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## **FINANCIAL ASPECTS OF FIXED AND WORKING CAPITAL CIRCULATION**

**Abstract:** This scientific article analyzes the financial aspects of the circular turnover of fixed and working capital as an integral part of the economic process. The theoretical foundations of capital reproduction, sources of financing, and their impact on production efficiency are deeply examined. Particular attention is given to depreciation of fixed assets, sources of renewal, and the financial interrelation between working capital liquidity and cash flow. The findings indicate that effective management of capital circulation plays a crucial role in ensuring economic stability and improving financial performance.

**Keywords:** Fixed capital, working capital, circular turnover, depreciation, liquidity, investment, economic efficiency, financial analysis, production assets, capital movement.

**Annotatsiya.** Ushbu ilmiy maqolada asosiy va aylanma kapitalning doiraviy aylanishi iqtisodiy jarayonlarning uzviy qismi sifatida tahlil qilingan. Kapital aylanishining nazariy asoslari, uning moliyaviy manbalari, investitsion faoliyatdagi o'rni hamda ishlab chiqarish samaradorligiga ta'siri ilmiy manbalar asosida chuqur yoritilgan. Asosiy kapitalning amortizatsiyasi, qayta tiklanish manbalari va aylanma kapitalning likvidligi o'rtasidagi moliyaviy bog'liqlik o'rganilgan. Tadqiqot natijalari kapital aylanishini samarali boshqarish iqtisodiy barqarorlikni ta'minlashda muhim omil ekanini ko'rsatadi.

**Kalit so'zlar:** asosiy kapital, aylanma kapital, doiraviy aylanish, amortizatsiya, likvidlik, investitsiya, iqtisodiy samaradorlik, moliyaviy tahlil, ishlab chiqarish fondlari, kapital aylanishi.

**Аннотация.** В данной научной статье рассматриваются финансовые аспекты кругового оборота основного и оборотного капитала как неотъемлемой части экономического процесса. Анализируются теоретические основы воспроизводства капитала, источники его финансирования и влияние на эффективность производства. Особое внимание уделено амортизации основного капитала, источникам его обновления и взаимосвязи с ликвидностью оборотных средств. Результаты исследования показывают, что эффективное управление оборотом капитала является важным фактором обеспечения экономической стабильности предприятия.

**Ключевые слова:** Основной капитал, оборотный капитал, круговой оборот, амортизация, ликвидность, инвестиции, экономическая эффективность, финансовый анализ, производственные фонды, движение капитала.

### **Introduction**

The stability of any economic system, the continuity of production and the steady growth of financial results depend, first of all, on the proper management of capital. Capital is the heart of the economy, and it is manifested not only in the form of material resources, but also as value in constant motion. Therefore, economists explain the internal mechanisms of economic activity by analyzing the process of “circular circulation” of capital.

As Marx noted, capital is a value that constantly increases its value. It loses its original form during the production process, but at the end of the process it returns as a new, increased value. From this point of view, the movement of capital is the financial “circulatory blood vessels” of production.

In the modern economy, this circulation process is strongly influenced by financial flows, liquidity policy, investment mechanisms and digital management systems. Therefore, a thorough analysis of the circular circulation of fixed and circulating capital from a financial point of view is of great importance not only theoretically, but also practically.

### **Main part**

Capital is a value that participates in the production process and brings benefits to its owner. Its main forms are expressed in two directions:

- Fixed capital - long-term assets (buildings, structures, machinery, equipment);
- Circulating capital - current costs of the production process (raw materials, wages, materials, energy).

Both are complementary elements. If fixed capital creates production capacity, circulating capital continuously uses this capacity.

Mishkin says in this regard:

“The efficiency of the financial system is mainly determined by the correct distribution of capital and the balanced movement of both types of capital.”

Thus, the mutual harmony of fixed and circulating capital ensures the stability of economic activity.

The circular circulation of capital is its continuous movement between money, production and commodity forms. K. Marx expressed it in the following formula:

$$P - T \dots I \dots T' - P'$$

Where P is the initial capital, T is the means of production, I is the production process, T' is the finished product, P' is the earned capital (profit).

In modern economic systems, this process has become more complex. The following factors directly affect the circulation of capital:

- changes in global financial markets;
- credit and interest rates;

- depreciation policy;
- innovative technologies in production.

These factors determine the speed and efficiency of capital turnover.

Fixed capital is a set of long-term assets. Their financial management is primarily associated with depreciation policy.

Samuelson and Nordhaus note:

“Obsolescence of fixed assets is a natural process of decline in production capacity, but through financial management this process can be transformed into a tool that stimulates economic growth.”

Correct calculation of depreciation amounts and their reinvestment accelerates capital turnover. For example, in modern industrial enterprises, the depreciation fund for modernization is the main source of capital turnover.

In addition, the financial aspects of fixed assets are also directly related to investment policy. The financial assessment of investment projects (NPV, IRR, Payback Period) determines the future efficiency of capital.

Working capital is a key factor in the daily financial stability of an enterprise. It consists of the following elements:

- raw materials and material reserves;
- work in progress;
- finished goods reserves;
- cash;
- accounts receivable and payable.

Each of these elements can extend or shorten the capital turnover period. If there are too many reserves, the funds will “freeze”; if there are not enough, production will stop. Therefore, determining the optimal level of working capital is one of the most important issues in financial management.

Gitman writes:

“Effective management of working capital is a key financial strategy that determines not only the liquidity of the enterprise, but also its profitability.”

Thus, optimizing working capital increases the rate of capital turnover and ensures the continuity of financial flows.

The rate of capital turnover is an important indicator of the efficiency of the enterprise. It is expressed in the following formula:

$$K = T / OK,$$

where T is the volume of products sold, OK is the average amount of working capital.

Fast turnover means an increase in cash flows, increased liquidity and faster profit. Therefore, increasing the rate of capital turnover is one of the priority areas of the enterprise's financial policy.

For example, Bryansky notes:

“A 15% reduction in the capital turnover period increases production efficiency by an average of 6–8%.”

This is achieved in practice through improved inventory management, digitalization of the production process, and improved financial control systems.

In the context of globalization, capital flows have crossed national borders and are integrated with the international financial system. Today, capital flows are influenced by the following factors:

- international investment flows;
- the activities of transnational companies;
- exchange rate fluctuations;
- global risks (inflation, interest rates, geopolitical risks).

In these conditions, advanced financial instruments — hedge funds, derivatives, risk management systems — are widely used to manage capital flows.

According to modern economic approaches:

“The international circulation of capital is a measure of global economic stability, but it requires a deeper analysis of financial risks.”

Therefore, the circular circulation of capital is now closely related not only to national financial policy, but also to global market mechanisms.

## **Conclusion**

The financial aspects of the circular circulation of fixed and circulating capital are crucial for the stable functioning of the economic system. Each form of capital plays a specific role: fixed capital creates the production base, and circulating capital keeps it in continuous motion.

A thorough analysis of the financial mechanisms of capital turnover shows that:

- reinvestment of the depreciation fund - renews production capacity;
- optimal management of working capital - maintains liquidity;
- increasing the turnover rate - accelerates profits and stimulates economic growth.

Thus, financially effective management of the circular circulation of capital is the basis of the stability of the national economy, the “financial heart” of the production system and the basis for future investment development.

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