

## Theoretical Issues of Implementing Effective Use of Local Budgets Funds

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**Abstract:** The article sets out the principles that are bound to serve as a basis for ensuring the effective use of local budgets in Uzbekistan. Conclusions were made on general and specific principles and their application, developing necessary recommendations.

**Keywords:** local budget, income and expenditure, financial expenditures, local budget savings, minimum expenditures, maximum income, means of taxpayers, social effect.

### INTRODUCTION

Annually, the immense means is spent from the state budget of the country in order to ensure its development and increase in the welfare of the population. And the main part of it is carried out through local budgets. In turn, a large part of the funds that is often spent through local budgets has a social orientation.

Due to the establishment of market economy, any fund is subjective to its effective spending. This case also applies to any expenses incurred from the budget. Indeed, in reality, it is still problematic to ensure effective spending of funds, especially within the local budgets. No matter how much state effort is being made, managers of local budget funds during their activities allow the illegal use of resources. To a certain extent, those activities seem to be occurred on the result of sub-standard following of internationally practiced theory.

### LITERATURE REVIEW

Some aspects of ensuring effective use of state or local budgets funds have been investigated to some extent in the economic (financial) literature. In this direction, scientific work and research carried out by Uzbekistan's economists-scientists and practicing specialists T.S.Malikov, O.A.Olimjanov, A.K.Iminov, J.A.Kuchkorov, N.H.Haydarov, D.H.Polotov, D.A.Rahmonov, Z.H.Srojiddinova, O.G.Gaybullayev, U.Orokov, G. Kosimova and others. In particular, the issues of using separately received state budget expenditures as social networks (expenditures for supporting the education system, health care, and social security of the population) were studied by B. I. Nurmukhamedova, and N. Yuldasheva at the level of local budgets, from the point of medium-term budget planning view were learned by Sh. Fayzullayeva and I. A. Azizova.

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## RESEARCH METHODOLOGY

During the study, statistical and economic analysis methods such as analysis and synthesis, induction and deduction, abstract-logical analysis and comparison, correlation and regression were used.

## ANALYSIS AND RESULTS

Although market economy has its all businesses striving to use their funds efficiently, the results of vital observations and scientific studies have confirmed that this problem is becoming more and more complicated from the bottom up. In particular, the struggle of efficient use of funds within local budgets is one of such complex issues.

However, in our opinion, there is a certain paradox here. This is due to the fact that market relations operate as a brochure and in developed countries of the world (USA, Canada, Germany, UK, France, Austria, the Netherlands, Italy, Japan, South Korea, etc.) this problem has already been successfully solved. No one doubts that the funds spent from local budgets in these countries are being spent effectively. Moreover, the real situation there clearly confirms this. But when it comes to the efficiency of local budgets in Uzbekistan, unfortunately, this is not the case. It is true that the issue of effective use of local budgets, especially in recent years, has received serious attention in Uzbekistan too.

In particular, paragraph 3.5 of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 years expands the scope of modernization and diversification of regional economies, accelerated development of relatively low-growth districts and cities, primarily by increasing industrial and export potential and priorities for reducing subsidy-dependent districts and cities and expanding the revenue base of local budgets through the rapid development of the service sector. Given that reforms in the country's financial system play an important role in ensuring economic development, the region's dependence on financial resources and the ability of local authorities to concentrate and target them within the region makes it necessary to qualitatively and objectively assess and increase the region's income potential. The activities of the Ministry of Finance and its subordinate bodies and other relevant authorities (in particular, the Chamber of Accounts) are also aimed to ensure the effective use of funds from local budgets. Despite this, in our opinion, ensuring the effective use of funds of local budgets in the conditions of Uzbekistan cannot be called at the level of the requirements of the modern market economy. Necessarily for these purposes, control measures are carried out, as a result of which a large number of financial errors are detected in the control facilities, the size of the detected amount of financial error, the inadmissibility of monetary and material wealth and their assimilation, the implementation of illegal expenses, and others allows you to draw conclusions in the same way. Under these circumstances, it is natural that the important question of where the root negation of solving this problem is put on the agenda. Within the framework of this article, we will try to answer basically the same question.

First of all, it is worth noting that the use of the costs of any budget, including local budgets, is also carried out through budgetary financing. In this regard, it should be noted that in the most general view, when it is called budgetary financing, it is necessary to understand the system of providing funds from the budget to the subjects for the implementation of the measures envisaged in the plan. This same system is characterized by specific forms and methods of providing funds, as well as relying on a certain set of principles. In turn, the principles, forms and methods of financing from the budget are considered to be the structural elements of this system and have their impact on the results of its implementation (on its effectiveness as well). Entering a new stage of its strategic development, the importance of a rational and effective budgetary financing system in terms of ensuring efficiency at the present time, in which important socio-economic tasks are being solved in Uzbekistan, is further increased.

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When it comes to the fundamentals of ensuring the effective use of local budget's funds, it is necessary to recognize that, in our opinion, the most important role in this process is played financing principles. In this regard, it is necessary to note that the financing principles of local budget's fund, which is used in practice in this place, can be divided into general and private groups. Naturally, general principles will be relevant to the activities of all subjects that can be funded from the local budget. And private principles determine the order in which local budget funds are provided, depending on the organization of the activities of the subjects. Below, we will dwell on the general financing principles of local budget, which play as the root in ensuring effective use of the funds of the local budgets.

As international practice shows, the general principles of financing from the local budget include:

1. Minimum (low) cost, maximum (high) efficiency. Local budget funds should be provided as soon as the highest efficiency of their use is achieved. Such effect, on the one hand, can be characterized by the solution of various tasks of the socio-economic development of the country, on the other hand, it can be expressed in terms of the fact that the revenue of the recipients of local budget assignments flows back to the local budget from the account of growth. Now, if those reflected in this paragraph 1 are taken into account, then it is natural that the following questions are put on the agenda: a) will the funds of local budgets in the practice of our country be presented at all times when the highest efficiency of their use is ensured? b) in general, what attention is being paid to this aspect of the issue when providing funds from local budgets? c) how are the various functions of socio-economic development of our country solved as a result of the provision of funds from these budgets? d) what positive changes are happening in this direction? e) does the increase in revenue of recipients of local budget assemblies ensure that money flows back into the local budget?

It is difficult to give a positive answer, which, in our opinion, is worth saying to any of these questions, due to the factual situation in our country (it is possible though, but not often). Therefore, the first logical conclusion that arises here is the following: as long as the minimum (low) cost in the practice of financing from local budgets is not intending to achieve maximum (high) efficiency, it is impossible to ensure effective use of local budget funds in our country;

2. The targeted characterization of the use of local budget allocations. The objectives of legal entities are determined in advance and on the basis of the approved budget, it can be financed from the local budget. Strict adherence to this principles hinders the inefficient use of local budget allocations. Now let's pay little attention to how these principles requirements are applied in the conditions of our country. Even the results of an in-depth or superficial analysis may indicate that these principles requirements are not sufficiently complied with in the process of using local budgets funds. This was done by special control bodies of the Ministry of Finance and the results of inspections conducted by the Chamber of Accounts fully and conclusively confirm. The second logical conclusion that must therefore be drawn here is as follows: In practice, it remains problematic to ensure the efficient use of local budget funds, unless the targeted nature of the use of local budget allocations is fully achieved;

3. To provide budgetary funds taking into account the implementation of the planned aims and the use of the previously issued allocations. The dependence of budgetary financing on the performance of indicators allows financial institutions to carry out effective and impressive control over the activities of the enterprise, organizations and institutions.

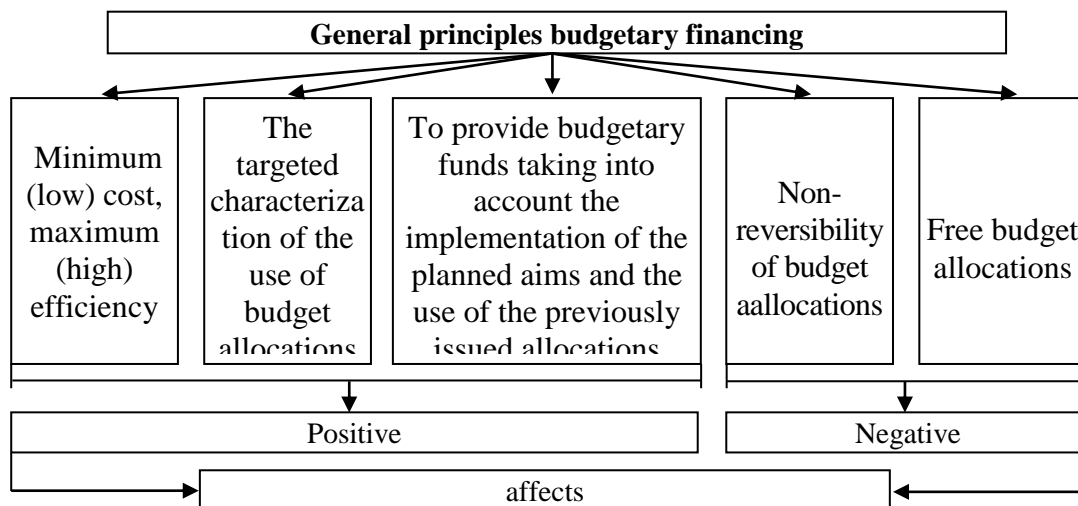
Despite this, there is still a lot of evidence proving that it is not possible at all times to ensure that there is a right institutional link between the implementation of the plans envisaged in practice and the financing of local budgets, as well as the use of the previously issued assignments and the appropriation of these budgets. This, in turn, indicates that this principle is not fully implemented (implemented) in the practice of our country. Therefore if the planned objectives are not implemented in a timely manner and the previously assigned

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allocations are not fully used, then it is necessary to strictly adhere to the changes in the process. The third logical conclusion that follows from this, in our opinion, can be expressed as follows: Ensuring the effective use of local budget funds cannot be imagined without the implementation of plans and the provision of budget funds, taking into account the use of previously allocated assignments;

4. Non-reversibility of budget allocations. Budget assignments are provided to the subjects on the condition that they are not compulsorily returned to the budget. There are, of course, specific reasons for this. After all, budgetary institutions, first of all (usually), are not engaged in entrepreneurial activities (almost or literally). However, in spite of the fact that over the next few decades our country is also moving towards a market economy, in our opinion, the content of this principle needs to be changed, albeit slightly. In our opinion, one of the principles that, despite having its own objective basis, does not have a sufficient impact on ensuring the efficient use of local budgets, is that budget allocations are irreversible. In essence, this principle, in our opinion, is based on the fact that the user of budget funds has a sense of calm, indifference, irresponsibility, and so on. creates similar moods, all of which are, in a sense, contrary to the nature of a market economy. Therefore, it is expedient to reconsider the attitude to the essence of this principle, taking into account the fact that the country is moving towards a market economy and the expansion of opportunities for budgetary institutions to engage in entrepreneurial activities. The fourth logical conclusion that follows can be expressed as follows: The principle of irreversibility of budget allocations is a principle that adversely affects the effective use of local budgets. Therefore, its content and form should be reconsidered, at least, taking into account the recent changes in the socio-economic sphere in our country;

5. Free budget allocations. Assignments from the budget are allocated to entities in the form of interest without paying any income to the state or other forms of payment of assignments. It is obvious that this principle also has aspects that adversely affect the effective use of local budget funds. Indeed, in our wise people, sayings such as "Free things are worthless" are not uttered in vain, and they do not require proof. Thus, in the framework of this article, we have tried to analyze and draw appropriate conclusions from the requirements of the modern market economy, in particular, the general principles of budget financing, which serve to ensure the efficient use of local budgets. Based on them, we think we can create the following general diagram (Fig. 1):



**Fig. 1.** Effective use of funds from local budgets the fundamental basis of provision and its consequences<sup>1</sup>

<sup>1</sup> Developed by author according to research.

It is clear from Figure 1 that the general principles of budget financing, which are considered to be the basis for ensuring the efficient use of local budgets, are divided into two groups, the first three of which (minimum (low) cost and maximum (high) efficiency;

purposeful use of budget allocations; Provision of budget funds, taking into account the implementation of plans and the use of previously assigned allocations it is clear that it will have a positive effect on the achievement of the intended goal However, in relation to the last two of them (non-reversibility of budget assignments; free allocation of budget assignments), in our opinion, such an opinion cannot be expressed.

## CONCLUSIONS

They, obviously, create feelings in users of local budgets that are contrary to the nature of a market economy, such as indifference, irresponsibility, lack of responsibility to ensure the efficient use of these funds. In this case, the emphasis on them as general principles of budget funding, in our opinion, does not have its own sufficient basis. In general, the fundamental basis for ensuring the effective use of local budgets is the quality of general budget financing, based on the above, here, in our opinion, several conclusions can be drawn. In our opinion, the most important of them are:

1. The fundamental principles of ensuring the effective use of local budgets are the generally accepted principles of budget financing (including in international practice). Without strict adherence to them and without achieving them, it is impossible to solve the problem of ensuring the efficient use of local budgets;
2. General principles of budget financing, such as minimum (low) cost, maximum (high) efficiency, targeted nature of the use of budget allocations, as well as the provision of budget funds, taking into account the implementation of plans and the use of previously allocated assignments, have a positive impact on local budgets. shows the effect. Therefore, in practice, as far as possible, it is necessary to achieve full compliance with the requirements of these principles;
3. General principles of budget financing, such as non-refundability of budget allocations and free allocation of budget allocations, have a negative impact on the effective use of local budgets. It is therefore necessary to clarify that they are recognized as general principles of budget funding;
4. It is advisable to refrain from expressing budget allocations in this form and content, as they do not have a positive effect on the general principles of budget financing, including free and non-refundable, including the effective use of local budgets;
5. Taking into account the requirements of the digital economy, incorporating new content into the principles of budget allocations free of charge and their non-refundable, combining them in the form and content need to express.

In our opinion, the conclusions formulated above are of fundamental importance, and their consideration can make a worthy contribution to the modern market economy, including the effective use of local budgets.

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