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## Research Article

# IMPROVING THE ORGANIZATIONAL MECHANISM OF FINANCIAL MANAGEMENT IN JOINT STOCK COMPANIES

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**Omonullo Nematullaevich Khamdamov**

Tashkent Institute Of Finance Professor Of The Department “Corporate Finance And Securities”,  
Uzbekistan

## ABSTRACT

The article substantiates the economic significance and relevance of the effective organization of a financial management system in joint-stock companies. The research works of scientists and economists, both foreign and domestic, in this area were studied and the main conclusions and proposals were developed. The trends in the development of the capital market in Uzbekistan are analyzed. The organizational and institutional foundations of the financial management system in joint-stock companies in our country are also studied and information about its structural elements is provided.

## KEYWORDS

Financial management, strategy, financial risk, investments, financial stability, efficiency, financial instruments, corporate governance, cost of capital, joint stock company.

## INTRODUCTION

Strategy for the Republic of Uzbekistan for 2022-2026 as a result of ensuring the step-by-step implementation of the defined priority tasks, the process high paces with development growth is being provided. In particular, the fact that special attention is paid to the introduction and development of modern corporate management methods in joint stock companies operating in our country in this process shows that the

development of this field is of urgent importance today. In particular, the issues of introducing modern standards and methods of corporate management, strengthening the role of shareholders in strategic management in joint-stock companies, and developing the stock market as an alternative source of attracting capital and deploying the free resources of enterprises,

financial institutions and the population were determined separately.

In general, in our country we don't drink - just drink \_ done being increased of economic and financial policy is practical and has an effect on one aspect. At this point, it should be said that in recent years, a number of reforms have been implemented in joint-stock companies operating in our country on the organization of the financial management system and the rational use of the best practices of foreign countries in this direction. According to the decree of the President of the Republic of Uzbekistan dated October 27, 2020, No. PF-6096 "On measures to accelerate the reform of state-owned enterprises and the privatization of state assets" active involvement of foreign experts (including compatriots) in the supervisory boards and management of enterprises based on an international competition the tasks of filling at least 30 percent of the composition of the supervisory boards and at least 3 executives of the enterprise management with qualified international specialists [ 1 ] \_ At the same time, with the decision of the President of the Republic of Uzbekistan dated January 17, 2022 No. PQ-90 "On additional measures to introduce effective mechanisms to support the capital market", further development of the capital market, expansion of the practice of privatization of state share packages through the capital market, specific tasks have been defined in terms of encouraging the population to invest in securities and creating a healthy competitive environment in the financial market [2]. It can be noted that the elements of the financial management mechanism are being improved in addition to ensuring the implementation of the important tasks defined in the above decrees and decisions.

Nevertheless, it should be noted that there are a number of shortcomings in the introduction of modern instruments and mechanisms of financial management by most joint-stock companies. This has a negative impact on the issue of ensuring the low level of financial stability and investment attractiveness of most joint-stock companies. Today, it is urgent to improve the methodological foundations of the financial management system in joint-stock companies, to study the scientific and practical aspects of the introduction of modern methods, and to identify the existing problems and eliminate them based on the analysis of the current situation of the organization of the financial management mechanism in joint-stock companies.

### REVIEW OF LITERATURE

A number of studies have been carried out by domestic and foreign economists on the mechanism of organization of financial management in corporate structures and its organizational and institutional issues. According to American economists James C. Van Horne and John M. Wachowicz, authors of many literatures devoted to the economic essence and practical aspects of financial management: "financial management (financial management) involves the achievement of several main goals is the process of formation, financing and management of assets" [3]. By Stephen Ross (Stephen A. Ross) and Randolph Westerfield (Randolph W. Westerfield) and Bradford Jordan (Bradford D. Jordan), financial managers should take responsibility for three main areas of the company. The first is capital investment financing (budgeting), that is, planning and managing the company's long-term capital investments. The second is the structural structure of the company's capital, that is, the identification and management of the necessary sources of supply for the financing of long-

term capital investments of the company. The third is working capital, that is, the management of short-term assets and liabilities in order to ensure the regularity of the company's activities and the continuity of the production process [4]. According to British scientist L. Fung (L. Fung), "financial management refers to the process of decision-making regarding the control of the company's subsystems and financial planning, and the first is treasury, the assessment, selection, control and management of new investment opportunities, and the second is long it includes ensuring and managing the dynamics of growth of fixed financial assets, and thirdly, financial risk management, management of short and long-term financial activities of the company" [5]. According to Indian scientists S. Paramasivan and T. Subramanian (S. Paramasivan, T. Subramanian), "financial management can basically be understood as effective management of financial resources in business." Financial management can also be said to be the process of managing the business of companies, corporations' finances [6].

According to Russian economists E.M. Rogova, E.A. Tkachenko, "financial management is the process of formation and use of financial resources of the enterprise, management of money circulation." In addition, financial management is a system of methods, procedures and techniques used in managing the company's financial resources and cash flow [7]. According to I.E. Nikulina, "financial management emphasizes that management decisions should be made in two important areas, these are: financial resources and securities portfolio [8]. R. Karlibaeva expressed an opinion based on different approaches to the definition of financial management in her research work. "As a result of researching financial management as a special field of science and practical activity: first, financial management is a synthesis of management theory, financial theory and

accounting analytical apparatus; secondly, financial management is a multifaceted concept, which can be considered on the one hand as a science, and on the other hand, as a separate type of independent practical activity that embodies a specific management subject, object and arsenal of management instruments in the management system of the company; thirdly, the main function of financial management is the process of making optimal decisions on the management of various areas of finance of economic entities in order to achieve positive financial results" [9]. Based on the definitions given by scientists above, in our opinion, financial management is a decision-making process aimed at ensuring the implementation of strategic goals aimed at the effective use of financial resources, optimizing the capital structure, managing financial risks and ensuring financial stability.

### ANALYSIS AND RESULTS

One of the main aspects of improving the mechanism of financial management in joint-stock companies is the use of modern instruments for attracting financial resources from the international and national capital markets in order to diversify the capital structure and structure, to optimize the sources of financial support. While studying the foreign scientific articles on the improvement of the financial management system, most of the scholars give a brief definition that financial management is the art and science of choosing the financing sources of companies and making investment decisions. Therefore, in joint stock companies operating in our country, the improvement of the mechanism of financing through the non-bank model or the stock market is gaining urgent importance.

Financial management is an independent newly developing fundamental subject (science), one of the scientific directions. The organization of the financial

management system in joint-stock companies depends on the level of development of the economy of individual countries, in particular, the level of market relations and the level of development of the financial market, the ability of companies of the real sector of the economy to attract capital from the international capital market and participate as equal members of large stock exchanges, the effective organization of the corporate management system is related to the fact that Therefore, in international and national practice, the above important factors are taken into account when assigning a tariff to the economic category of financial management. From our side, in forming the definition of the concept of financial management, in addition to taking into account the above factors, it is based on the scientific approaches of a number of economists in this scientific field, and the conclusions presented on the basis of the practical experiences of international experts.

Organization of financial management system in joint-stock companies should be based on specific principles. The presence of marginal factors in making financial management decisions (multiplier coefficients, profitability, liquidity, etc. financial stability coefficients) allows us to reach the final decision on the conditions of changes of various factors.

Based on the research of international scientific and methodological experiences, the following important principles of the organization of the financial management mechanism in joint-stock companies can be distinguished:

1. Strategic orientation. One of the main goals of financial management is to reduce financial risks associated with financial resources by increasing the efficiency of their use. Therefore, the main task of financial managers in joint-stock companies is to cover

all areas related to the financial aspects of activity in the development of prospective projects. It should be noted that strategic decision-making in most joint-stock companies is mainly developed in the form of a certain part of annual business plans or a certain "template", which shows the need to improve this direction.

2. Integration and diversification. In the conditions of new Uzbekistan, one of the important areas of attention in the improvement of the financial management system in joint-stock companies is to accelerate the integration processes of large joint-stock companies as equal members of the international currency and international capital market. After placing international Eurobonds on major stock markets of large commercial banks and real sector companies operating in our country in recent years, it can be considered as the initial stages of attracting financial resources from the international capital market of companies. It should be noted that the further improvement of these operations is important in the transition from the traditional banking model to the development of the non-banking model in the financing of promising projects by joint-stock companies.

Diversification is one of the main principles in organizing the mechanism of financial management in joint-stock companies. In recent years, the improvement of the international capital market, the introduction of modern instruments in the practice of stock markets, the further development of the market mechanism of the regulation of the national economy, require the provision of financial stability based on the improvement of the old model structures or the organizational activities of management in joint-stock companies. If we analyze the macroeconomic situation, one of the main activities of the doctrine of



economic security of the Republic of Uzbekistan is the adequate level of the resource base and diversification of sources. Therefore, in the regulation and development of the activities of enterprises of any organizational legal form, it is important to assess the possibilities of diversification and to improve the practice of developing strategies in this regard to ensure financial security.

3. Making financing and investment decisions. These principles represent the main goal of financial management, and the main functions and sequence of tasks are determined based on this direction. It should be mentioned that in the Decree of the President of the Republic of Uzbekistan No. PF-6207 of April 13, 2021 "On Measures for the Further Development of the Capital Market", it is no exaggeration to say that the main priority tasks are focused on these two aspects. In particular, by gradually improving the capital market, the market capitalization will be increased to 45 trillion by the end of 2023. can provide direction for delivery to. Also, implementation of effective financing instruments as an alternative to bank lending by developing a mechanism for attracting financial resources from the capital market. It is noteworthy that if we look at the level of capitalization of the capital market five years ago, this figure is 3 trillion. amounted to sums, the fact that it increased by almost 10 times over the past period indicates that this market is growing dynamically from year to year (Table 1).

The second important priority task is to attract foreign qualified personnel to the field, to develop the

procedure for international experience exchange and training of personnel, and to eliminate the problems that hinder the development of the stock market, while creating the necessary conditions for financing investments.

The third important priority adopted for the development of the capital market is to increase the share of projects financed through the issuance of securities to 5% within the framework of annual investment programs adopted by the state by the end of 2023. International experience shows that this mechanism is one of the important requirements for conducting IPOs, and it can be noted that today one of the existing problems regarding the public placement of shares by joint-stock companies of our country exists in this direction. We would like to say that if the "history" of financial stability of existing companies in the public placement of shares is not positive, the issuance of certain shares in IPOs may not fully justify the investment made by investors in this field.

Therefore, directing shares from the practice of public placement mainly to newly established companies or new start-up projects will have a positive result in the future. In turn, these aspects are the next priority task defined in the Decree, that is, the inclusion of 40,000 people by the end of 2023 within the framework of programs to support the improvement of knowledge, skills and financial literacy of minority investors, other participants of the capital market, and broad segments of the population.

Table 1

**Analysis of the development indicators of the capital market and the dynamics of trading of securities of joint stock companies in the Republic of Uzbekistan**

No	Indicators	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	Shareholding number of societies	1232	1090	715	659	606	603	593	599	607
2	in the authorized capital of JSC of the state participation (in %)	81.8	86.1	83.4	82.9	84.9	89.5	81.3	88.2	86.7
3	AJ in nominal value of stocks common size ( billion soums )	10249.2	12716.5	16550	30460.1	48631.73	58438.42	99209.7	149502.4	153047.9
4	Precious papers market yearly transactions volume ( billion soums )	93.2	97.6	161.0	299.8	298.6	687.3	438.82	578.15	1260.5
6	AJ total corporate bonds size ( billion soums )	298.46	303.76	301.51	228.56	251.27	198.06	488.06	281.24	783.3
7	as part of GDP valuable papers trade of size share ( in percent )	0.06	0.05	0.07	0.11	0.09	0.16	0.08	0.09	0.17
8	by AJ Eurobonds placing size (million USD )	x	x	x	x	x	x	300.0	600.0	1075.0
9	The state is valuable	x	x	x	x	x	590.0	1596.2	10194.2	24851.8

	papers placement (domestic, billion soums )									
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Source: <https://mf.uz/> , <https://uzse.uz/> , <https://deponet.uz/> - by the author based on the reports of the Ministry of Economy and Finance of the Republic of Uzbekistan, Tashkent RFB, "Central Securities Depository" was built.

Analyzing the dynamics of the development of international large stock exchanges and financial institutions, it is first of all important that information is transparent in the capital market and that almost all interested parties can easily use it. In recent years, the procedure for publishing financial statements covering financial, investment and strategic directions of capital market participants has been improving, but ensuring more transparency of these processes is of urgent importance. Therefore, the fifth priority of this degree is to increase the comfort of the capital market for investors by integrating with international financial markets, using modern information and communication technologies and using advanced approaches that have been successfully tested abroad.

4. Formation of the financial management structure of the joint-stock company. One of the main issues of modern financial management is defining the boundaries of specific tasks and powers of financial management in companies. This "limit" is defined within the framework of the institutional and organizational framework of financial management. International practical experience shows that the organization of the financial management system in companies is organized taking into account the types of their activities, scope, size and other various factors.

5. Adaptability to external environments. Joint-stock companies face risks related to external influences at

all stages of the cycle of economic development, taking into account the general cyclical activity. In this process, the main principle in the organization of the financial management system is that at all stages of financial and investment development, financial managers should forecast financial risks in advance, identify risks and develop appropriate measures to reduce them. If we analyze the international external environment for the next 10-15 years, before the end of the negative "complications" of the global financial and economic crisis that began in the initial period, the economic crisis that arose as a result of the Covid-19 pandemic requires a review of the financial and investment strategies of companies operating in different countries. For example, based on preliminary calculations made by international experts, as a result of the Covid pandemic, "at the beginning of 2021, the world economy will be worth 5-7 trillion. suffered losses in the amount of US dollars. This is considered to be the biggest crisis since the "great" depression that occurred at the beginning of the last century. Also, in the post-pandemic stage, the amount of expenses for the recovery of the world economy is 35 trillion. Estimated in USD" [10]. If we analyze the amount of damage in the case of Uzbekistan, according to the results of 2020, the growth of GDP slowed down by 0.2%, in the past few years, i.e., in 2019, the growth was 6%, and in 2018, the growth was 5.9%.

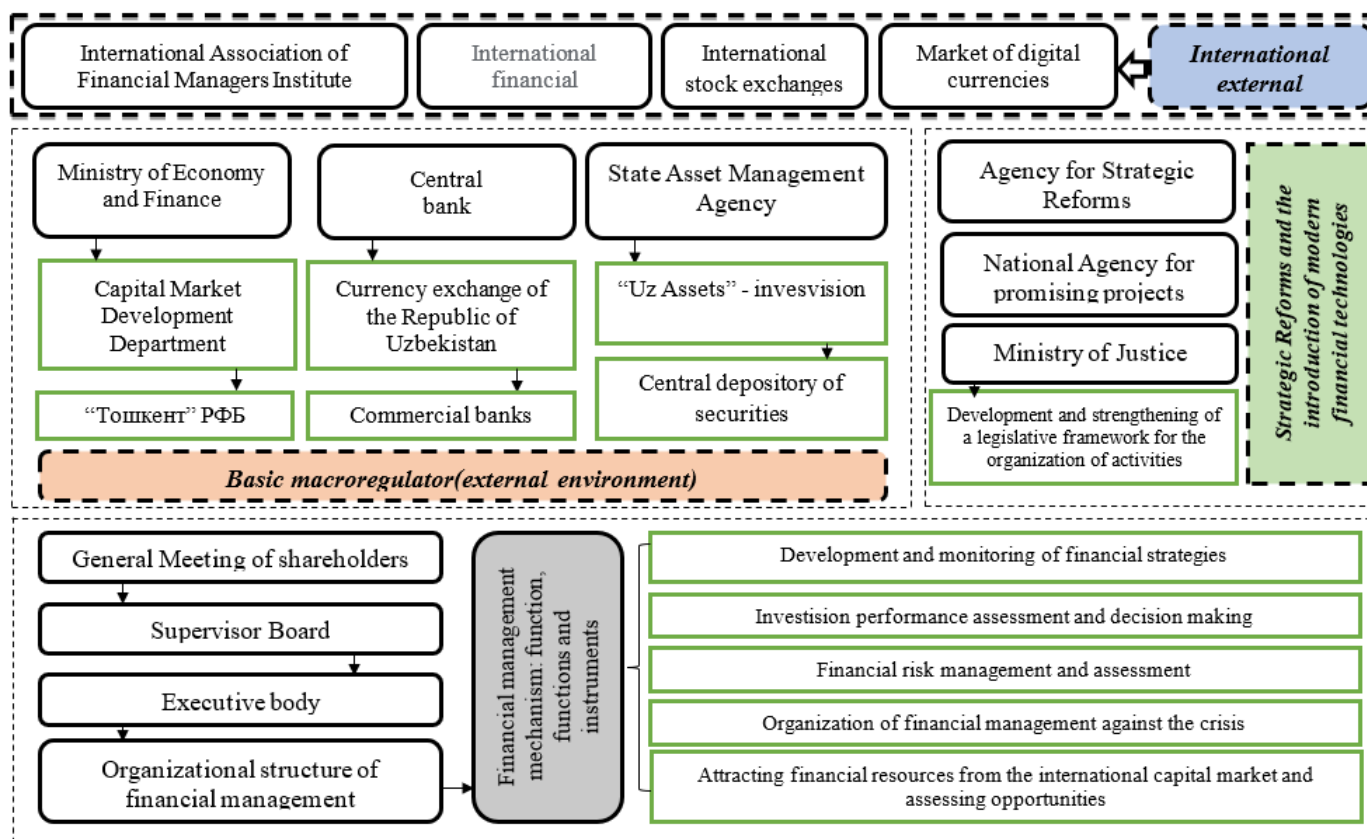


Figure 1. Organizational-institutional mechanism of financial management

The organization of the principle related to the external environment in financial management is mainly manifested more broadly through:

- changes in trends in the international capital and securities market and its impact on the company's investment portfolio;
- losses that may occur as a result of the influence of changes in the direction of the economic and financial policy of the state;
- impact of systemic risks and their extent;
- the influence of relations related to indebtedness as a result of changes in the financial situation of external investors, etc.

The organizational mechanism of financial management in joint-stock companies can be expressed as follows on the basis of the tariffs presented by economists and the conclusions of international financial experts in the organization of the financial management system in joint-stock companies (Fig. 1).

In the development of the organizational structure of financial management in joint-stock companies, the information contained in the Decree of the President of the Republic of Uzbekistan dated April 24, 2015 No. PF-4720 "On measures to introduce modern corporate management methods in joint-stock companies" was used, and the new order added to it is based on international practical experience. According to the



data of Figure 1, the "Market of digital currencies" is one of the newly developing directions in the international external environment. By specifying this sector separately, we mean the cryptocurrency market and other virtual currency trading markets. It was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA-The Chartered Institute of Public Finance and Accountancy) based in Great Britain, along with the study of international practical experiences (USA, Europe, Asia's Korea, Malaysia, Singapore) of organizing financial management mechanisms in joint-stock companies. we focused on the recommendation sample. This algorithm, which is used by experts of the institute to develop the organizational structure of financial management in companies and corporations, is called the financial management model (Financial Management (FM) Model) and includes the development of the company's strategy and the systematic analysis of external factors affecting business. Organization of the financial management system in companies of economically developed countries is directly regulated by the financial management mechanism and its main elements (instruments, functions and tasks), and the main goal is to increase the market value of the company and maximize the financial status of its founders and shareholders. This, in turn, has a positive impact on the effectiveness of corporate management, as well as having a special place in ensuring financial stability.

It can be seen from Figure 1 that there are separate functional tasks performed by financial management in joint-stock companies, and the correct distribution of these functional tasks is important. In our opinion, after studying the researches of foreign and local economists in the field of financial management, as the structural elements of the financial management system, making management decisions on the sources

of financial support of the enterprise, optimizing the capital structure and structure, evaluating the economic efficiency of investment projects, managing and evaluating financial risks, we believe that it is appropriate to define anti-crisis financial management mechanisms. It should be noted that as one of the important criteria for effective organization and evaluation of the effectiveness of the corporate management system in joint-stock companies, it is urgent to introduce the organization of the financial management system and the possibility of using its instruments.

## CONCLUSION

The use of modern instruments of financial management (international methods, models, econometric methods, fundamental analysis tools) is of great importance in improving the mechanism of financial management in joint-stock companies. Although the financial sector is leading among joint-stock companies in this direction, the trends of using real sector enterprises, in particular, most of the joint-stock companies with a state share in the charter capital, remain low. This shows the need to ensure the effective implementation of the adopted programs on "Accelerating the reform of state-owned enterprises".

In order to reduce problems related to information asymmetry in joint-stock companies, increase the possibilities of obtaining information on the development trends of the capital market, in particular, further expanding the base of the single corporate information portal, including the results of financial and investment activities of capital market participants, financial reports according to international standards, and forecast indicators for prospective investment projects. practice should be introduced. This provides an opportunity for existing and prospective investors and shareholders to obtain

additional information, as well as providing practical information for scientific-fundamental research on improving the financial and investment activities of joint-stock companies.

Another important aspect in the development of the capital market in Uzbekistan is to ensure the popularity of strategic projects to ensure financial and investment transparency and transparency of financial reports to the population and investors by joint-stock companies. Of course, significant work has been done in this field in recent years. A unified corporate information portal of the Ministry of Economy and Finance has been launched and a lot of information on joint-stock companies and limited liability companies is being provided on this platform. However, we think that all this is not enough for investors to make decisions on prospective projects.

In our opinion, based on the international experiences in this direction, it is necessary to put into practice the mechanism of development of medium and long-term strategies. Unlike the business plans presented by joint-stock companies today, these strategies are forward-looking forecasts of financial indicators covering a period of at least three years, future projects (their sources of financing, performance indicators, the volume of international and national demand for the product), securities circulation. it should include directions such as the amount of dividends to be introduced and paid to them, financial risks and measures aimed at their prevention.

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