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## Organizational and legal aspects of the implementation of financial control function in the system of state control functions

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### Abstract

In this article, the author analyzed the categories related to government functions and public finances. The purpose of this study is to develop proposals and conclusions aimed at improving the functioning of government functions and public finances as a result of the study. The state function is the main line of activity arising from the functions of the state. Public finances are becoming important in these processes. The systematic and purposeful deployment of public finances in the performance of public functions leads to the development of the state's economy and the foundations of statehood. With the advent of the state, specific tasks have been set before it, the first place is to protect the population from external and internal threats, the second is to ensure the welfare of the population, the third is to ensure a strong social protection system and others. To fulfill these important tasks, it will be necessary to perform the functions of the state, in particular, the economic function, the social function, the function of financial control, etc. Therefore, for the correct formulation of the tasks of the state, it is important to regulate its functions and finances. Through a comparative analysis of the legislation of national and foreign states, historical and legal, systemic, logical, statistical and other methods, concepts of state functions and finance and proposals for them were developed. These proposals are used in scientific activities, lawmaking, law enforcement practice, interpretation and improvement of national legislation. The functions of the State are the main area of activity aimed at the implementation of state tasks. Public finance is a relationship related to the organization, distribution and use of monetary funds to ensure government tasks and functions.

**Keywords:** State function, state function, classification of state functions, economic function of the state, finance, public finance, state financial system, state financial system.

### Introduction

The concept of state emerged at a certain stage of human development, primarily driven by the pressing need for mutually beneficial governance. Initial elements of state are formed based on social protection and the distribution of labor. According to a contract between the governing and the governed, the people appoint (or elect) responsible individuals from among themselves to manage state and assign them specific tasks and obligations. These governing officials, in turn, impose certain duties and responsibilities on the governed individuals. Thus, state is established based on this contract, and subsequently, the functions and duties of state naturally emerge.

There are various perspectives on the duties and functions of state, and scholars approach this issue differently. For instance, according to Kh.T.Odilqoriev, it is essential not to confuse the concepts of state functions and state duties, as they are not identical phenomena. Different tasks face state at various stages of its development. To address these tasks, state functions are performed. A duty is a problem or issue facing society and state that requires a solution. A function, on the other hand, refers to the direction of state activity and the methods used to resolve social problems. Thus, a function is a type of state activity that arises depending on the tasks to be addressed. Naturally, the tasks facing state change in different historical contexts. Accordingly, state functions may also evolve <sup>[1]</sup>. Therefore, while state duties are focused on existing problems, state functions are the specialized forms of activity undertaken by state to address these problems. For instance, state performs economic functions to solve issues such as providing employment, paying salaries to government employees, and establishing production.

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State governance functions are closely related to state functions and have a direct impact on them. While they share many similarities, they also have distinct characteristics.

State functions are the specific areas of activity defined by its policies, goals, duties, and powers at a given stage. To carry out these functions, state engages in legislative, executive, and judicial activities. In performing its functions, state employs methods of persuasion, encouragement, and compulsion. The degree to which these forms and methods are applied depends on the scope, duration, system, and characteristics of state functions. Classifying state functions aids in a deeper understanding of state essence and more clearly demonstrates its role in societal development. Generally, state functions are divided into two categories: internal and external functions. Since state governance is a form of state activity, state functions are inherent to it. However, there are also functions that arise from the specific characteristics of governance itself. In many literatures, governance functions are often described as functions of the executive authority (state administration) organs <sup>[2]</sup>.

According to M.Najimov and Sh.Saydullaev, the function of state is defined by the general socio-political essence, significance, and obligations of state at a particular stage of development, and represents the primary directions of its activities aimed at achieving specific goals and tasks <sup>[3]</sup>. Therefore, while state engages in various areas of activity, only its core types of activity can be considered as state functions.

**According to Kh.T.Odilqoriev and I.T.Tulteev, state functions are characterized by the following general aspects:**

1. The essence of each state function is composed of activities within a specific direction of state operations. The similarities in state activities are consolidated into a single function based on the nature of the social relations they pertain to.
2. Unlike the functions of various specialized state bodies (such as the Ministry of Finance, Ministry of Public Education, or Prosecutor's Office), which are tailored for specific activities, state functions encompass the entirety of state operations. However, this does not diminish the importance of certain organs responsible for specific state functions, as these organs sometimes play a leading role in addressing key state tasks. It is crucial to differentiate between state functions and the functions of individual state organs. While state functions reflect the principal, socially significant directions of the entire state apparatus, the functions of individual state organs may not always represent the full scope of state social responsibilities and essence.
3. State functions have a complex and general character. They encompass state efforts directed at critical and vital areas of both internal and external activities.
4. It is also essential to distinguish state functions from the specific activities carried out by specialized or various state organs. For instance, conducting criminal investigations and implementing customs control are types of state activities.
5. State functions are not identical to the forms and methods of implementing these functions. Legislative activities, executive orders, and law enforcement activities are considered the primary legal forms for

executing modern state functions. Depending on the stage of state development and the tasks at hand, various means of persuasion, encouragement, or coercion may be employed. The specific function of state is closely related to the substance, form, and methods of exercising state power within a particular area of state activity <sup>[4]</sup>.

The research has been conducted by various scholars including Kh.T Odilqoriev, M Najimov, Sh.Saydullaev, IT Tulteev, N Saburov, A Saidov, U Tojikhonov, M.Kh Ashirbayeva, ZM Islomov, Sh.R. Kobilov, A Rahimova, M Yoldoshev, Y Tursunov, Sh.B Bilolkhojaeva, GT Khakimov, Adik Li, AM Hamidov, VA Bolgov, YV Shuvaeva, DM Stepanenko, LA Morozova, and other scholars.

**Materials and Methods**

The study involves normative-legal documents regulating state functions and state finance, practical application of law, foreign country legislation and practice, as well as conceptual approaches, scientific-theoretical perspectives, and legal categories in banking law.

The research employs various methods including historical analysis, systemic-structural analysis, comparative-legal analysis, logical reasoning, sociological research, and comprehensive study of scientific sources. Methods such as induction, deduction, and statistical data analysis have also been applied.

**Research Findings**

In our view, state functions represent a specific area of state activity that must be carried out based on state objectives and tasks, considering the conditions of the current era and region. Not all activities of state qualify as functions; rather, functions are formed from a collection of similar activities linked to state tasks and directed towards a specific purpose. According to N. Saburov and Sh. Saydullaev, state functions are the primary (main) directions of state activity aimed at fulfilling state objectives and tasks. To achieve its objectives, state must address certain tasks, which, in turn, necessitates the implementation of relevant functions directed towards fulfilling these tasks. The following key characteristics of state functions can be highlighted:

1. State functions clarify and express the class and universal essence of state, and within the content of these functions, the class, group, national, and individual interests of society members find their expression.
2. State functions manifest in the comprehensive practical activities of state both within its borders and on the international stage.
3. State functions emerge and develop in accordance with the goals and tasks of state historical development.
4. State functions reflect the characteristics and laws of state development, as well as changes and reforms in the social, economic, political, and cultural spheres of societal life <sup>[5]</sup>.

In our view, state functions arise from the fundamental characteristics and tasks of state. For instance, if we consider the primary task of state to be providing services to the population and creating adequate living conditions in a given region, then state performs social and economic functions to fulfill this task.

According to A. Saidov and U. Tojikhonov, state functions are the main directions of activity aimed at accomplishing the tasks set by state to achieve specific goals. These functions are derived from state universal and class-based essence, as well as its social status.

**The main characteristics of state functions are defined by the following:**

1. Functions are directly related to the essence and social status of state.
2. Functions have a dynamic nature and are directed towards the formation, consolidation, and development of state <sup>[6]</sup>.

State functions change over time as state tasks evolve. For instance, the emergence of state ecological function can be noted, as the deterioration of environmental conditions has elevated the right of the population to breathe clean air to the level of a state responsibility.

According to Sh. Saydullaev, state functions are the main (primary) directions of state activity aimed at fulfilling state goals and tasks.

**The following characteristics are associated with state functions:**

1. State functions manifest in the practical activities of state both within the country and on the international stage.
2. State functions emerge and develop in accordance with the goals and tasks of state historical development.
3. State functions reflect changes and reforms occurring in the socio-economic, political, and cultural spheres of societal life <sup>[7]</sup>.

According to VA Bolgov and YV Shuvaeva, state functions only reflect the primary directions of state activity, as not everything state does is of significance to society. The essence of functions reveals what state focuses on in its operations and how its organs function <sup>[8]</sup>.

D.M. Stepanenko contends that the fundamental characteristic of state functions is defined by the objectively existing needs of societal life. State functions represent a collection of tools, methods, forms, and goals aimed at achieving specific socially significant results, regulated by relevant legislation and reflecting the essence and social objectives of state in a consolidated manner <sup>[9]</sup>.

In our view, state functions are the primary activity directions aimed at achieving objectives derived from state obligations to society and its population.

According to L.A. Morozova, state functions represent the primary directions of state activity that hold significant social importance at specific historical stages of societal development. During its functioning, state exerts targeted influence on various areas of life, social processes, and relations. By performing certain functions, state impacts state of social processes, their dynamics, and direction through legal regulation of reforms, changes, and social relations.

The execution of specific functions can stabilize societal development, exert a creative influence, and potentially exacerbate crisis situations. Considering these factors, state functions can be defined as the special mechanism through which state impacts social processes and relations, setting the main directions and content of its activities in societal governance.

**The key characteristics of state functions are as follows:**

1. State activity is firmly established in the most significant areas of social life.
2. There is a direct link between the essence of state and its social objectives, which is manifested in its activities.
3. State activities are aimed at fulfilling the primary tasks and achieving goals that arise at each historical stage.
4. The implementation of state functions involves specific forms (legal and organizational) due to the use of distinctive administrative methods, including authoritative and coercive techniques <sup>[10]</sup>.

According to M. Ashirbayeva, a state function is not only a primary direction of state activity but also derives from state main goals and tasks, essence, and social mission. It encompasses activities conducted in crucial areas of societal and national life and in key sectors <sup>[11]</sup>.

Furthermore, state functions are classified according to various criteria, and scholars approach this classification differently. Specifically, KH.T. Odilqoriev and I.T. Tultiyev argue that the classification method is effectively utilized in the study of state functions. The criteria for classification, which allow for the grouping of specific functions, include various characteristics. For instance, the objects and areas of state activity, territorial scope, methods of influencing social relations, and the content of tasks differ from one another. State functions can be categorized based on their duration into permanent and temporary functions, as well as primary and secondary functions. The most common classification method is based on distinguishing between internal and external functions of state.

Internal Functions refer to the main directions of a state activity in managing its internal social life. Classification of internal functions is done according to the areas of state activity. Regardless of the form of governance or state structure, every state addresses a range of fundamental economic, social, protective, and regulatory tasks. Additionally, environmental protection has become a critical task for all modern states. Accordingly, internal functions are divided into economic, social, financial control, legal regulation, and environmental protection functions.

External Functions pertain to the primary directions of a state activity in the international arena. These functions include establishing and maintaining positive relations with other states and ensuring the defense of the country against potential external aggression. Therefore, external functions are divided into two main categories: fostering mutually beneficial cooperation with all member states of the international community and defending the country from external attacks <sup>[12]</sup>.

In our view, when classifying state functions, it is essential to base the classification on state objectives and overarching tasks. For instance, the primary goal of state is to provide quality services to all citizens based on their interests in a given region. Additionally, one of the fundamental reasons for state existence is to address the needs for protection against external threats, ensuring safety, and securing property.

M. Najimov and Sh. Saydullaev assert that the internal functions of state include the following: economic function, social function, political function, legal order maintenance function, environmental function, and other functions. The

external function of state encompasses cooperation with other countries <sup>[13]</sup>.

N. Saburov and Sh. Saydullaev argue that state functions are divided into internal and external functions based on their scope of activity. Internal functions are directed towards addressing state domestic tasks and reflect the level of state influence on society. External functions, on the other hand, are related to state role as a subject in international legal relations and involve tasks at the inter-state level.

The internal functions of state can include the following: economic function, social function, political function, legal order maintenance function, peace and harmony maintenance function, environmental function, and other functions. The principal external functions of state may include: cooperation with other countries and international organizations, and defense function.

State functions are categorized based on their duration into permanent and temporary functions. Regarding the legal forms of implementation, state functions can be classified as follows: legislative, executive, and law enforcement functions <sup>[14]</sup>.

These scholars have classified state functions accurately and systematically. In our opinion, state functions should be classified based on societal sectors, such as financial functions, financial control functions, taxation functions, and others.

According to A. Saidov and U. Tojikhonov, state functions can be classified based on several criteria: first, according to the scope of activity (internal and external); second, according to the duration of actions (permanent and temporary); third, according to social significance (general and non-essential) and fourth, according to the legal forms of implementation <sup>[15]</sup>.

Kh.T. Odilqoriev argues that state functions represent a unified, political, institutional, and territorial activity direction that is simultaneously integrated and differentiated. Therefore, the division of state functions into internal and external categories is widely accepted <sup>[16]</sup>.

According to Z.M. Islomov, state functions are the primary directions of a state internal and external activities, where the class-based and universal essence, as well as the social responsibilities of state, find their clear expression. Whether a state function is carried out in the internal or external sphere of social life, or serves to address internal political or external political tasks, it is categorized into internal and external functions. Internal functions include, for instance, functions related to economic development, ecology, culture, science, and education. Functions related to national defense, maintaining peace, and supporting the global order fall under external functions. At the same time, it is important to note that the distinction between internal and external functions should not be absolute, as they are interrelated in real life <sup>[17]</sup>.

M. Ashirbaeva classifies state functions into the following types: 1) based on the content of the tasks facing society and state: creative functions and protective, safeguarding functions; 2) based on the implementation of state activities and policies: internal and external functions; 3) based on methods of implementing state activities: functions carried out through persuasion and coercion; 4) based on the directions of state activities: economic, social, political, spiritual-cultural, protective, and other functions <sup>[18]</sup>.

### Analysis of Research Findings

The economic function of state emerged with the formation of state itself, and likewise, state finances are inherently linked to the category of state. While the regulation and management of economic relations by state are encapsulated within the general economic function, their accounting and measurement are carried out based on state finance. Therefore, the economic function of state and the financial control function of state are intricately interconnected. Economic relations encompass goods, labor, and services, whereas finance represents the pricing, valuation, accounting, measurement, and circulation of these relations. Scholars offer various perspectives on the economic function of state. Specifically, according to N. Saburov and Sh. Saydullaev, the economic function of state encompasses the formulation of key directions for economic development, the implementation of governance, and ongoing regulation. Additionally, it includes the formation of state budget, the definition of economic development strategies for society, ensuring the equitable application of various forms of property, and supporting entrepreneurial activities, all of which fall within the scope of state economic function <sup>[19]</sup>.

These scholars emphasize a broad interpretation of state economic function, highlighting that it should also encompass the process of budget formation.

According to Kh.T. Odilqoriev and I.T. Tulteev, the economic function of state is manifested in the formulation and coordination of strategic directions for the optimal development of the national economy. In a legal state governed by market economy principles, economic regulation by state is achieved not through administrative methods, but primarily through economic mechanisms. In such a state, the rights to freedom and independence of property owners are intrinsic, ensuring that these rights guarantee equal status and autonomy for both creators and consumers of social wealth (material goods).

### There are two primary economic methods of regulation employed by state:

- A specific and somewhat rigid tax policy, which allows state to effectively address its social objectives and further the balanced development of societal productive forces by redistributing a certain portion of national income.
- The creation of optimal conditions for economic management by fostering the development of priority sectors that provide the greatest benefit to society as a whole <sup>[20]</sup>.

The scholar has accurately delineated the methods by which state exerts influence on the economic activities of its populace as an economic tool. State establishes its financial revenue through taxation on these economic activities, thereby shaping national income, or state budget. As evident, economic relations are fundamental, and the monetary, tax, and accounting dimensions of these relations are regulated through financial instruments.

According to Z.M. Islomov, the economic functions include: a) defining the general program for the state economic development; b) stimulating the most critical sectors of the economy; c) creating favorable conditions for

the advancement of entrepreneurial activities; and d) formulating new policies for employment generation. However, it is important to note that merely identifying objectives, tasks, and even functions is not sufficient. Adhering rigorously to these objectives and effectively executing the tasks and functions is even more crucial. In this context, it is worth noting that during the years of independence, profound changes have occurred in the economic sector. Firstly, there has been a fundamental transformation in attitudes towards property. The implementation of privatization and programs to transfer property out of state control has led to the formation of a multi-sectoral economy. Secondly, administrative-command methods of management have been abolished, and market factors are being more widely implemented. Thirdly, market infrastructure has been developed, including the establishment of new banks, tax systems, commodity and raw materials exchanges, leasing companies, and the formation of a securities market. Fourthly, our national currency system has been established. Fifthly, economic and financial stability has been achieved, with a sharp reduction in inflation and a halt to the decline in production. Lastly, structural changes in the economy have been realized, with the attainment of energy independence, an increase in the share of domestically produced finished goods, and the creation of new industrial and agricultural sectors <sup>[21]</sup>.

In our view, each state determines its own path of development by analyzing the strengths and weaknesses of various economic systems, thereby opting for a market economy, a planned economy, or a mixed economic system. The market economy, which has proven effective in global experience, is characterized by a diverse range of property forms, the allowance of free economic activities, and operations based on supply and demand. In this system, each citizen engages in economic activities, contributing to the national economy, which in turn shapes state finances, specifically state budget. These funds are then directed towards fulfilling state socio-economic functions.

According to M. Najimov and Sh. Saydullaev, the economic function of state involves the formulation of principal directions for economic development, overseeing and regulating the economy. Additionally, it encompasses the creation of state budget, defining the strategy for economic development within society, ensuring the equitable application of various forms of property, and supporting entrepreneurial activities <sup>[22]</sup>.

The economic function of state permits all types of economic activities necessary for the state development and for meeting the population need for essential goods and services. It also creates the requisite conditions for these activities, thereby establishing markets for production, goods, labor, and services. In these processes, state economic policy plays a crucial role, as it is the policy that determines the specific path of economic development and the decision to pursue that path.

Consequently, drawing from recent economic experiences, the Republic of Uzbekistan chose the path of market economy (capitalism) for economic development during the early years of its independence and pursued policies in this direction. Specifically, as characteristics of a market economy, diverse forms of property were permitted, production of goods and services was guided by market demand and supply, competition influenced prices and

quality, and all types of entrepreneurial activities were authorized.

Thus, Uzbekistan enacted the law “On Denationalization and Privatization” on November 19, 1991, and the law “On Entrepreneurship in the Republic of Uzbekistan” on February 15, 1991.

Based on these economic relations, state formulates its financial policy. State financial policy constitutes the choices and applications of methods and instruments in its financial activities during a specific period of development. Financial relations stem from economic relations, as financial outcomes, such as money, revenue, prices, and accounting, arise from economic activities. In this context, state develops financial policies, a financial system, and financial control functions to regulate these financial relations.

Initially, state imposes taxes and other mandatory payments to manage governance and cover general expenses. These payments are levied on the populace economic activities, income, or assets. Being compulsory, these payments necessitate the establishment of a tax oversight institution to ensure that taxes are paid into the budget in a timely manner, as individuals generally do not pay taxes voluntarily. Additionally, customs control is established to monitor the movement of goods (services) both domestically and internationally. Taxes and customs duties collected from the populace are accumulated in state budget and allocated according to government expenditure priorities. These processes are managed through budgetary oversight. Similarly, to regulate the credit and accounting systems, banking supervision is instituted.

State financial function arises from its economic function. The financial function of state encompasses the regulation of financial relations within the country, specifically including the implementation and enforcement of taxes and other mandatory payments; oversight of budgetary revenues and expenditures; administration of customs duties and other fees; establishment and regulation of credit, pricing, and accounting systems; as well as the establishment and supervision of insurance systems. Collectively, these responsibilities are interpreted under the overarching concept of financial control functions.

#### **According to Sh.R. Kobilov, finance performs several interrelated functions within the realm of economics:**

1. **Financial Provision and Service:** Finance is responsible for providing financial support and services for economic processes and activities.
2. **Allocative Function:** This involves the distribution and redistribution of the gross national product, particularly its portion that constitutes national income. It manifests through the allocation and redistribution of resources among enterprises based on different forms of ownership, economic sectors, and regions of the country. Consequently, a portion of the national income is collected by state through various taxes on businesses and individuals, as well as rents, customs duties, and excise collections. A significant portion of this collected national income is then utilized by state for addressing social and cultural needs of the population (such as housing construction, healthcare services, education, pensions, and scholarships), maintaining income levels, national defense, environmental protection, and similar areas.

3. **Stimulative Function:** This function is implemented through the process of distributing the value of produced goods and the mechanism of organizing and expending monetary funds. In both cases, finance significantly impacts production efficiency, final outcomes, and product quality.
4. **Control Function:** Finance is used as a tool for overseeing production, distribution, and consumption. Financial control is executed through a system that ensures material accountability for compliance with financial discipline, the collection of various taxes, and the provision of funds <sup>[23]</sup>.

In the Republic of Uzbekistan, finance serves as a crucial instrument for implementing economic policies and managing market relations. It encompasses the formation, distribution, and utilization of financial resources within society. The society's income is essentially the monetary value of Gross Domestic Product (GDP). Thus, finance acts as an economic instrument for the distribution and redistribution of Gross National Product (GNP) and the creation and utilization of monetary funds. The essence of finance is revealed through its roles in distribution, incentivization, and performing social, fiscal, and control functions.

The financial system, from the perspective of socio-economic relations, is comprised of centralized, decentralized, and household finances. Centralized finance includes state budget system, credit, extra-budgetary social funds, and both property and personal insurance funds. Decentralized finance encompasses various types of enterprises and firms that generate a substantial portion of the state financial resources, aimed at addressing the economic and social responsibilities of individual economic entities <sup>[24]</sup>.

According to A. Rahimova and E. Khojiev, state employs an economic lever known as "finance" to fulfill its responsibilities and, in doing so, carries out financial activities.

Each state must possess its own independent financial system. The Republic of Uzbekistan has achieved not only political independence but also economic independence, which includes having its own finance system and national income. The financial system of the Republic of Uzbekistan is a crucial and integral component of our economic structure, representing a fundamental element of it. The development of the economy is influenced positively by the advancement of its financial system, which sets and strengthens the trajectory of economic growth. One of the key indicators of our economic progress is national income. The growth in national income is driven by the continuous development of the state industry, agriculture, and other sectors. Strengthening the financial system is a complex task, and without addressing it, it is impossible to protect our country, anticipate cultural and economic development, or transition to a market economy.

The term "finance" is derived from the Latin word meaning "payment of money". However, understanding finance merely as "payments" is insufficient. This is because payments involve, on one hand, the collection of taxes, levies, and other mandatory contributions for the budget, and on the other hand, the allocation of funds from state budget and other reserves. Additionally, it encompasses the execution of monetary transactions (settlements) through

banks and represents the movement of money in which social relations are reflected.

State finance refers to the system of financial relations involved in the collection, distribution, and utilization of monetary resources to fulfill state tasks and functions. This includes the accumulation, allocation, and application of financial resources to support state missions.

The financial system of a country encompasses the methods and forms through which state, administrative territorial structures, enterprises, organizations, and sectors of the national economy organize, distribute, and utilize monetary resources.

In agreement with the aforementioned scholars, it can be asserted that state cannot perform its economic functions without state finance. This is because the aim of economic relations is revenue, and the processes of calculating and collecting this revenue are closely tied to state finance.

**Additionally, according to A. Rahimova and E. Khojiev, the financial system of the Republic of Uzbekistan comprises the following institutions:**

**Budget System of the Republic of Uzbekistan:** State budget is an economic relations system through which centralized monetary reserves are organized. Each year, more than half of the state national revenue is distributed and redistributed through state budget.

**Off-Budget Social Funds:** These funds are constituted from mandatory contributions and allocations from legal and physical persons, as well as voluntary membership fees. The primary purpose of establishing these off-budget funds is to broaden the scope of state financial resources and ensure their appropriate use.

**Insurance.** Insurance is composed of compulsory and voluntary contributions from individuals and legal entities, and is used to fully or partially compensate for damages incurred by these entities. The primary purpose of establishing insurance funds is to cover damage resulting from natural disasters or other emergency situations.

**Credit:** Credit involves the provision of temporarily idle funds or other assets for a specified period and for a fee, with the condition of repayment. Credit accomplishes several key functions: first, it generates and mobilizes payment instruments equivalent to cash (such as promissory notes, checks, or certificates) for use in economic transactions; second, it converts temporarily idle funds into active capital; third, it facilitates the redistribution of financial resources across various sectors, thereby ensuring the mobility of production resources; and fourth, it stimulates economic growth through lending and the subsequent collection of debts. Credit relations may be direct or indirect between the lender and the borrower. Accordingly, there are various forms of credit, including commercial, banking, consumer, government, and international credit.

**Finance of Enterprises, Institutions, and Organizations:**

This is a fundamental component of the financial system, serving as its foundational link. The finance of enterprises is closely tied to material production and the distribution of produced goods, contributing to the national income, which is allocated and redistributed through this financial system <sup>[26]</sup>.

In our view, state financial system and the governmental financial system refer to the same concept, both representing the collective institutions that constitute state finance.

According to M. Yuldoshev and Y. Tursunov, the term "finance" encompasses the economic relationships associated with the creation, distribution, and consumption of state funds required to meet the social needs of expanded reproduction by state, its territorial divisions, enterprises, and organizations. The social and economic significance of finance is manifested through its distribution and control functions.

**The financial system of Uzbekistan cannot be conceived without its interrelated components as a comprehensive economic category. The financial system of Uzbekistan includes the following components:**

1. State Budget of the Republic of Uzbekistan, the Budget of the Republic of Karakalpakstan, regional budgets, and local budgets.
2. Off-budget targeted funds.
3. Finance of enterprises, associations, organizations, institutions, and other sectors of the national economy.
4. Property and personal insurance.
5. Credit (both state and bank-issued) <sup>[27]</sup>.

We believe that the institutions of state financial system evolve over time, with the emergence of new institutions such as the securities market finance and financial services finance.

According to Sh.B. Bilolkhojayeva and G.T. Khakimov, finance is the aggregate of monetary funds. Finance encompasses the formation, distribution, redistribution, and utilization of monetary resources by state, local jurisdictions, economic entities, and both physical and legal persons. Its distribution function refers to the allocation of national income to ensure that financing entities are provided with necessary financial resources. Control involves overseeing the allocation and use of financial resources. The regulatory function signifies the influence of state finance on economic relations.

Finance is composed of various segments, each reflecting specific social relations arising from the creation, distribution, and utilization of state monetary funds. These segments are distinct from one another based on their particular purposes. However, they share certain common characteristics, allowing them to be grouped into specific categories of financial institutions. The aggregate of these financial segments constitutes the financial system of the Republic of Uzbekistan. The financial system comprises the budget system, extrabudgetary funds, crediting, insurance, and the finances of legal entities <sup>[28]</sup>.

In our view, the essence of finance is manifested through its functions of accumulating financial resources, distributing them, and overseeing their management.

According to Adik Lin, finance is a system of economic relations concerning the creation, allocation, and utilization of monetary resources essential for funding public needs. The financial system of the Republic of Uzbekistan comprises the following components: state budget; state-targeted funds and extrabudgetary reserves; the finances of economic entities and sectors of the economy; credit (including state and bank credit); and property and personal insurance <sup>[29]</sup>.

According to A.M. Hamidov, the financial system of the Republic of Uzbekistan encompasses the establishment, distribution, and utilization of monetary resources, as well as addressing the social and cultural needs of the population. It represents the financial (economic) relations that underpin the economic, socio-cultural, and administrative-political development of the republic <sup>[30]</sup>.

In our view, finance pertains to the relationships involving money and income. State finance, specifically, refers to the financial relationships related to the accumulation and allocation of funds based on state and societal needs.

Finance encompasses the creation, distribution, and utilization of resources by state, economic entities, and households to meet national needs, expand production, and satisfy the social requirements and demands of the population. These activities generate monetary and economic relations.

State finance represents a combination of central and local finances, designed to address both state and local needs. In state finance, expenditures are determined by revenues, with compulsory methods predominantly used for revenue generation, such as the imposition and collection of taxes and other mandatory payments.

Private finance refers to the funds owned by legal entities and individuals, with the primary aim of generating income (profit) and fulfilling personal needs. Within the realm of private finance, income dictates expenditures, and the principal methods for replenishing these funds are economic techniques <sup>[31]</sup>.

In understanding finance, distinguishing between public and private finance represents a highly accurate approach. This is because even before the advent of states, there was already commodity circulation among people, with financial transactions often conducted in kind. These processes are the roots of private finance. Subsequently, with the emergence of states, public finance evolved to meet the needs of governance.

The financial system of the Republic of Uzbekistan can be defined as the aggregate of principal financial institutions that contribute to the formation, distribution, and utilization of relevant monetary funds.

The financial system of the Republic of Uzbekistan has its own structure and currently consists of the following components:

- Budget system.
- State-targeted and off-budget funds.
- State credit.
- State insurance funds.
- Finance of various ownership forms of economic entities, associations, organizations, institutions, and economic sectors <sup>[32]</sup>.

In our view, the financial system consists of financial institutions that represent a collection of specific and similar relationships within the process of monetary circulation. For instance, credit relations encompass the entirety of transactions involving the temporary provision of idle funds, either with or without interest, including loans, credit, microloans, and similar arrangements.

In legal literature, the distribution function of finance is additionally distinguished. Its essence lies in the fact that finance facilitates the distribution and redistribution of the total social product, resulting in the allocation of funds to state control.

In some cases, the regulatory, stabilizing, and supervisory functions are also highlighted. The regulatory function refers to state intervention in the social reproduction process and its regulation of essential economic ratios and development trends within the economy and society through financial tools such as taxes, state credits, and others.

The essence of the stabilizing function is to ensure stable economic and social conditions through the effective use of financial resources by state in fulfilling its tasks and functions.

The oversight function of finance involves creating mechanisms to ensure strict adherence to financial legal requirements by all participants in financial and legal relations. This function guarantees that the utilization of state funds aligns precisely with the established goals and tasks <sup>[33]</sup>.

### Conclusions

Upon analyzing the aforementioned issues, the following conclusions and recommendations regarding the concepts of state functions and finance have been drawn:

**State function:** State fundamental activity direction aimed at fulfilling its goals and obligations towards its citizens. It encompasses the responsibilities and operations required to achieve these aims.

**State task:** The ongoing activities directed at achieving state objectives and fulfilling its obligations to its citizens.

Key Characteristics of State functions:

1. state functions arise from the objectives and tasks of state, and any changes in these goals and tasks will lead to corresponding changes in state functions;
2. state functions consolidate similar types of relations aimed at fulfilling state tasks;
3. state functions evolve and improve in response to changing societal problems;
4. state functions lead to the operation of state mechanisms and institutions.
5. implementation of state functions involves the use of authoritative and coercive methods.

**The classification of state functions led to the following conclusion: The classification of state functions involves categorizing them based on various criteria:**

- **Scope of Activity:** Internal and external functions.
- **Duration of Operation:** Permanent or temporary.
- **Social Significance:** Fundamental or ancillary.

**Economic Function of state:** This function involves managing and regulating the system of economic relations related to production, services, and labor based on free market principles. It includes creating a free environment where market rules apply, supporting economic activities, private property, and entrepreneurship.

The relationship between state economic functions and state finance can be summarized as follows: state finance derives from state economic function, specifically, the financial function of state emerges from its economic activities. Financial relations arise from economic activities, with financial outcomes such as money, income, prices, and calculations resulting from economic activities. Consequently, state develops financial policies, financial systems, and financial oversight functions to regulate these financial relations.

**Finance:** Refers to the monetary, accounting, and income relations arising from the exchange of goods, services, and work.

**State finance:** Pertains to the relationships involved in collecting, allocating, and applying monetary resources necessary for the fulfillment of state tasks and functions.

State financial system and the financial system are synonymous concepts, representing a collection of institutions grouped by similar financial relations. These include state budget, off-budget funds, credit, insurance, and corporate finance (personal finance or citizen finance).

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