

## Influence of Local Budgets on Socio-Economic Development of Regions

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**Abstract:** The article examines the importance and role of local budgets in solving national socio-economic tasks, and shows ways to increase the financial capabilities of local budgets based on the data of the financial system of Uzbekistan. The financial capabilities of local budgets were analyzed based on regulatory legal documents and standards.

**Key words:** local budget, financial independence, tax, income.

### Introduction

Today, the main task of the budget system is the expedient division of expenditure functions between the central and regional authorities, and the definition of interbudgetary regulation standards should be in their joint responsibility, taking into account national tasks. And here it is necessary to determine the criteria for delimiting the functions of state bodies with regional ones in the implementation of budget policy. The competence of regional authorities, in our opinion, should include the functions of ensuring the welfare of the population, protecting nature, creating appropriate conditions for the highly efficient operation of enterprises and organizations, developing a concept for the socio-economic development of the region and a mechanism for its implementation, creating conditions for the development of all elements production infrastructure and activities of specialized social enterprises, whose services are used by the population of the region.

Local budgets in Uzbekistan are not absolutely independent. A number of restrictions are imposed on them [1] in balancing their own income and expenses; when approving and executing budgets; in the issuance of financial guarantees and guarantees at the expense of budget funds in favor of other persons, etc. Local budgets are chronically deficient. This is due to: instability of revenues and incomplete payment of taxes, payments and fees to the budget by legal entities and individuals; uneven social and economic development, different potential of the country's regions; natural disasters (drought, flood, lack of water, etc.), the consequences of which are eliminated, including at the expense of local budgets.

### Literature review

After these studies, Richard A. Musgrave published the first systematic review of the specific situation of multi-level government systems, the functions and mechanisms of the public sector [2].

Economist M. Goldsmith stated in his research that "financial independence of local authorities is an important condition for providing services to the population through the organization of its territory and the most effective management of its resources" [3].

According to K. Beer-Toth, "the quality and quantity of public services provided in the country depends on the financial rules and incentives that regulate the interaction between various entities of the public sector" [4].

Economists Oulasvirta and Turala admit that "fiscal decentralization requires local governments to control their 'own' sources of income in order to achieve sufficient financial independence and accountability to local taxpayers" [5].

Economist Z. Srojiddinova expressed the opinion that "revision and improvement of the mechanisms of financial assistance will allow to direct the financial assistance to the regions that do not have their own funds to support their sustainable financial situation" [6].

Economist I. Alimov in his studies "showed local finance as a grouping of sectors and links of the country's financial system and as a component of state finance, and emphasized that local budgets are the basis of local finance" [7].

According to A. Mamanazarov, "in order to increase the financial capabilities of local budgets, it is appropriate to issue securities of local importance and based on compensation from budget revenues, to create legal grounds for attracting debt obligations to local authorities" [8].

The issue of financial independence of local budgets needs to be deeply analyzed in developing countries. Because the changes of recent years show that the financial independence of the regions is not limited to the powers provided to them, it is desirable to use the provided powers of income and expenses, to develop a clear mechanism for its implementation. In our opinion, the issue of financial independence of local budgets has not been sufficiently researched.

### **Analysis and results**

Local budgets are of great importance in the implementation of national economic and social tasks, primarily in the distribution of public funds for the maintenance and development of the social infrastructure of society. These funds go through the system of local budgets.

In our opinion, the criteria for delimiting the functions of the authorities of the republican and regional levels for the optimal solution of the tasks of budgetary policy should determine the scale of the economic and social tasks to be solved, the objectivity and achievability of the desired goals. Comparison of the constitutional powers and functions of the authorities of the republican and regional levels in the budgetary sphere makes it possible to determine the amount of necessary financial resources that ensure the independence of the functioning of the region.

Thus, the functions between the republican and regional authorities are distributed according to the principle of "expediency", which means that a certain range of tasks will be solved much better if it is entrusted to the regions, because the latter are interested in them with more specific goals than the central authorities.

The definition of the budgetary rights of regional authorities in terms of revenue generation is directly dependent on their rights and obligations to perform their functions. In conditions when the population demands results not from the central government, but first of all from local authorities, they face the problem of pursuing a regional policy that meets the requirements of the socio-economic development of the territory. In the current conditions, the functions of state authorities in the field of budget policy should be delineated in accordance with the scope of their constitutionally defined powers. At the same time, one should proceed from the need to create financial conditions for the authorities of each level to fully perform the functions legally assigned to them or delegated to them.

According to the Western methodology, the definition of the functions of each of the levels of government in the country is due to the implementation of the three classical functions of the state in the field of financial policy, formulated by R. Musgrave:

- allocation of resources;
- income regulation;
- stabilization of the economy [2].

In accordance with this methodology, the decentralized implementation of the stabilization function, which aims to regulate economic growth, price stability, full employment with the help of such instruments as the amount of money supply, the amount of government spending, is inefficient at the regional level. Separate implementation of regional macroeconomic policy would entail only additional centralized costs.

The function of representative bodies for income regulation, aimed at imposing restrictions on the upper limit of income distribution or providing a minimum acceptable income for groups of the population in need of material support, is also implemented at the regional level, however, here too the predominance of a national principle is clear (Table 1).

**Table 1. Dynamics of changes in local budget revenues [9] (billion soums)**

#	Areas	2017	2018	2019	2020	2021
1.	Republic of Karakalpakstan	1292,2	2908,1	2953,3	2743,9	1614,2
2.	Andijan region	1264,8	2262,5	2624,6	2105,9	2352,2
3.	Bukhara region	1335,6	1731,2	2409,5	1782,9	1935,4
4.	Jizzakh region	715,4	1217,6	1240,9	1058,0	1212,9
5.	Kashkadarya region	1786,6	2973,1	3783,9	2468,8	2570,3
6.	Navoi region	745,3	1542,7	1877,8	1540,9	1535,8
7.	Namangan region	1032,2	1760,4	2237,7	1763,0	1970,6
8.	Samarkand region	1557,3	2568,3	2567,2	2385,6	2657,0
9.	Surkhandarya region	1030,4	1794,5	1844,8	1605,7	1754,7
10.	Syrdarya region	568,5	946,4	816,7	716,5	745,7
11.	Tashkent region	1775,0	2518,6	3721,4	2395,5	3009,8
12.	Fergana region	2110,9	2405,7	3836,1	2677,3	2904,9
13.	Khorezm region	881,4	1432,5	1467,3	1302,7	1442,7
14.	Tashkent city	2440,9	3579,7	3752,7	3156,3	4068,6
	<b>Total</b>	<b>18536,5</b>	<b>29641,3</b>	<b>35133,9</b>	<b>27702,9</b>	<b>29774,8</b>

The rate of change of local budget revenues has been increasing over the years. Compared to 2017, it can be seen that it has increased by 1.65 times in 2018. Compared to 2017, it can be seen that it remained unchanged at 1.65 times in 2019, which can be seen because of the occurrence of the COVID-19 pandemic.

In particular, it can be seen that it decreased by 1.53 times in 2020 compared to 2017. The main reason for this is the corona virus pandemic. Compared to 2017, it can be seen that it has increased by 1.7 times in 2021. Ensuring the stability of incomes is important in ensuring the financial strength of local budgets.

The more the revenues of local budgets increase, the more stable and expanded the management capabilities of local governments are, and on the contrary, the more the regional economy develops, the more stable the revenues of local budgets are.

In the conditions of the market economy, as the attention to local budgets increases and the opportunities for its comprehensive support expand, the scale of problems in ensuring the stability of local budget revenues due to the growth of local budget expenses is expanding.

The widespread use of the method of financing the expenses of local budgets at the expense of taxes levied on the republican budget shows that insufficient attention has been paid to the issues of calculating and collecting land and property taxes, which are directly calculated as incomes of local budgets, and that the expenses of local budgets have been carried out mainly by subsidizing from the republican budget. This, in turn, caused a decrease in the share of local taxes collected directly from local budgets.

The implementation of state social standards in the regions is ensured by fixing revenue sources by the state to cover the minimum necessary expenses of local budgets, providing financial assistance. State minimum social standards are intended to serve as a regulatory framework in determining the budgetary needs of local authorities, calculating the amount of financial assistance from higher-level budgets to lower-level budgets, and introducing a system of targeted social support for consumers of local services. Their use is necessary to assess the quality of life of the population of the territory.

Meanwhile, at present, the system for ensuring the state minimum standards at the local level has not been formed. Local self-government bodies can carry out the formation and execution of social expenditures only within the limits of their financial resources.

To date, a number of regions have switched to the normative method of financing budget expenditures.

A normative approach to determining budget expenditures will significantly reduce the influence of subjective factors on decision-making, and reasonably approach the determination of the need for budget funds. Its use will help increase the interest of local authorities in the efficient use of budgetary funds.

Thus, local budgets create at the disposal of each local government body a real financial base for the implementation of its activities. The system of local budgets makes it possible to more fully take into account local needs and correctly measure them with measures carried out by the state in a centralized manner. Local authorities should constantly take care of increasing local budget revenues and economical use of resources, since the growth rates of the local economy and culture are directly dependent on the organization of work to mobilize local economy reserves, economical spending of funds, which, in turn, contributes to the successful implementation of the state budget of the Republic of Uzbekistan as a whole.

## **Conclusion**

In order to increase the revenues of local budgets, the following should serve as important directions in the socio-economic development programs of the regions.

1. Further deepening of administrative reforms to optimize the structure of central and local governance by partially decentralizing governance at all regional levels and revising the distribution of powers and tasks between republican and local authorities.
2. To increase the economic and production potential in regions with relatively low levels of economic and social development and bring them closer to the national average.
3. Development of small business and private entrepreneurship, especially in the field of industry and services.
4. Deepening reforms in agriculture, production of competitive products specialized in high-tech processing.
5. Improvement of tax administration in order to increase tax collection.
6. Further improvement of inter-budget relations in order to improve the system of financial assistance allocated from the upper budget to the lower budget.
7. Creating favorable conditions for entrepreneurship and attracting investments.
8. To improve transparency, quality and conditions of provision of budget services.
9. Development of industry based on the potential of existing natural raw material resources in the districts based on agriculture.
10. Development of high-tech industries, use of innovative production solutions, first of all, ensuring the implementation of structural changes in the development of transport, communication and energy infrastructure.

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