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## Formation of Off-Budget Funds of Budget Organizations and its Optimization

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**Abstract:** This article examines the theoretical and legal foundations of the organization of extra-budgetary funds of budget organizations in the Republic of Uzbekistan. The purpose, tasks and specific features of the organization of extra-budgetary funds are analyzed and appropriate conclusions and proposals are given.

**Key words:** budget, treasury execution, recipients of funds from the budget, market economy, insurance funds, creditor responsibility, municipal, treasury control.

### Introduction

The deepening of market economy relations in the Republic of Uzbekistan requires the independence of market economy participants. In this sense, it is important to take a new look at socio-economic relations in the way of public finance management, regulate them, and define the rights and obligations of the participants of these relations. In our republic, recipients of funds from the budget are considered to be the lowest and most important participants in the implementation of the state budget. After all, the state performs its tasks through recipients of funds from the budget. To date, the effective and correct use of budget funds, as well as the provision of wide opportunities for financial activities to the recipients of funds from the budget based on the requirements of the market economy, that is, the creation of conditions for increasing the non-budgetary income of recipients of funds from the budget, remain an urgent issue.

In our country, extra-budgetary funds of budgetary organizations are the funds that come to the disposal of the budgetary organization at the expense of sources kept in accordance with the legislation. Therefore, optimization of budget funds by increasing extra-budgetary income of budget recipients and ensuring that these funds are directed to other areas and implementing them determines the relevance of this research work.

The purpose, tasks and specific features of the organization of extra-budgetary funds. The state budget is a system of economic relations, which is widely used in the performance of tasks assigned to the state as an important economic factor in the conditions of developed commodity and monetary relations. Usually, depending on the amount and composition of the budget, it is possible to assess the economic potential of the state, the state of its financial resources, and the level of the tax burden.

The composition of the budget is influenced by objective and subjective factors. In the first place, the nature of production relations and the level of development of production forces, which have a great influence on the structure of the budget, can be indicated as objective factors. As the development of society, the distribution of gross domestic product, production and property relations are developing, the composition of the budget system and its set goals will change accordingly. At the historical stage, the customs of each country, specific features of socio-economic development can be included among the objective factors. Also, the budget of any country has its own national characteristics. The policy of the state in the relevant period, foreign economic relations, internal economic situation, etc. are subjective factors.

It should be noted that the composition of income and expenses in the budgets of countries with similar levels of development may be similar or completely different. But in any case, the main goal of the formation of state budget revenues is to collect enough funds for the state to fulfill its functions. In Dunè practice, it is common to divide the budget into two main parts - the state and local budgets. The state budget is a financial relationship that reflects the main monetary income and expenses of the state. In addition, individual regions, administrative bodies form their own budgets for the performance of their functions, and these budgets are managed by the respective local authorities.

### **Main part**

The budget has the form of a legal act and is adopted by the competent authority and therefore has legal force. In accordance with the legislation of the Republic of Uzbekistan, the State budget is a centralized fund of state funds (including funds of state special funds), which provides for the sources of income and the amount of receipts from them, as well as the directions and amount of funds allocated for specific purposes during the financial year. The essence of any economic category is determined by its functions.

Since the state budget is a structural division of the economic category of finance, and budget relations are considered a structural part of financial relations, they are characterized by the form of money, and they perform distribution (redistribution) and control functions. The State Budget of the Republic of Uzbekistan is a centralized monetary fund designed to financially support the state's state tasks and functions. The budget system includes budgets at all levels, budgets of state special funds and extra-budgetary funds of budget organizations, principles of budget system budgeting and organization, and the sum of mutual relations between them during the budget process. Therefore, the issue of deepening globalization processes, effective use of budget funds taking into account current trends in the global financial crisis, formation of budget funds, especially extra-budgetary funds of budget organizations, remains an important task.

Based on the above, the organization of extra-budgetary funds of budget organizations can be considered as a way to strengthen the state budget. It should be emphasized that the problems related to increasing the income of extra-budgetary funds of budget organizations are necessarily related to the level of economic development of the region where the budget organization is located. The economic nature of extra-budgetary funds of budget organizations is also invisible during the organization's business operations. As a result, full and timely performance of the tasks assigned to the budget organization will be carried out at the expense of additional funds. This, in turn, is important for the socio-economic development of the state.

The deepening of market economy relations in the Republic of Uzbekistan requires the independence of market economy participants. In this sense, it is important to take a new look at socio-economic relations in the way of public finance management, to regulate them, and to determine the rights and obligations of the participants of these relations. The transition of the state to market economy relations requires the increase of the efficiency of the services provided by the state with the demand of reducing the growth rate of expenses, as well as the expansion of funds of extra-budgetary funds for budgetary organizations and their financing. In the period of transition to the market economy and in the conditions of lack of financial resources, the state budget funds are the main source for the development of the social and production sectors.

Based on this, the state budget funds together with the sum of budgets of all levels are reflected in the example of a single consolidated budget. Which every budget fulfills its assigned task. For the development and deepening of economic sectors financed from the state budget, as well as for the deepening of economic restructuring and the improvement of the efficiency of financing of budget organizations, budgetary organizations are given legal rights to manage their extra-budgetary funds.

In addition, effective and correct use of budget funds, as well as providing wide opportunities for financial activities to the recipients of funds from the budget based on the requirements of the

market economy, that is, creating conditions for increasing the income of extra-budgetary savings of recipients of funds from the budget, remains an urgent issue. The foundation of the budget system of the Republic of Uzbekistan is the organization of extra-budgetary funds of budgetary organizations, which provides for the following:—Expanding the independence and increasing the responsibility of heads of budget organizations in order to save, effectively and accurately use state budget funds and strengthen budget discipline;

- to simplify the mechanism of providing funds to the organizations that receive funds from the budget and to create conditions for the rational distribution of available funds in order to achieve high results in the use of budget funds;
- to encourage the work of employees of budgetary organizations, to increase their efficiency and to create conditions for personnel to settle down.
- In addition, budget organizations belonging to the budget system are considered as managers of their extra-budgetary funds, and the following are the tasks of extra-budgetary funds:
- to ensure timely extinguishment of the organization's creditor liabilities;
- to expand the material and technical base of the organization and provide material incentives for employees.

Regulatory and legal bases for the establishment of extra-budgetary funds and their activities in the Republic of Uzbekistan, in order to deepen economic reforms in the sectors financed by the state budget, to improve the mechanism of providing budget organizations with funds, and to use budget funds effectively and accurately, all budget organizations originated from their own activities. In this case, several facilities defined by legal documents have been defined.

For the development and deepening of the areas financed from the state budget, as well as to increase the effectiveness of the financing of budgetary organizations, the budgetary organizations are given the rights established by law to manage their extra-budgetary funds. The specified legal documents also require that the heads of budget organizations personally respond in accordance with the procedure provided for by labor, administrative and criminal legislation in order to comply with budget discipline. In this case, it is of particular importance that the activity of budget organizations to obtain additional income does not harm the volume and quality of the works performed at the expense of the budget funds and the services provided.

### **Literature analysis**

The regulatory and legal basis for the organization of relations with the funds of extra-budgetary funds of budget organizations operating in our country is the Budget Code approved by the Law of the Republic of Uzbekistan No. ORQ-360 of December 26, 2013.[1] Based on this code, extra-budgetary funds of budgetary organizations are divided into 4 types.

- Budget Organization Development Fund;
- Financial incentive and development fund of medical organizations;
- extra-budgetary funds of ministries, state committees and agencies;
- extra-budgetary funds of budget organizations formed at the expense of collected payments. Classification of off-budget funds of budget organizations into types and regulation of their formation by specific sources is carried out for the following purposes:
- expanding the independence and increasing the responsibility of heads of budget organizations in order to save budget funds, use them effectively and accurately, and strengthen budget discipline;
- to simplify the mechanism of providing funds to the organizations that receive funds from the budget and to create conditions for the rational distribution of available funds in order to achieve high results in the use of budget funds;

- to encourage the work of employees of budgetary organizations, to increase the effectiveness of their activities and to create conditions for staff to settle down. The development fund of the budget organization is established based on the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 414 of September 3, 1999[2] "On improving the procedure for providing funds to budget organizations". In this decision, the sources of the formation of the income of extra-budgetary development funds of budget organizations with the status of a legal entity are defined as the following for budget organizations that have passed to the execution of the treasury - the funds saved at the end of the last working day of the reporting quarter in the accounts opened in the Treasury Committee of budget organizations and its regional divisions;[3]
- income from the production and sale of goods (works, services) according to the type of activity of budget organizations;
- part of the funds received in accordance with the law from the lease of state property on the budget organization's balance sheet;
- it is formed at the expense of patronage aid (gratuitous aid) given to budget organizations by legal entities and individuals. The main directions that serve to increase extra-budgetary fund income are the management of public finances, ensuring that the state fulfills its tasks, achieving certain results in the mobilization of financial resources, the distribution and use of financial resources based on a single system, and finally, the state has seen the creation of conditions for economic stabilization and development of society. is a sum of events.

The state performs its tasks through its financial activities. The main element of this activity is, of course, the state budget. Based on this, at present, the issue of effective use of state budget funds, preventing their misuse, compliance with budget discipline, and increasing the role of financial control in them remains relevant. Budget organizations are considered the lowest and most important participants in the implementation of the state budget in our republic. The state performs its tasks through budgets of the budgetary system. Budgets of the budget system include budgets of all levels, budgets of state special purpose funds and extra-budgetary funds of budget organizations. Based on the above, the organization of extra-budgetary funds of budget organizations can be considered as a way to strengthen the state budget.[4]

To date, the effective and correct use of budget funds, as well as the provision of wide opportunities for financial activities to the recipients of funds from the budget based on the requirements of the market economy, that is, the creation of conditions for increasing the income of non-budgetary savings of recipients of funds from the budget, remain an urgent issue.[5] The analysis of the income and expenses of the off-budget funds of the existing budget organizations showed that most of the organizations have a low level of income from off-budget activities. The share of non-budgetary income of budget organizations operating in the field of education and healthcare in the total income is around 3-10 percent.[6]

Extra-budgetary funds of budget organizations are the sources of income, primarily the provision of paid services to the population. In our country, the majority of budget services of a social nature are provided by budget organizations. Therefore, deepening the extra-budgetary activities of budget organizations remains an important issue.

In our opinion, the development of extra-budgetary activities of budget organizations can be realized by determining their independence in the disposal of additional income. The first direction of these envisages limiting the independence of budget organizations in disposing of revenues from off-budget activities. This direction can be implemented through the following activities:[7]

- The mechanism for regulating budgetary and extra-budgetary activity of the budget organization will not change, and the organization will operate on the basis of a single cost estimate that includes budgetary and extra-budgetary income;

- Distribution of a part of the income to other organizations in need of funds without leaving the income received through extra-budgetary activities in full at the disposal of this organization. In case of losing interest in development of extra-budgetary activities by budget organizations during the implementation of this direction, they can be regulated by constant monitoring and control by financial authorities. It is not correct to mean only the regulation of the prices of the provided services. Because this type of control will affect the market of paid services in the future, as well as private sector entities operating in this field. The implementation of the first direction through the measures mentioned above may also lead to a number of risks in the regulation of off-budget activities of budget organizations.

Possible risks include:[8]

- Increase of hidden activities in off-budget activities of budget organizations. That is, extra-budgetary activities are formally transferred to the private sector, which does not fully make payments for the use of the organization's assets, as a result of which extra-budgetary revenues decrease. As a result, as a result of strict control of extra-budgetary activities of budgetary organizations, extra-budgetary income may decrease instead of increase.
- In addition, there may be a feeling of neglect in budget organizations. In the regulation of extra-budgetary activities, it is necessary to take into account the demand and supply for the services for which the development of the activity is shown. As mentioned above, if the budget organization operating on the basis of the single budget estimate does not receive the extra-budgetary income as planned, this difference can be compensated from the budget funds.
- In order to increase the influence of extra-budgetary incomes for the budget organization and to reduce dependence on budget funds, it is necessary to distribute budget funds in the economic space on the basis of uniformly applicable norms in the conditions of a single cost estimate. In this method of regulation, budget funds are clearly defined for each budget organization. In addition, the reduction of budget funds at the expense of extra-budgetary income can also reduce the interest of organizations to implement extra-budgetary activities.

If the system of public services by budget organizations increases, but the interests of non-budgetary activities in organizations decrease, problems of using paid services may arise for the population.[9] It should be noted that in the conditions of execution of a single cost estimate, which reflects budget and extra-budgetary funds, difficulties may arise in organizations to forecast extra-budgetary income. The second direction, in contrast to the first direction, is to allocate funds to budget organizations and create ample opportunities for economic activity development. This direction can be implemented through the following activities:[10]

- Establishing separate cost estimates for budgetary and non-budgetary incomes for budget organizations;
- Except for the funds from renting out temporarily unused buildings, which can be partially redistributed in budget organizations, leaving all the other extra-budgetary incomes at the disposal of the budget organization;
- Leaving the formation of prices at the discretion of the budget organization and spending the income received as a result of extra-budgetary activities according to directions is at the discretion of the budget organization;
- Based on the specificity of some sectors of the social sphere, applying criteria for evaluating organizational and economic activity;
- Implementation of various methods in the implementation of public control over the implementation of business activities by budget organizations;

Thus, it should be noted that the implementation of the first direction requires amendments to many regulatory documents, including the Budget Code, and the second direction requires only some amendments to some guidelines and instructions. Based on the above, the following can be

cited as the main ways to increase the efficiency of spending extra-budgetary funds of budgetary organizations:[11]

- establishment of strict control over spending of extra-budgetary funds of budgetary organizations;
- development of a clear legal procedure for relations between budget organizations and users of their services;
- in case of inappropriate use of funds received as a result of additional activities of budget organizations, take legal sanctions against them;
- constantly apply ways of optimizing budget funds for organizations that have their own additional sources of income;
- ensuring that optimized funds are directed to other areas. In order to ensure the increase of extra-budgetary income of budget organizations, it is necessary to determine which of the extra-budgetary activities will bring more results. In particular, there are educational, scientific, self-supporting and other types of activities in organizations in the field of education.[12] In order to carry out this activity, it is necessary to assess the capabilities of the organization. Especially if the organization has several ways to implement extrabudgetary activities, the assessment of opportunities is of great importance. For example, in spite of limited opportunities, effective types of non-budgetary activities can be established even in secondary schools. First of all, as mentioned above, it is necessary to compile a list of objective assessment factors that cause income from off-budget activities.[13]

Secondly, applying and evaluating these evaluation factors to the conditions of the same educational institution. These evaluation factors should include the following. [14]Including:

1. Scientific potential. The scientific potential of the educational institution affects the increase in the number of users of the organization's services, the organization's scientific innovations, and their participation in regional development programs.
2. Regulatory framework. Existence of an excellent regulatory framework that serves for the development of non-budgetary activities by the educational institution. Establishing legal relations that define the duties of each participant in off-budget activities.
3. The attitude and policy of educational institutions to their extra-budgetary activities. That is, the interest of each department and employees in the increase of extra-budgetary income and their effective use. Uniformity of the policy on off-budget activities at the organization level for all departments and employees.
4. Availability of a license, permit or accreditation for off-budget activities.
5. The territory of the organization. The location of the educational institution determines the external conditions of non-budgetary activities. Demographic situation, the breadth of the labor market for graduates of the educational institution, the standard of living of the population, the economic status and specialization of the area, and the availability of other competitive educational institutions.
6. Availability of tools. Availability of modern equipment serves to prepare competitive specialists. It ensures that scientific pursuits will bear fruit in the future. It also provides an opportunity to rent existing modern equipment. The availability of information resources creates conditions for the application of modern teaching technologies and other factors.[15]

### **Analysis and suggestions**

In addition, the main goal of the measures taken is to ensure that the economy of our country is included in the ranks of developed countries and to reform our national economy to be competitive with them. It is impossible to ensure the organization of state budget management to a higher level without the treasury system. Because the treasury system allows for proper planning

of budget revenues and expenses and implementation based on financial control. The most important thing is that forecast information will be formed in the treasury for preparing the next year's project, and efficiency and targeting will be increased in the use of budget funds. As a result of the measures implemented in the reform of the budget system in our country, it is worth noting that budget organizations performing state functions have been provided with many facilities and conditions for the development of extra-budgetary activities.

Therefore, it is an important issue to optimize the funds allocated to the budget organization at the expense of additional incomes obtained as a result of extra-budgetary activities of the budget organization and to direct these funds to other areas of our national economy. Optimization of budget funds at the expense of extra-budgetary income can be observed through the following example.

**Proposals** The state fulfills its tasks through its financial activities. The main element of this activity is, of course, the state budget. Based on this, at present, the issue of effective use of state budget funds, preventing their misuse, compliance with budget discipline, and increasing the role of financial control in them remains relevant. In our republic, recipients of funds from the budget are considered to be the lowest and most important participants in the implementation of the state budget. During the years of independence of the Republic of Uzbekistan, a number of practical works have been carried out by our government to introduce new mechanisms and methods for the implementation of the State budget, management and targeted use of budget funds, as well as financing of expenses.

In particular, the transition of the state budget to the treasury execution system in Uzbekistan led to the radical reform of the budget system, the introduction of modern information technologies into the financial system, the creation of a control mechanism over the targeted allocation of budget funds, and increased the efficiency of managing income and expenses at various levels of budgets of the budget system. The goal of the development of any society is to create the necessary conditions for the living of the people living in this society. This, in turn, is evaluated by the economic development of the state. In developed countries, social sector expenditures occupy the main part of state budget expenditures. With this, the countries prepare the ground for the creation of a healthy and intelligent generation for their future.

Also, in the years of independence, many activities are being carried out in order to prepare a mature generation in our republic. Effective and targeted use of state budget costs remains an important task in ensuring the full implementation of these activities. In the fulfillment of these tasks, measures such as comprehensive support of extra-budgetary activities that bring additional income to budget institutions are paying off. The originality and effectiveness of the extra-budgetary activity support is an indication of how correct the economic development chosen by our country is.

## **Conclusion**

We believe that it is necessary to make the following proposals regarding the organization of the increase of extra-budgetary funds of those who are provided with funds from the budget in the budget system of our republic and the optimization of budget funds. 1. To introduce the procedure for registering legal and financial obligations of budget organizations and making payments to the funds of extra-budgetary funds of budget organizations; 2. Setting the prices (tariffs) of goods (provided works, services) and other types of services produced by budget organizations in addition to their main activities in agreement with financial authorities; 3. Establishing special information portals in the regions, placing information on the services provided by budget organizations on these portals; 4. If the share of the income received by the budget organizations as a result of extra-budgetary activities in the budget funds exceeds the specified indicator, optimization of the budget expenses according to the specified intervals; 5. Legal organization of public control over budget organizations.

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