



FINANCIAL MANAGEMENT OF INTEGRATED BUSINESS STRUCTURES OF SPECIAL ECONOMIC ZONES

AKHMADALIYEV AZAMZHON ABDULVOHIDOVICH

Abstract

Keywords:

*integrated
corporate
business
structures,
financial
management of
large
corporations,
value
management .*

The article discusses the essence, features of functioning, classification and typology of corporate integrated business structures, containing the specification of their finances and financial management, issues of managing their finances in the context of transformation of the market environment, their factors, substantiated the scientific prerequisites for the formation of a new management theory - the theory of value management, adequate to the organizational and financial status of modern large business.

Author correspondence:

AKHMADALIYEV AZAMZHON ABDULVOHIDOVICH

*Independent researcher, Namangan Institute of Engineering and Technology, Namangan,
Uzbekistan,*

email: akhmadaliyev@gmail.com

Introduction

Special economic zones (SEZ) are one of the tools to attract foreign capital, diversify the economy, transfer the country's industry to an innovative development path, support priority sectors and modernize the economy as a whole. In the world, there are more than a thousand SEZs that differ in form, purpose, degree of foreign economic openness and size of SEZ territories, which are considered as multipliers of economic development.

The Republic of Uzbekistan, having the potential to increase its innovative potential, is characterized by an insufficient level of infrastructure development, which allows entrepreneurs and investors to quickly and profitably convert this potential into high technologies. By establishing special preferential conditions in certain territories, it is possible to ensure a more intensive inflow of foreign investment and create the necessary conditions for the technological modernization of production. The variety of administrative, tax and customs instruments for regulating economic activity determines the differentiation of the forms of organization and existence of special economic zones, which actualizes research in the field of their typology and identification of systemic characteristics.



To date, only 11 out of 21 SEZs are practically functioning in the Republic of Uzbekistan [1], while the performance of their activities is not satisfactory in everything: the volume of actual investments, the number of residents, the number of jobs created do not correspond to the planned values, there is a general low level of business activity from resident companies. This actualizes the need to rethink the experience of implementing the concept of SEZ development and the effective functioning of territories with a special economic regime within the economic system of the region and the state as a whole.

Literature review

Currently, the study of free economic zones is at a stage when researchers have not formulated a single conceptual apparatus for the definition of free economic zones and their components. Many authors consider special economic zones as free or special economic zones, but the analysis of their etiological content does not allow us to distinguish clear differences between them. Neither in Uzbek nor in foreign literature has a single interpretation and even a generally accepted definition of the concept of "Special Economic Zone" (hereinafter referred to as SEZ) been established. In the most general form, it is customary to define a SEZ as a region or part of a country with a favorable economic and geographical position, where a duty-free or preferential export-import regime is established and its certain trade and monetary and financial isolation from other regions of the country is achieved. A free economic zone can be not only a part of the country, but the whole (usually small) country as a whole. Suffice it to say that in the early 1990s, according to various estimates, there were over a thousand territorial entities with a special economic status in the world[2]. 1/10 of the world trade turnover passes through them, and more than 3 million people work in them[3].

The systematization of approaches to the definition of territories with a special economic status made it possible to determine that the SEZ is a part of the country's economic space with a complex system characterized by integrity and diversity of types of connections and relations between its elements (subjects), where a special, preferential economic regime operates for foreign entrepreneurs, contributing to the solution of various socio-economic and scientific and technical problems. The SEZ is most widely defined as a relatively small territory of the state, where a preferential, compared to the general, regime of economic activity is introduced in order to attract foreign and domestic investors and all the necessary infrastructure is created for this.

Integrated corporate business structures (ICBS), called large corporations, are identified in the scientific literature and in practice as centers of economic and financial power in the country. Their real qualitative and quantitative contribution to national economies, the formation of a new economic space, the development of national financial markets, is extremely significant. This fully applies to the Republic of Uzbekistan, where ICBS controls up to 74% of the total value of all financial, commodity and material resources [4].

The significance of ICBS in the national economy, their wide and dynamic diversity require an adequate scientific analysis of the functioning of these organizational structures of modern business. At the same time, theoretical analysis and generalizations in the field of formation and development of the scientific foundations of the financial management of the ICBS are most important.



An analysis of modern scientific literature allows us to state the practical absence of theoretical studies on the problems of specification of the development of finance and financial management of the ICBS. The level of complexity of these theoretical problems increases significantly due to the high flexibility of integration processes that produce a large-scale diversity of species and types of ICHD. The problems of classification and typology of ICBS are fundamentally new for the study and justification of the priorities of financial management of various integrated structures.

In the management of ICBS, which have huge production and financial resources and compete at the national and international levels, the priority place is occupied by the problems of strategic financial management, the theoretical foundations of which have not been fully developed by financial science. This determines the relevance of the topic of this scientific article, accumulating the problems of creating and functioning of integrated economic entities and offering a set of solutions to theoretical problems - determining the content potential of ICBS, their classification and typology, identifying financial features and forming a model of strategic financial management of ICBS.

It should be noted that the creation of a scientific cost management system necessarily requires a synthesized use of the achievements of the theories of financial and classical strategic management. The study of modern scientific and specialized literature in the field of business management concepts led to the conclusion that the development of the paradigm of the cost approach to business management and the adaptation of modern theories of classical strategic management to cost management are prerequisites and scientific fundamentals for the formation of a new theory - the theory of value management. Attempts to develop such a theory, containing elements of synthesis, have already found distribution in domestic and foreign studies, but its integral theory as a system of scientific knowledge is not presented. In addition, the priority scientific problems of ICBS cost management are poorly identified and studied.

The development of the theoretical foundations of financial management of the ICBS, first of all, requires determining the *content potential* of this specific object of financial management.

Despite the intensive development of ICBS in practice and the widespread use of this term in the economic literature, an unambiguous interpretation of the content potential of this market entity has not yet been developed. Moreover, the characteristics of ICBS presented in various research concepts are not of a systemic nature and do not reflect an adequate set of exceptional quality features inherent in this particularly complex structure of large business.

So, many authors adhere to the concept, according to which the definition of ICBS is limited to highlighting the sign of the presence of an association of several legal entities (mainly commercial), other authors additionally include in the list of characteristics of ICBS the existence of a strategic decision-making center as a central element of the association. A number of researchers - Shitkina I.S., Khrabrova I.Yu. and others [5,6]. - insists on the need



to give a legal status and create a regulatory framework for the functioning of ICBS. Proponents of an alternative concept consider ICBS only as economic entities and at the same time focus on their economic advantages, which are identified as a mandatory component of ICBS. Some scientists (Bandurin A.V., Nekipelov A.D., Movsesyan A.G., Eskindarov M.A. and others) [7,8,9,10] . do not consider it necessary to single out ICBS as special organizational forms of large business, but classify them as types of corporations. In this capacity, they are limited only to listing some types of corporations according to a very modest and not entirely correct list of features, but they do not determine the fundamental foundations for the functioning of integrated structures and do not reflect the corresponding stage in the development of the theory of organizations. At the same time, this theory creates a methodological basis for the financial management of an integrated, complexly structured large business, since the modern theory of corporate finance and finance in general considers the organizational forms of business as the foundation of the theoretical foundations of financial management.

Analysis and discussions

Theoretical analysis of the emergence and functioning of ICBS revealed the need to study the content of these complexly structured economic entities based on the synthesis of the concept of ICBS criteria Pappe Ya.Sh. [11] and the contract theory of the firm. This methodological approach made it possible to identify the following basic features of ICHD that make up its content:

- association of legal entities (mainly commercial) on
based on ownership or contracts;
- the presence of a common strategy for managing the development of a group of united companies and a strategic decision-making center as the central (head) structural element of the association;
- combination of market and hierarchical coordination mechanisms in the management system of a group of united companies.

These signs, in our opinion, are necessary and sufficient for the specification of ICHD. as special corporate market participants. In accordance with this ICBS can be defined as a *group of integrated economic entities (an association of legal entities) that uses in the corporate governance system a combination of two different ways of coordinating activities for the formation and distribution of resources - a market and intragroup hierarchy, which has a center that professionally develops a corporate governance strategy for the group.*

The presence of fundamental qualitative features of ICHD, substantiated by us, a priori creates a broad base for creating their various types and types.



Forming the general fundamental foundations for the development of ICBS, economic sciences and, in particular, financial science offer alternative theories and concepts containing an analysis of the reasons for the creation of ICBS, specification of their qualitative features and advantages. In general, it is possible to single out a fairly wide range of theories that reflect the problem of the formation of ICBS. and identifying their financial benefits:

- synergetic theory of mergers;
- institutional theories;
- theory of financial and industrial capital;
- the theory of economic power;
- the concept of increasing the level of planning;
- the theory of the efficiency of the securities market;
- the concept of risk distribution;
- the concept of transfer pricing and tax planning;
- combined concepts.

These theories and concepts differ significantly in their approach to the study of the foundations of the formation of ICBS. However, their generalization, carried out in the dissertation, made it possible to form a general theoretical model for the functioning of ICBS based on the identification and comprehensive assessment of the basic factors initiating the creation of ICBS and determining their financial advantages in the national and world economic system:

- a high level of strategic centralization and concentration of financial and investment resources, the implementation of economies of scale, causing operational, information and management synergy, a high potential for financial synergy as a result of integration;

- a significant impact on the efficiency of financial markets and the national economy as a whole, wide opportunities for using existing and creating new financial instruments and financial schemes;

- the possibility of saving transaction costs, a wide potential for optimizing tax planning and the ability to effectively manage the financial risks of a business, ensuring financial flexibility;

- the presence of a power field of activity that ensures the development of various forms of expansion of big business, especially through financial markets based on external restructuring.



The fundamental features that determine the financial advantages of ICBS require an adequate development of the theory of corporate finance, which determines the methodology for making investment and financial decisions in a complexly structured large business.

Multilevel multicriteria classification of ICHD types allowed to identify significant features of their finances and financial management, based on the proposed criteria. As an illustration of the solution to this problem, Table 1 shows the specifics of ICBS finance in accordance with the method of integration - one of the fundamental criteria of the highest level, which determines the direction of financial and investment flows, differences in their structure and priority factors for managing the cost of ICBS .

Table 1

Specification of finance of integrated corporate business structures (ICBS) in accordance with the method of integration

Types of ICBS according to integration method	Content and characterological peculiarities	Finance features
1. Horizontally integrated ICBS	Combining homogeneous businesses of companies operating primarily in the same industry. Characteristic features: <ul style="list-style-type: none"> • increase in market share and stabilization of demand; • economies of scale, due to all kinds of synergies and, above all, operational; • high probability of business monopolization, which significantly limits the incentives for cost reduction and creates incentives for price growth (rent-seeking behavior - obtaining excess profits from existing assets and investment potential). This feature necessitates effective antimonopoly state regulation. 	<ul style="list-style-type: none"> •High level of strategic centralization financial and investment group resources; •increasing reinvested earnings as an own source of financing for business growth and return on assets due to the multiplier impact of cost reduction and revenue growth factors due to price discrimination and the monopoly nature of prices; •reduction of unsystematic risk; • strengthening the position in financial markets; • lack of intersectoral overflow of capital with a significant level of its horizontal overflow
2. Vertical integrated ICBS	Consolidation of companies in the form of a closed technological chain - from the extraction of raw materials to the production of products and bringing them to the consumer through their own transport, marketing and trade networks.	<ul style="list-style-type: none"> •High level of strategic centralization financial and investment group resources; • a wide range and intensity of processes and methods of



	<p>Characteristic features:</p> <ul style="list-style-type: none"> • economies of scale, due to all types of synergy, causing cost reduction; • coordination of interaction between closely related industries (business units, group companies); • ensuring the receipt of reliable information throughout the business chain, which ensures the protection of specific "know-how"; • strengthening control over the market; • providing more opportunities for restructuring and development 	<p>redistribution financial and investment resources within the ICBS;</p> <ul style="list-style-type: none"> • use of a special method of tax planning based on transfer prices; • providing better protection against financial hardship
3. Conglomerate (diversified) ICBS	<p>Consolidation under a single financial management of diversified companies that are not related to each other by industry or technology.</p> <p>Characteristics:</p> <ul style="list-style-type: none"> • economies of scale, mainly due to financial synergy, sectoral business diversification 	<ul style="list-style-type: none"> • High level of strategic centralization financial and investment group resources; • the possibility of using features and advantages of finance in various industries; • portfolio effect due to the combination of slightly correlated sources of income, reduction of non-systematic risk
4. ICBS, based on mixed integration	<p>Various combinations of the above characteristics</p>	<p>Polyvariability features of finance</p>

The theory of value management, synthesizing the achievements of scientific schools of financial and classical strategic management, includes the following components:

- specification of the content of the theory of value management and its structuring;
- the content of the basic components of cost management;
- principles of the theory of cost management;
- tools (technologies) of cost management.

An analysis of the evolution of the considered theories made it possible to determine the foundation of the content and structuring of the new management theory as follows - *the theory of value management is a set of scientific knowledge about the corporate management system aimed at increasing the value of the company, based on the synthesis of value ideology and strategic management.* Accordingly, the basic components of the theory of



value management, the synthesis of which determines the new quality of knowledge, are the value ideology and theories of strategic management.

Conclusion

The theory of value management refracts through its own ideology the methodological parameters of the schools of strategic and financial management and on this basis:

- determines the diversity of goals of strategic management, subordinating the company's activities to the action of a single main strategic goal - increasing the company's value, while maintaining the vector of goals (target settings) at the second target level, supported by quantitative indicators;
- uses the theory of valuation as a tool for strategic management;
- identifies value creation factors, their relationship and priority, while using strategic management tools (strategic analysis, strategic planning, strategy implementation management).

List of references

1. Dilmuradov A.N. The development of industrial zones is an important factor in increasing the innovative potential of regions // Report of the Head of the Department for the Development of Industrial Zones of the Ministry of Economic Development and Combating Poverty of the Republic of Uzbekistan. December 17, 2020 <https://mineconomy.uz/ru>.
2. Gorbunov A.R. Offshore business and the creation of companies abroad.-5-ed. M.: Business and service,. - 2016 - p.180
3. Maksakovskiy V.P. Geographical picture of the world.-6th ed. - part 1. Yaroslavl-Verkhne-Volga book publishing house, 2018. p.282
4. The largest enterprises in Uzbekistan. February 22, 2019. Final report of the State Tax Committee of the Republic of Uzbekistan. <https://kaktakto.com/podborki/samyekrupnye-predpriyatiya-nalogoplatelshhiki-uzbekistana/>
5. Shchitkin I.S. Problems of definition and classification of integrated corporate structures // Management in Russia and abroad -2001 - No. 4.p.54
- 6.Khrabrov I.Yu. Features of the finance of integrated corporate structures. Vestnik BIEF Interuniversity collection. scientific papers , issue . 33, part 2, Kaliningrad, BIEF 2012.p.67-76



7. Bandurin A.V. Financial strategy of corporations: monograph. M.: Ed . Compliance Institute, 2019.-376s.

5. "Russian transformation: 20 years later" . Collected monograph// M.: NPI RAS, 2013. P.145-154

8. Movsesyan A.G. Large corporate formations, the concentration of production factors and economic growth / Aval Siberian Financial School 2014, No. 1, p. 87.

9. Eskindarov M.A. Cost theory of enterprise management: creation, management, evaluation. M.: "Business and Service", 2016. p.187.

ten. Pappé Ya.Sh. "Oligarchs". Economic chronicle. 1992-2000 – 3rd ed. M.: Moscow State University Higher School of Economics, 2015.p.45

11. Jamalov Kh.N. The role and functions of business valuation in the financial management system // “Transformation of economic relations in the context of overcoming the consequences of the global financial and economic crisis”. Materials of the International scientific-practical conference. Moscow-2010, p.137-138

12. Jamalov Kh.N., Abdullayev AB Development Of The Methodology Of Accounting Expertise Of Tax Obligations. The American Journal of Management and Economics Innovations , 3 (05), 2021, p.151-163 .