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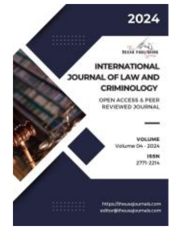

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Research Article

STATE CREDIT AS AN ELEMENT OF THE FINANCIAL SYSTEM OF THE REPUBLIC OF UZBEKISTAN

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Kadirova Kamolakhon Azizjon Qizi
Areas Of Focus: Public Finance And International Finance, Graduate Student Of Tashkent State University Of Economics, Uzbekistan

N.E. Jiyanova
Scientific Supervisor, Graduate Student Of Tashkent State University Of Economics, Uzbekistan

ABSTRACT

this article examines the relationship of public credit as one of the links of the financial and credit system of the state with other links and economic categories operating in this system. Their connections and interactions are shown.

KEYWORDS

Government credit, financial system, economy, regulation, internal and external debt, public debt.

INTRODUCTION

Public credit in Uzbekistan occupies an important place in the system of financial instruments that ensure macroeconomic stability and the development of strategic industries. Government borrowing allows the government to attract resources to cover budget deficits, implement infrastructure and social projects, and maintain the sustainability of the economy. Against the background of economic reforms carried out since the beginning of 2017, effective management of public debt has become a key aspect of the country's financial policy.

DISCUSSION AND RESULTS

So, a government loan is a set of economic relations in which the state acts as a borrower, lender or guarantor of debt obligations to attract additional financial resources to the economy. Unlike other forms of lending, public credit has a unique purpose: it serves as a tool of state financial policy aimed at regulating economic activity, supporting the budget balance and ensuring stability in financial markets.

Dynamically changing conditions of economic development enhance the importance of credit policy instruments. Within the framework of such regulation,

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public debt management methods acquire a key role, which become a central element of monetary policy. It is assumed that through the effective use of credit policy instruments and public debt management, the state is able to form an optimal interest rate structure.

Public debt management should be focused on ensuring economic stability, which implies the flexibility of the state in the redistribution of financial resources. During periods of economic growth, excess resources can be directed to those areas and industries that are in greatest need of them. The government can replace long-term obligations while offering short-term loans to market participants. During periods of economic downturn, this approach makes it possible to increase the volume of credit resources for long-term loans, reduce market interest rates and stimulate the growth of private investment.

Debt placement is a practice resorted to by both developed and developing countries. The presence of debt acts as an incentive for the state for economic growth, optimization of budget expenditures, development and implementation of effective tax reforms, as well as creating conditions for increasing investment activity. At its core, debt is financial resources that one economic entity is obliged to return to another within a specified period, taking into account a certain fee.

In Western economics, debt is classified into public and private debt. Public debt, in turn, is divided into public debt (or sovereign debt) and obligations of lower-level authorities, such as municipal debt[1].

In the Republic of Uzbekistan, according to Article 3 of the Budget Code of the Republic of Uzbekistan, the following definitions are given: "state borrowing is the attraction of assets for which obligations of the Republic of Uzbekistan arise as a borrower or guarantor of repayment of loans (loans) of resident borrowers", "state debt is obligations of the Republic of Uzbekistan arising as a result of internal and external borrowings" [2].

Within the framework of the financial system, public credit plays an important role, ensuring the formation and rational use of centralized monetary funds of the state. These funds serve as a key source for financing government needs, including covering budget deficits, implementing strategic projects and maintaining social stability.

As a type of loan, a government loan has a number of specific characteristics that distinguish it from traditional financial instruments such as taxes. The main difference is that a state loan is a mutual financial obligation, where the state acts as a borrower, lender or guarantor, whereas taxes involve the unilateral withdrawal of part of the income of citizens and organizations in favor of the state.

So, the state loan has the following features:

- firstly, the state loan is voluntary. The state loan is based on the voluntary provision of funds by investors, unlike taxes, which are mandatory. This makes credit a more flexible tool for resource mobilization;

- secondly, the state loan is characterized by repayment and urgency. Funds raised through a government loan are subject to repayment within a certain period of time with interest payments, while taxes are irrevocable;

- thirdly, government credit has a market nature. Government credit is implemented through market mechanisms, such as the issuance and circulation of government securities, which contributes to the development of the financial market.

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- Fourthly, the existence of a dual role of the state. Thus, in the system of public credit, the state can act as a borrower, as well as a lender or guarantor, depending on the situation and goals [3].

A government loan is different from other types of credit. Thus, public credit differs from other types of credit primarily by participants and goals. Unlike private loans, where borrowers and lenders are individuals or organizations, in a public loan, one of the parties is always the state. It is used to finance socially significant projects, cover budget deficits and stabilize the economy, while private loans are usually directed to meet personal or corporate needs.

Public credit attracts large amounts through the issuance of bonds, international loans or domestic loans, which makes it a large-scale tool for the implementation of government tasks. Unlike a private loan, where obligations depend on the creditworthiness of the borrower, a public loan is secured by government guarantees, which makes it more reliable.

Thus, the key principles of public credit are repayment, urgency, payment and security. Repayment implies that the funds raised through the loan must be returned within the prescribed period. Urgency means that the loan has a certain repayment period, after which the state is obliged to repay the borrowed funds. Payment assumes that the state is obliged to pay interest for the use of borrowed funds. The security lies in the fact that the state loan is guaranteed by all the property of the state, which makes it one of the most reliable instruments in the financial system.

Additionally, the state loan is characterized by a high degree of trust on the part of investors, which makes it possible to attract significant amounts of financial resources. These principles help to maintain the financial stability of the state, ensure the stability of the economic system and solve key tasks such as financing infrastructure projects, developing the social sphere and supporting economic growth.

As an economic category, public credit performs three key functions: distributive, regulatory and control.

The distribution function. Public credit allows the redistribution of financial resources between different sectors of the economy, regions and social groups. This is done by attracting funds from the public, businesses or international investors to finance government needs. For example, money received through the issuance of bonds or other credit mechanisms can be directed to social programs, infrastructure projects, education and healthcare development. Thus, public credit contributes to the redistribution of resources in favor of socially useful goals.

The regulating function. Government credit is actively used as a tool for regulating the economy. It allows the government to manage the money supply, interest rates and liquidity in the country. During periods of economic recovery, government credit can be used to stabilize the market situation and attract additional funds to expand infrastructure. In times of economic downturn or crisis, government credit can help maintain liquidity, stimulate private investment, and reduce economic pressure. This is an important function that helps the state to pursue a flexible economic policy depending on the situation.

The control function.The state loan also performs a control function, monitoring the use of attracted funds and their effectiveness. Credit transactions, especially in the domestic and foreign markets, are subject to strict government regulation to prevent abuse and ensure that funds are used for their intended purpose. In this context, the State, through various financial and

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supervisory authorities, monitors debt obligations, monitors compliance with the terms of loan agreements and monitors the fulfillment of debt repayment obligations. This helps to maintain financial discipline and economic stability.

CONCLUSIONS

Thus, public credit relations can be considered as a complex component of the financial system for several reasons. First, if we consider the financial system in material terms, it can be argued that funds raised through a government loan are part of both centralized funds (for example, in the case of external loans) and decentralized funds (for example, when issuing government securities). Secondly, if we consider the financial system as a set of public relations, we can conclude that relations related to public credit are part of both the processes of formation of centralized funds and the processes of formation of decentralized funds. Thirdly, since public credit is an integral part of the financial system, it is possible to extrapolate conclusions about the impact of both direct and feedback links on financial flows in general.

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