

THE IMPORTANCE OF FINANCIAL ORGANIZATIONS IN THE ECONOMY AND WAYS FOR FURTHER IMPROVING BANKING SECTORS

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ABSTRACT:

It is obvious that flourishing of any new business or company is based on the initial supports by the government. Clearly, political, financial, and economical support of the government helps to the companies and enterprises to develop their businesses. This article analyzes the importance of governmental support for the enterprises and businesses and several proposals have been made for further improvements in this sector.

KEYWORDS: financing, economy, economic growth, financial stability, institutional support, enterprises, business, organization

INTRODUCTION:

Clearly understanding the role of supporting businesses and enterprises for the development of both national economy and the growth of GDP, the government of Uzbekistan has been making several facilities for the businesses. Exactly, the president of Uzbekistan adopted a decree on the establishment of the Chamber of Commerce and Industry. This Chamber was established to improve the activities of business entities and assist them in obtaining financial and legal benefits and assistance. The main purpose of this organization is to establish systems to support entrepreneurship and business organizations operating in the country, especially newly established organizations [1]

MATERIAL AND METHODS:

It is said that institution that support companies both political and economical is a company engaged in the business of dealing with companies for helping to develop its financial stability and funds. Such kind of institutions encompass a broad range of business operations within the financial and political services sector including banks, trust companies, insurance companies, brokerage firms, investment dealers and political organizations of the government in order to support business companies [2].

Additionally, the term institutional support refers to the part of economic environment of industry and business. It consisting of authorities and institutions whose decisions and active support in form of laws, regulation, financial and non-financial help brings a lot of changes in the functioning of any business. The institutions could be government owned, statutory, semi-autonomous or autonomous. It is the government or government supported institutions authorized to take up certain activities – financing, marketing, project preparation, training the to promote industrial activities in the state. There are three stages of promotion – inception stage, operational stage and expansion or diversification stage. The Government through its plans and policies assisted the business houses in facilitating in the above stages through various specialized institutions set up as per the law. An entrepreneur who needs to set up a business unit of his own or with his

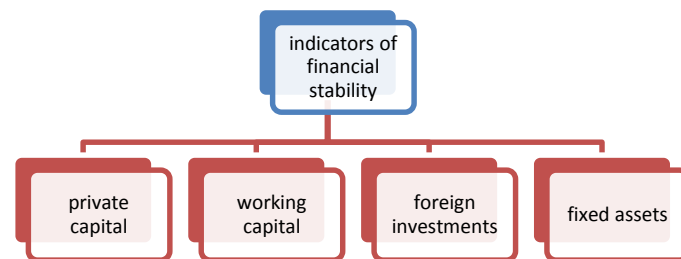
friends and relatives is supposed to know the various institutions or organizations working as per the law for the purpose. Dissemination of information in this regard can only help them in achieving the very dream of becoming a successful entrepreneur [3].

It should be noted that supporting any economical company by the government helps to the country to develop its economy and improve the shares of GDP. Most of professors of economy stress that governments should support those who has low financial stability indicators so that improve and prevent from crisis in those companies [4].

According to Rakhimov M.Yu one of the main reasons for economic insolvency is the decline in the financial capacity of the enterprise. The financial potential of firms and companies can be divided into financially stable, financially risky and financially unstable firms and companies [5].

It is said that several indicators can define financial stability of companies and

enterprises, and the indicators are described in the following figure[3]:



Indicators of financial stability

RESULTS:

It is clear that supporting institutions and organizations have significant role in managing and developing any entrepreneurial companies. The major and basic tasks of financial organizations for supporting companies are following:

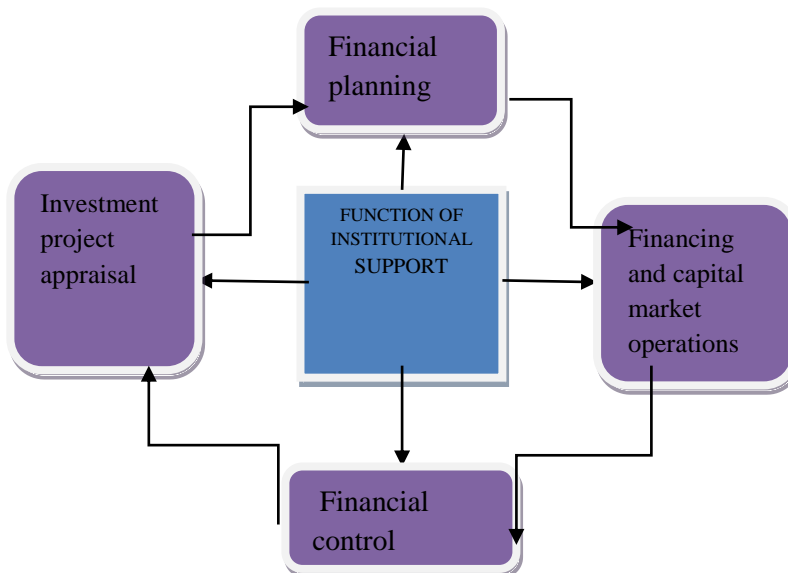


Fig. 1. Function of institutional support [6]

Financial planning: the likely effect of proposals on the financial performance and

position of the business is a vitally important input to the overall planning process. By

developing projected financial statements, as well as other financial estimates, the viability of proposed courses of action can be evaluated.

Investment project appraisal: assessing the profitability and riskiness of proposed investment projects is another important input to the overall planning process. By appraising projects in this way, companies can make more informed decisions concerning either their acceptance or rejections.

Financial control: It is obvious that controlling the financial activities of the company provides clear and more exact data about current processes and future risks. Clearly, financial control helps to the companies to prevent future crisis.

Capital market operations: raising funds is needed for further developing the company

from the capital markets and financial institutions help to the companies to make decisions about how finance can be raised through the markets, how securities are priced and such kind of processes.

Carried studies also showed that those organizations can also help to the companies for preparing projected financial statements and the following steps are basic steps for this process:

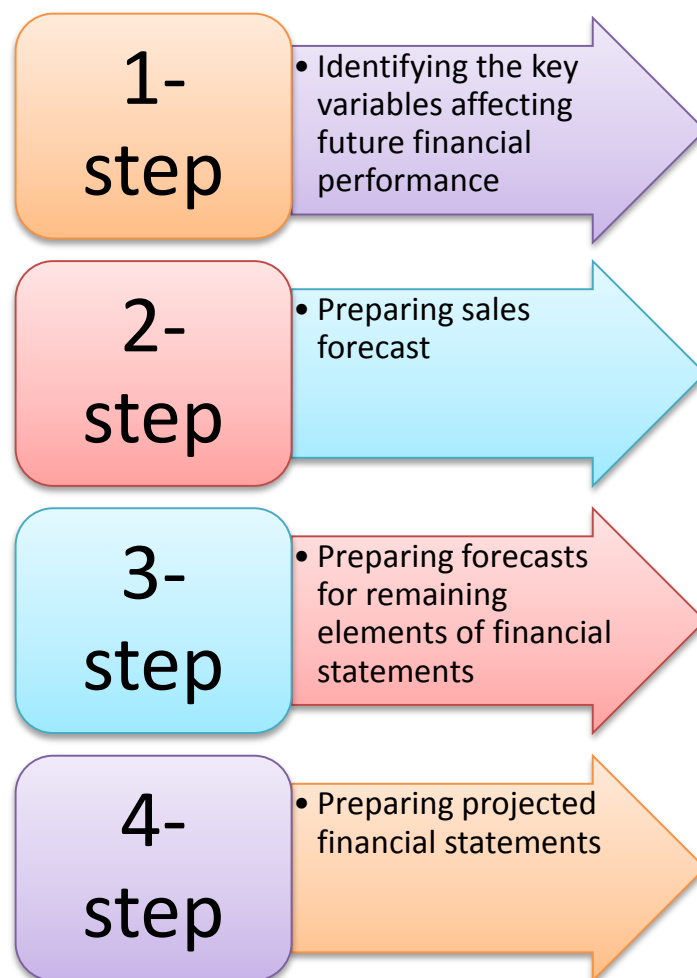


Fig. 2. Steps in preparing projected financial statements [7]

It should be noted that preparing projected financial statements help to forecast future profits of company and prevent risks and future crisis, and financial institutions consider each aspect of economic activities of companies while making projected financial statements.

A research which was conducted for identifying the function of financial organization on analyzing cash transactions revealed that financial organizations have significant role for helping businesses to control cash inflow and outflow. It is the fact that cash has been described as the “lifeblood” of the businesses. It is vital for a business to have sufficient liquid resources to meet its

maturing obligations, as failure to do so can have disastrous consequences. The projected cash flow statements monitor future changes in liquidity and helps companies to assess the impact of expected future events on the cash balance. It can identify periods where there are cash surpluses and cash deficits, which will allow companies to plan these occurrences. Where there is a cash surplus financial institutions help to companies in considering profitable investment of cash, and where there is a cash deficit financial institutions help to companies for making a decision on the ways in which this can be financed.

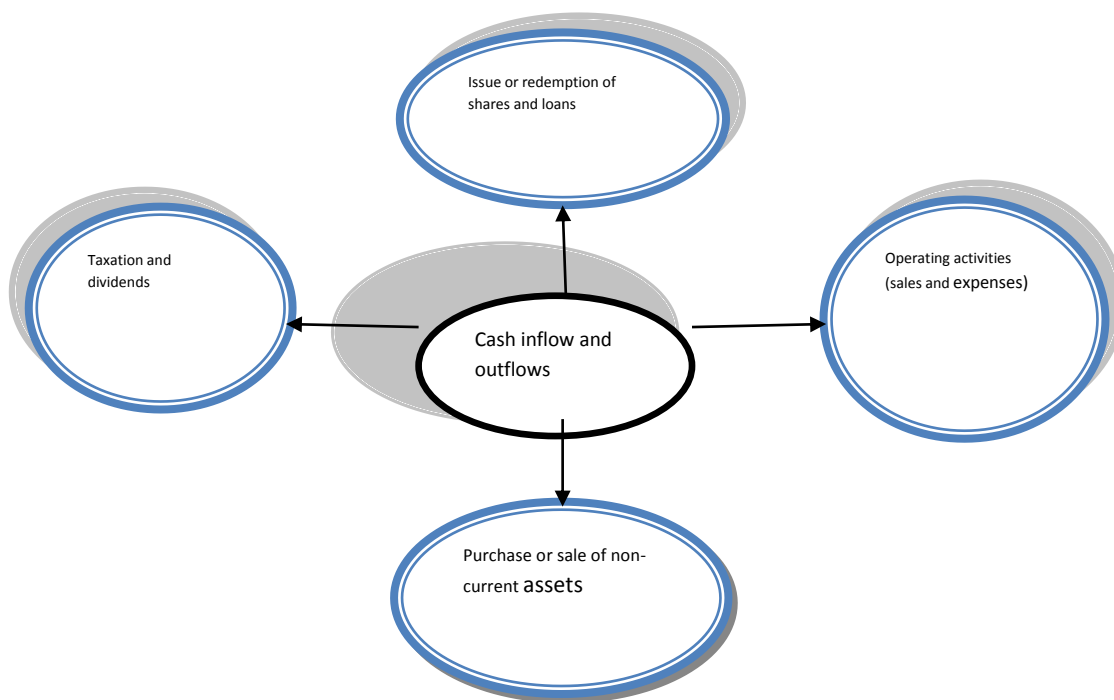


Fig. 3. Cash inflow and outflows [7]

The Chamber of Commerce and Industry has been established in the Republic of Uzbekistan to improve the activities of business entities and assist them in obtaining financial and legal benefits and assistance. The main purpose of this organization is to establish systems to support entrepreneurship and business organizations operating in the

country, especially newly established organizations. There are also several functions of this organization, which can be seen in Figure 4 below.



Fig. 4. Functions of Chamber of Commerce and Industry of Uzbekistan[6]

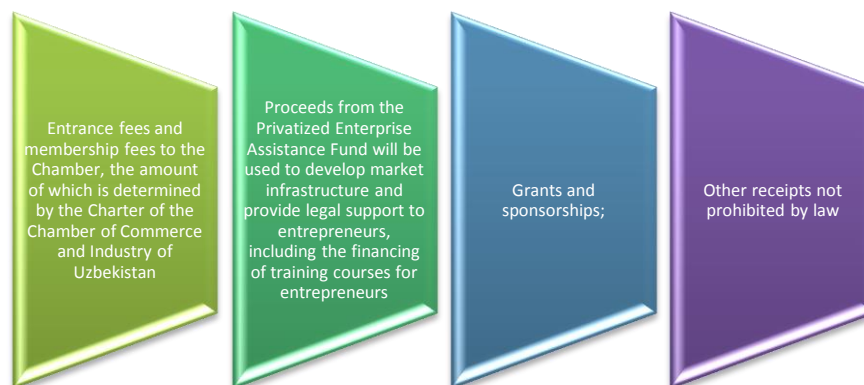


Fig. 5. Sources of financing of Chamber of commerce and Industry[1]

It should be noted that there are branches of that chamber and they support of the organization of businesses and enterprises.

Table 1. Statistics of Chamber of Commerce and industry [8]

Nº	Years	Number of provided services	Total amount (in thousand soums)
1	2010	36703	883781.2
2	2011	40923	1006257.5
3	2012	27387	1036269.2
4	2013	30413	1139073.4
5	2014	28310	1195167.7
6	2015	24143	1024820.1
7	2016	68617	1852484.0
8	2017	46915	1420536.8

The Chamber of commerce and Industry supports business companies with several policies and these policies help to businesses to make more profit and improve their productivity by providing both financial and economical facilities. Main components of policy of government financial institutions of Uzbekistan can be seen in the following figure4.

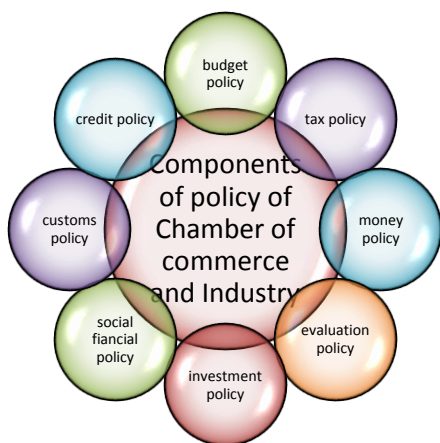


Fig. 6. Components of policy of Chamber of commerce and Industry[8]

CONCLUSION:

It can be said based on the above discussed data that the institutions which support enterprises are developing year by year in our country and they are serving to the

organization to develop their businesses. However, several proposals have been made for further improvements in this sector of the government:

- Increasing the number of organizations that support businesses in the country
- Establishing IT technologies in the service sector of such kind of organizations
- Finding further ways of financing support organizations for better serving to the businesses
- Establishing new organizations in districts for supporting new established businesses

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