



INCREASING THE BUDGETARY CAPACITY OF LOCAL GOVERNMENT BODIES AS A FACTOR IN THE FINANCIAL STABILITY OF LOCAL BUDGETS

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Abstract: In modern conditions, one of the priority areas of reforms in the state finance system is to strengthen the revenue base of local budgets, increase the efficiency of expenditures financed by local budgets. In accordance with the 2017 address to the Parliament of the Republic of Uzbekistan, the President of the Republic of Uzbekistan Shavkat Mirziyoyev expressed his views on a fundamental revision of the budget system, ensuring the transparency of revenues and expenditures of the budget system budgets, and improving the budget process, which takes into account the financial interests of broad social strata of the population when making decisions in the field of state finance.

Keywords: systematic implementation, financial interests, market economy, financial relations.

In particular, this involves the systematic implementation of reforms related to the comprehensive forecasting and planning of state budget revenues and the full attachment of revenues from general state taxes to local budgets. The above circumstances play a role of a kind of stimulus for further deepening territorial socio-economic reforms through the rational use of the financial and budgetary potential of local government bodies.

In a market economy, the effectiveness of the budget system and budget policy depends on the budget capacity, which is the ability of the state to concentrate national income in the state budget.

As is known from modern trends in financial relations, the role of regions in ensuring sustainable economic growth is increasing in most countries of the world. In turn, in the Republic of Uzbekistan, there are problems with the territorial financing system, which leads to imbalances between the links of the budget system and limits the possibilities of increasing local budget funds. In this regard, budget capacity, as a factor determining the availability of the necessary amount of financial resources, represents the ability of local authorities to rationally use the existing economic potential, to harmonize economic development trends with ensuring social well-being by ensuring the priority areas of strategic development of the region.

Therefore, in the systemic reforms in the field of state finance, ensuring the financial independence of regions and increasing the budget capacity in the context of balanced economic relations are of great importance.



We will try to consider the views of economists on the budget capacity of regions in the following table (Table 1).

By studying scientific views, it can be concluded that the interpretation of the concept of "Authority" in the budget system, based primarily on its terminological essence, implies the possibility of providing maximum budget expenditures with sources of income.

Table 1**Interpretation of various scientific views on the concept of "budget capacity"¹**

№	The content of the scientific study	Authors
1.	The maximum possible expenses provided by the budget, potential income and expenses in the region	Zenchenko S.V., Levchyegov O.N., Chernova S.A.
2.	The potential opportunities for financing social goods and services from the budget, resulting from the assessment of total budget resources aimed at increasing the level of budget provision	Naydenova T. A., Shvetsova I. N.
3.	Economic and legal conditions that ensure the optimal value of revenues covering normative expenses in the region and allow their targeted, effective use	Yashin S.N., Yashina N.I.
4.	A synonym for tax potential, which represents the maximum volume of budget tax revenues	Klimova N.M.
5.	A set of financial resources that can be accumulated in the budget in a certain period	Kirillova O.S.

So, based on this, we can conclude that the budget potential is a set of financial resources that can be potentially mobilized and accumulated in the budget to ensure budget expenditures directed at a certain vector of regional socio-economic development. This approach is close to the scientific view given by the Russian economist Kirillova O.S., in which we can see that the emphasis is placed on 2 main aspects: firstly, the budget potential is the possibility of accumulating financial resources in a limited period of time; secondly, we can see that the main emphasis is placed on financial resources that can be accumulated in the budget from various sources.

¹ Systematized by the author.



At the same time, in our opinion, it is appropriate to pay attention to its qualitative and quantitative characteristics in the scientific interpretation of the budget potential:

1. The qualitative description of "budget potential" has the following features in our opinion:

- probabilistic description. In this case, the budget capacity embodies not the actual volume of revenues that can be mobilized to the budget at various levels in the region, but the potential volume.

- budget capacity - as a main component of economic potential. In this case, budget capacity is formed only at the level of achieved opportunities for regional economic development.

2. The quantitative description of "budget capacity" is intended to express the forecast volume of financial resources that can be maximally mobilized to the budget within the framework of current legislation in the conditions of the implemented fiscal policy.

In approaching the scientific interpretation of budget capacity, systematization and synthesis of its structural elements are of great importance. The general structure of the approach to the formation of the structure of budget capacity in economic literature can be expressed by the following formula:

$$P_b = P_t + P_{nt} + P_{tr} \quad (1)$$

P_b - Budget capacity;

P_t - tax potential of regions;

P_{nt} - tax-free revenue potential of regions;

P_{tr} - transfer potential of separate budgets of regions;

P_e - spending capacity of local budgets.

From the above, we can see that the budget potential of regions depends on the tax potential, non-tax revenues and inter-budgetary transfer potential formed in each region.

If we analyze it in light of the tasks of reforms aimed at strengthening the revenue base of local budgets and increasing their financial capabilities in modern conditions, we can see that in the budget potential, there is a tendency to conduct a fiscal policy aimed primarily at increasing the potential of tax and non-tax revenues.

In particular, in this process, we can observe that the revenue base of budgets at different levels is based on the economic potential of regions and its sectoral composition. Because, increasing the economic potential of regions, along with other economic agents, provides an increase in the ability to mobilize national income generated in the state budget. In addition, another important factor in optimally increasing the budget potential is the improved financial mechanism for optimal accumulation of financial resources in the



budget. This implies a financial mechanism for optimal mobilization of budget revenues through rational use of the existing economic potential in the region. Improving this mechanism, in parallel with increasing tax potential, creates opportunities for maximizing budget revenues from the existing tax base. Therefore, tax potential is considered one of the main and decisive components of budget potential, and opportunities are created to increase tax potential through effective use of economic potential.

When assessed quantitatively, the economic potential of the region constitutes the material basis of financial, budgetary and tax potential. We can express this by the following formula.

$$P_e \in P_f \in P_b \in P_t \quad (2)$$

If we describe it in the form of a hypothetical account, the economic potential of each region includes the financial potential of the region. Naturally, the financial potential of the region includes the financial resources distributed at the expense of the national income in 3 categories, and the financial resources accumulated in the state budget within it include the budget potential. Budget potential depends on the potential of tax and non-tax revenues and the transfer capacity, and the transfer capacity is a component of budget capacity that is independent of the economic potential of the region and is formed by redistributing revenues accumulated in the central budget at the expense of other regions.

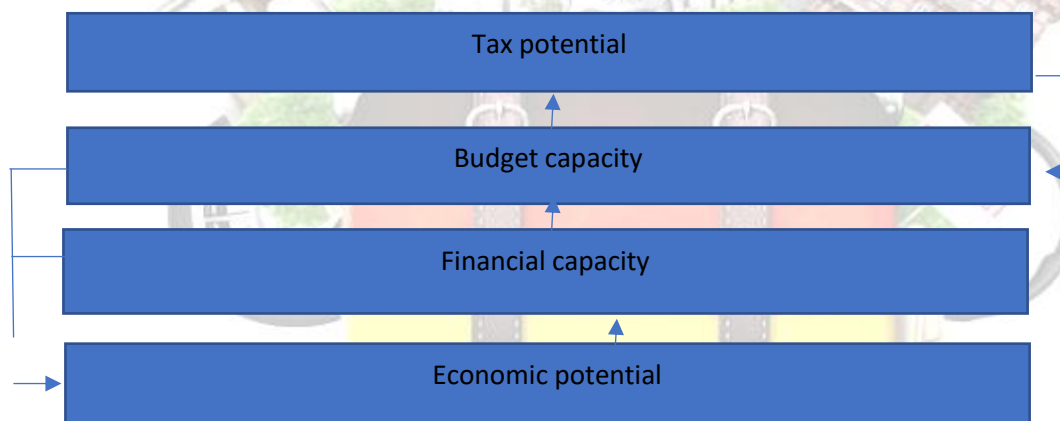


Figure 1. Economic potential and its follow-up components ².

It can be seen from the data in Figure 1 that the economic potential, expressed by calculating the GRP per capita, is the main element of financial potential. Secondly, the increase in financial potential also depends on the level of development of sectors that make up the economic potential and create high added value. The analysis confirms that a high level of financial potential is provided in regions where the services sector makes up a high share in the GRP. Because in such conditions, the

² The image was developed by the author.



high added value created in the services sector has the characteristic of having a positive effect on increasing the income of the state, firms and households.

Based on the above analysis, the following conclusions can be systematized:

1. The budget potential of regions depends on the level of development of the economic potential of each region and its sectoral structure. Based on this, the development of sectors that create high added value products and services is the main factor in increasing the budget potential of regions.

2. In order to increase the budget capacity of regions, it is necessary, first of all, to increase the tax capacity, which is its main component, and to increase its share in the total budget capacity. As a result, dependence on transfers and independence of local budgets will be ensured.

3. In modern conditions, it is necessary to increase the importance of economic factors influencing the increase in budget capacity. Because the material basis of the budget and the "Budget Capacity" is also the active business environment in the region.

