurs' actions.

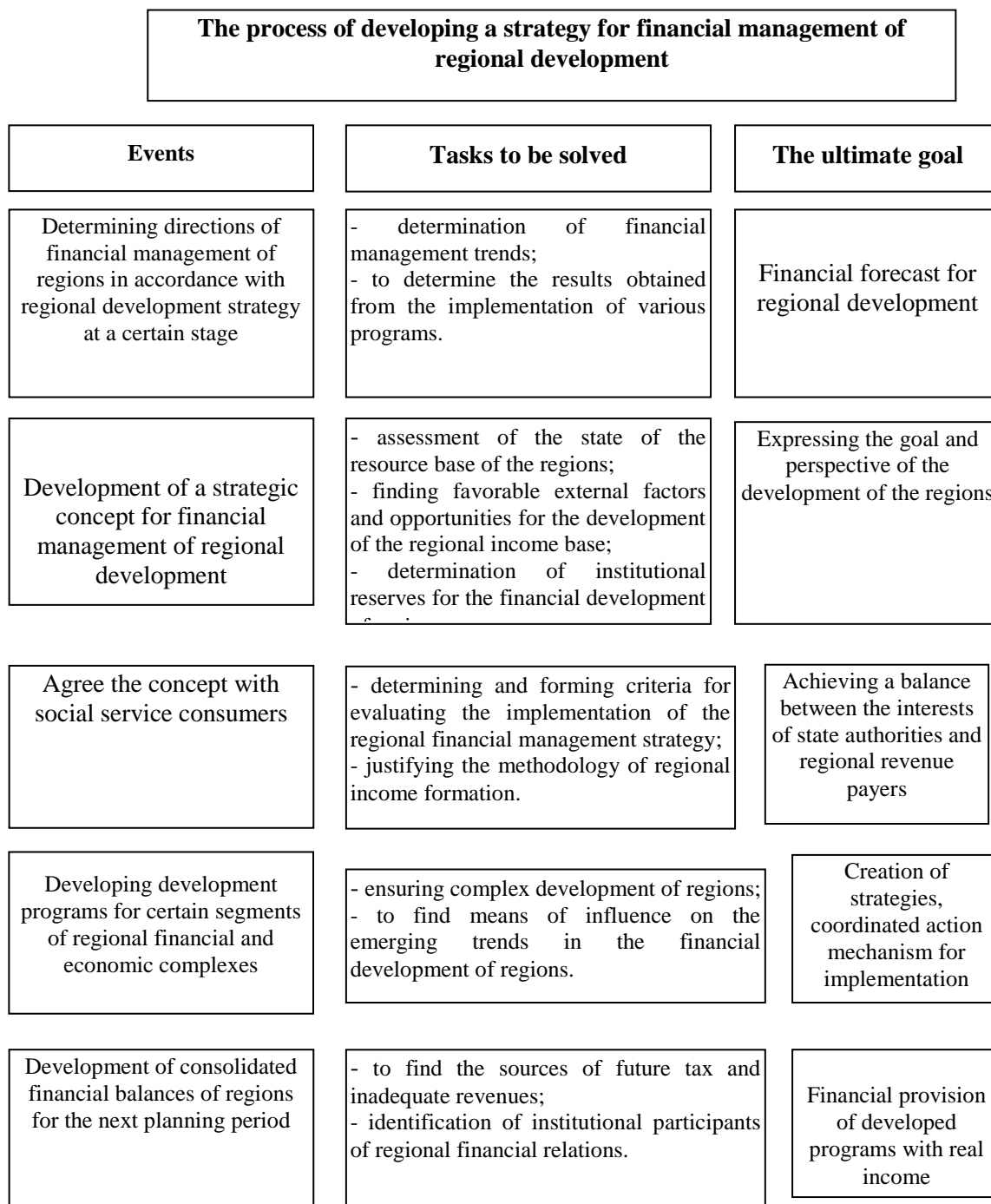


Figure 2. Development of regional development financial management strategy

However, in the event that territorial subjects of financial relations completely breach or fail to fulfill their obligations on time, the economic equality of this ratio

should guarantee that economic entities use specific financial services voluntarily. Specifically, this ratio should determine: 1) the economic and legal compensation of financial damage caused by territorial subjects of financial relations; 2) the establishment of various benefits in financing and taxation of predetermined measures or business conditions. In doing so, the product

1) producers will have the opportunity to freely choose the type of activity, and as a result, funds will be created based on the interests of the owners of funds.

2) Unification of financial relations by applying uniform principles of financing from the budget, creating equal conditions for enterprises and organizations with different forms of ownership. Based on these, use of direct financial relations of enterprises with the budget, application of uniform tax rates based on the type of economic activity.

The economic interests of the subjects of regional economic processes should be the top priority in order for the mechanism of financial management of regional development, which includes ownership relations, the primary field of financial-economic and socio-economic relations, to function effectively.

Regional economic processes should be in line with the economic interests of economic entities in order for the financial management mechanism of regional development to function effectively, taking into account ownership relations, which form the basis of financial-economic and socio-economic relations.

The following can be indicated as the main directions of the strategy of financial management of regional development:

- active implementation of planning and forecasting methods;
- ensuring the transparency of regional and interregional off-budget relations;
- development of the vertical and horizontal system of budget regulation within the territory;
- development of criteria and methods of comprehensive assessment of the quality of territorial income management.

The process of formation of the financial management system of regional development included budget-financial relations, and the improvement of the quality of management of the financial potential of regions included all types of use of centralized and decentralized state funds. The assessment of the quality of management of the financial potential of regions is based on the following:

- effective interaction of institutional structures and cost optimization of the process of financial management of regions;
- establishing financial-budgetary control over regional budget implementation and conducting independent audit;

The financial management strategy is developed taking into account the ability of the regions to be financially self-sufficient, and the ability to be financially self-sufficient is determined by the availability of the budget, the availability of budget revenues that ensure the implementation of the powers of regional bodies, and their structural diversity. The mechanism for increasing the revenue adequacy and the efficiency of regional management through taxes is established based on the justification of financial norms for increasing the share of their income in financing

the powers of regional management bodies. The process of developing the regional development financial management strategy is shown below (Chart 2).

The indicated areas' purview must be extended to include the construction industry, the development of tax-budget methods for the state's financial management of regional development, the use of nature (i.e., the disposal of natural resources in the area), and the provision of benefits to investors in a variety of economic sectors.

In our nation, reliance on the regional advancement of socioeconomic processes, methodical regulation, and financial complex management in the region are all important. Creating businesses that satisfy consumer demands, generate significant revenues, address strategic problems, and carry out cutting-edge projects must come first. This should lessen the effect of artificial processes, foster socially conscious financial management, and result in structural changes in the many branches and sectors of the regional economy. Additionally distinct it should act as a mechanism for the development of a system that coordinates the interaction of institutions, mobilizes all means to solve emerging problems, and changes over time. This process is characterized by a unique combination of financial and organizational methods and mechanisms of financial management of regional development.

Obviously administrative techniques should take precedence in the initial phase. The restrictions will eventually be gradually loosened. In order to accurately assess and timely influence the processes of regional development, it is desirable to organize an efficient system of financial management of regions using a set of key financial indicators and measures of financial regulation of regions.

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