

“THE ROLE OF FINANCIAL CONTROL IN THE BUSINESS SECTOR”

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Annotation

The thesis "The Role of Financial Control in the Business Sector" provides a comprehensive analysis of how effective financial control systems impact the financial stability, transparency, and overall efficiency of business enterprises. The research delves into the theoretical foundations and modern approaches to financial control, examining its integral role within corporate governance structures. It evaluates various models and practices of financial control across different business sectors, highlighting their influence on fraud prevention, error detection, and risk mitigation. The study further explores the correlation between robust financial control mechanisms and key financial performance indicators such as profitability, liquidity, and solvency. By incorporating case studies and empirical data, the thesis underscores the advantages of leveraging advanced information technologies and automated systems in enhancing financial control processes. The findings suggest that businesses with well-implemented financial control frameworks exhibit improved decision-making capabilities, greater investor confidence, and increased market competitiveness. Recommendations are provided for optimizing financial control practices to bolster financial security and support sustainable business growth in a dynamic regulatory environment.

Keywords: Financial Control, Business Sector, Corporate Governance, Fraud Prevention, Risk Mitigation, Financial Performance, Profitability, Liquidity, Solvency, Information Technology, Automated Systems, Financial Transparency, Investor Confidence, Market Competitiveness



Introduction

The thesis is dedicated to identifying the role of internal financial control in ensuring economic security of the organization. It is noted that at present internal financial control is developed mainly in the public sector, in private organizations, despite the obligation of its implementation in the Law of the Republic of Uzbekistan from August 30, 1996 № 279-I “On Accounting”, it is often carried out formally. At the same time, its implementation in the activities of construction companies will significantly reduce financial risks. It is proved that the system of internal financial control, preventing fraudulent actions, identifying and eliminating errors and shortcomings in the management of finances of the enterprise, identifying the risks associated with financial activities, increases the financial and economic security of the economic entity.

The purpose of the research is to comprehensively examine and analyze the impact of the financial control system on the financial stability, transparency, management efficiency and competitiveness of enterprises. The study aims to identify the key elements and methods of financial control and to assess their effectiveness in different segments of the business sector.

The result of the study is aimed to clarify that an effective financial control system significantly affects the improvement of financial stability and transparency of enterprises. Financial control contributes to the timely detection and prevention of fraud, errors and deficiencies in financial management, which in turn reduces the risks of financial losses and increases the confidence of investors and creditors. Companies that implement reliable financial controls demonstrate higher profitability, liquidity and profitability indicators due to improved quality of financial reporting and management decisions.

As it mentioned above, it has been proven that the internal financial monitoring system, by preventing actions of fraud, by identifying and removing failures and deficiencies in the financial management of the organization, by identifying risks associated with financial activities, enhances the financial and economic security of the business entity itself. These systems help to increase investor and creditor confidence, improve the company's reputation in the market, ensure transparency



and accountability of financial operations, which in turn contributes to strengthening the competitiveness and sustainability of the enterprise in the long term. Implementation and maintenance of the internal financial control system requires a comprehensive approach, including regular monitoring and evaluation of the effectiveness of control procedures, training and professional development of personnel, use of modern information technologies and software to automate control processes.

The purpose and objectives of internal financial controls are to ensure the accuracy and completeness of financial reporting, to prevent and detect fraud and error, and to minimize financial risks associated with the entity's operations. The internal financial control system utilizes various methods and elements, including conducting regular audits, monitoring financial transactions, analyzing and evaluating the effectiveness of control procedures, developing and implementing policies and procedures to improve internal control, and training and development of employees. Methods of internal financial control include control testing, analytical procedures, inspections, revisions, checks of compliance with legal and regulatory requirements, use of specialized software to automate control processes, as well as the introduction of modern information technologies, which allows to promptly respond to changes in the financial activities of the enterprise and adapt to new conditions and requirements.

The elements of the internal financial control system include organizational structure, distribution of responsibilities, control mechanisms such as segregation of duties, regular reviews and audits, accounting and reporting systems, and internal policies and procedures governing the financial activities of the enterprise. Significant advantages of the organization of the internal financial control system at the enterprise have been identified, which consist in improving the quality of financial resources management, ensuring financial transparency and accountability, reducing the risk of financial losses, increasing the confidence of investors and creditors, as well as strengthening the company's reputation in the market.

An effective system of internal financial control contributes to the achievement of strategic goals of the enterprise, enhancing its financial stability and competitiveness, ensuring reliable protection of the interests of shareholders, employees, customers and partners. The implementation of such a system requires a



comprehensive approach, including regular monitoring and evaluation of the effectiveness of control procedures, adaptation of control mechanisms to changing conditions, use of modern information technologies to automate processes, as well as continuous training and professional development of personnel. As a result, the system of internal financial control becomes an integral part of corporate governance, contributing to strengthening financial discipline, improving the quality of management decisions, reducing the probability of financial losses and improving the overall efficiency of the enterprise.

Therefore, internal financial control plays a key role in ensuring the financial and economic security of the enterprise, contributing to its sustainable development and long-term stability in a dynamically changing market environment and increasing regulatory requirements.

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