

## **THE IMPORTANCE OF FINANCIAL PLANNING AND FORECASTING IN BUSINESS**

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**Abstract:** The importance of financial planning and forecasting in business is very great. These processes allow organizations and companies to effectively manage their activities, predict their future financial situation, and manage risks. Financial planning involves the allocation of financial resources necessary to achieve the organization's goals, calculating income and expenses, and planning investments. Forecasting, on the other hand, provides information about possible financial situations in the future, taking into account market trends, economic factors, and other external conditions. These processes play an important role in maintaining the financial stability of companies, increasing their competitiveness, and making effective decisions on their strategic plans.

**Keywords:** financial planning, financial forecasting, business performance, risk management, investment planning, economic trends, financial stability, competitiveness.

### **ENTRANCE**

In order to develop the activities of enterprises in our country and gain a strong position in the world market, it is very important to correctly determine the corporate financial strategy, timely and fully implement strategic and current financial plans. At the same time, serious attention is paid to issues such as ensuring financial and economic stability, forecasting financial indicators at the macro level, stabilizing tax legislation and reducing the tax burden. In our republic, the task has been set to "Develop a Concept of long-term state policy based on the principles of strategic analysis, planning and forecasting in the effective management of industry activities." This, in turn, requires the implementation of strategic and current financial planning for the effective organization of the activities of economic entities based on strategic financial analysis. The development strategy of the new Uzbekistan includes issues such as improving the investment climate and increasing its attractiveness, increasing export volumes to 30 billion US dollars by 2026, creating the necessary conditions for developing entrepreneurship and creating permanent sources of income. Also, increasing the share of the private sector in GDP to 80 percent and its share in exports to 60 percent is set as a strategic goal. [1] .

### **DISCUSSION AND RESULTS**

We will study the basic principles of financial planning in an enterprise. Researchers distinguish the following principles: [2] :

- priority;
- use of forecasting methods;
- risk analysis;
- coordination and control.

Let's analyze each principle in detail.

According to the principle of prioritization, enterprises often face complex tasks related to production and business development. Solving these tasks may require significant resources, including investment in secondary tasks for business development. Therefore, it is important for

a company to determine its main areas of activity and concentrate the necessary resources in these areas.

The principle of forecasting is also important in financial planning. This process involves forecasting internal production processes or the impact of external factors (market and administrative). The main method of forecasting is an in-depth analysis of processes in the relevant sectors.

Risk analysis is also an important principle in financial planning, as every business faces certain risks and threats. These risks can be factors such as currency fluctuations or political instability of government bodies. Foreign policy risks, such as Western sanctions against Russian companies, are especially important.

Coordination and control are also integral principles in financial planning. In the process of coordination, it is necessary to integrate various activities within the enterprise, apply common management methods, and introduce principles that help maintain a corporate culture. Control, on the other hand, is necessary to ensure that planned procedures and algorithms are followed, thereby increasing the understanding of the company's main goals and priorities among employees.

Forecasting based on analyzing historical data and extrapolating trends. Econometric methods: Analyzing economic patterns and making predictions using mathematical models. Simulation models: Allows you to simulate different development scenarios and assess their impact on financial results [3].

The "Strategy for the Development of New Uzbekistan" for 2022-2026 sets out the country's development goals and objectives, including tasks in the field of financial planning and forecasting. The Financial Market Development Program for 2023-2026 sets out priority areas for the development of the financial market, with a focus on improving the financial planning and forecasting system.

Also, the "Concept for the Development of the State Finance Management System until 2030" indicates the goals and objectives of the development of the state finance management system, including tasks to improve financial planning and forecasting. The Law "On the Budget Structure of the Republic of Uzbekistan" establishes the foundations of budget planning and forecasting in our country. The "Tax Code of the Republic of Uzbekistan" determines the procedure for calculating and paying taxes, which affects the formation of budget revenues. Other laws, such as laws on state debt, accounting, banks and banking activities, also affect the financial planning and forecasting system.

Stochastic modeling allows you to simulate various scenarios of economic development and assess potential risks. Risk analysis is used to identify and assess potential threats to financial stability. Stress testing is used to assess the stability of the financial system to various stress situations. Educational seminars and trainings help to improve the knowledge of specialists in the field of financial planning and forecasting. Online courses and training programs expand the use of educational resources in the field of finance.

Disadvantages and problems [4].

1. Lack of a unified system for long, medium and short-term financial planning.
2. The gap between strategic goals and current budget plans.
3. Limited use of modern information technologies in forecasting.
4. Insufficient automation of financial data collection, processing and analysis processes.

5. Poor coordination between various government agencies and financial institutions.
6. Insufficient synchronization of actions between departments.
7. Low awareness of financial planning issues among the population and businesses.
8. Not understanding the importance of financial planning to achieve goals.

Development prospects [5] :

1. Improving financial planning and forecasting methodology based on international standards.
2. Developing a risk management system in the financial sector.
3. Creating a unified information system for collecting, processing and analyzing financial data.
4. Advanced training of specialists in the field of financial planning and forecasting.
5. Raising awareness of financial planning issues among the population and businesses.

**Table 1**

**Principles of financial planning and forecasting[6]**

Principle	Description
Risk management	Analyze potential risks and forecast them to prevent them.
Resource allocation	Reduce costs through efficient allocation of resources (financial, time and human).
Strategic decisions	Using financial forecasts in making long-term decisions.
Financial stability	Ensuring the sustainability of the enterprise through financial planning.
Investor Relations	Providing accurate and reliable forecasts for investors and lenders.
Market research	Forecasting to adapt to market trends and stay ahead of the competition.

According to a government report, Uzbekistan's gross domestic product (GDP) grew by 7.8 percent in 2016, and the contribution of business to GDP was 56.9 percent. As a result, the total number of operating small businesses as of January 1, 2016 was 207,104, which is 5.7 percent more than in the same period last year. These results show that the share of business in GDP is increasing year by year. There is also a diagram showing the growth trend of the share of business development in the period from 2000 to 2016. In 2016, the share of entrepreneurship in the total volume of industrial production was 45 percent (40.6 percent in 2015), in retail trade turnover it was 89.6 percent (87.1 percent), and in employment it reached 78.1 percent (77.9 percent in 2015).

The process of forecasting in business is based on experience and knowledge, which helps to identify the risks that may arise from changes. Howard H. Stevenson noted that forecasting in business is one of the most important and difficult processes. Also, a business has the ability to quickly adapt to changing requirements, global and regional market conditions, adopt innovations, and effectively respond to problems. In other words, the flexibility of a business and the ability to make quick decisions ensure its competitiveness [7] .

The organization and development of a business does not require large capital, which allows for rapid implementation of technical and technological innovations, development of new products and updating of the assortment. The stability of this industry compared to large enterprises is high in the conditions of the global financial and economic crisis, which contributes to the more rapid development of small businesses. The success of a business not only serves to generate income, but also allows for the development of creative and intellectual potential. Each person,

by demonstrating his individual talents and abilities, forms a new layer of motivated, enterprising and self-employed people in line with modern trends in innovative development in science and education in the global world.

There are initiatives aimed at establishing a guarantee fund for the provision of loans for the purchase of new equipment for business entities using documents adopted by the Central Bank of the Republic of Uzbekistan and other commercial banks and international financial institutions. In this case, the undisclosed part of the collateral is offered as one of the support mechanisms for business entities.

However, some economic problems exist in the country, for example, the lack of collateral for business entities in financing investment projects. This problem exists not only in countries in transition, but also in developed countries. The issue is mainly solved through a guarantee mechanism for the repayment of loans - a guarantee fund. Tax incentives, a simplified tax system, preferential lending and other support principles are important in the development of small business and private entrepreneurship.

Although there are socio-economic infrastructure problems and imbalances in the Uzbek economy, the business sector helps to adapt to changing economic conditions and ensure stability in development. [8].

#### **CONCLUSION**

In summary, financial planning and forecasting are essential to the success and sustainability of businesses. These practices enable organizations to anticipate future trends, allocate resources effectively, and mitigate risks, which improves decision-making and flexibility. Businesses with good financial planning are able to respond quickly to market changes, economic fluctuations, and unexpected challenges. Effective forecasting tools allow businesses to anticipate future growth, improve operational efficiency, and align their strategies with short-term and long-term goals. As the global economy becomes increasingly complex, effective forecasting and planning techniques are essential not only for competitive advantage but also for the long-term success of businesses. Therefore, implementing comprehensive financial planning and forecasting strategies is a key factor in driving innovation, growth, and sustainability in today's dynamic business environment.

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