

## THE IMPORTANCE OF THE STATE BUDGET IN IMPLEMENTING THE STATE SOCIO-ECONOMIC POLICY

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### ANNOTATION

The article examines the importance of the state budget in the development of the economy and the social sphere, the structure and importance of the consolidated budget, and develops recommendations for ensuring the sustainability of the state budget.

**Keywords:** state budget, state trust funds, Fund for Reconstruction and Development, consolidated budget, modern economy, macroeconomic stability, fiscal policy, macrofiscal forecasts.

### INTRODUCTION

In order to improve public finance management in the Republic of Uzbekistan, the Strategy for improving the public finance management system of the Republic of Uzbekistan in 2020-2024 was adopted by the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 506 dated August 24, 2020.

The implementation period of the strategy is designed until 2024 and includes the following important goals:

- in order to implement a strategic approach to the tax-budget policy, develop medium-term budget bases and introduce a new "result-oriented budget" system of forming the annual budget;
- increase the institutional capacity and the responsibility of the participants of the budget process to ensure the reliability of macro-fiscal forecasts;
- to increase the powers and accountability of the allocators of budget funds and local government bodies in the budget sphere and to strengthen their responsibility;
- assessment of fiscal risks, accounting of financial assets and liabilities and implementation of their effective management system;
- strengthening financial discipline by unifying budget accounting standards, improving the internal control and audit system;
- ensuring openness, completeness and compliance of budget information with international standards;
- strengthening parliamentary and public control over the budget process.

In the section "Ensuring Budget Priority" of the Strategy, "In order to ensure the completeness, reliability and strategic orientation of the state budget, all state special purpose funds and budget organizations' extra-budget personal treasury accounts shall be transferred to the state budget" "it is necessary to take measures and present the consolidated total financial indicators of the state budget and state special funds in a single form in the budget report" [1].

In the Republic of Uzbekistan, the state budget and state special funds are combined in a single state fund and form a consolidated budget. The consolidated budget is drawn up by the Ministry of Finance of the Republic of Uzbekistan for analytical purposes at the end of the financial year and to take into account all receipts and expenses of the budget system. In accordance with the Budget Code of the Republic of Uzbekistan, the list of state trust funds included in the consolidated budget is approved by the decision of the Cabinet of Ministers of the Republic of Uzbekistan [2].

### LITERATURE REVIEW

Professor H.R. Sobirov's textbook "History of State Finances" states the following points: "When we analyze Timur's views on finance, in particular on tax issues, the English economist Adam Smith's "The Nature and Causes of the Wealth of Nations" published in 1776 It should be noted that Timur's views are repeated in the conclusions presented in the book. This conclusion clearly proves that the theories about finance were formed not in the West, but in the East.

Indeed, in 1577, J. Boden's work entitled "On the State" was published in French in Europe. "Tuzuklari" of Amir Temur was created at the end of the 14th and the beginning of the 15th century, that is, about a century or two earlier than J. Boden's work" [3].

In the scientific conclusions of many foreign scientists and experts, the state budget is considered an important element of the implementation of the state financial policy in the country, and an effectively conducted budget policy is considered an effective measure of macroeconomic stability.

Fiscal and fiscal policy is important from the point of view of macroeconomic stability. In this case, it will be possible to regulate macroeconomic stability based on the aggregate demand and aggregate supply model. This directly affects the well-being of the population. On the other hand, if by increasing the public spending, the GDP can be increased by increasing the consumption of the population, on the contrary, by reducing the spending, the volume of aggregate demand can be reduced.

Commenting on the effectiveness of state budget expenditures, I. Alimov emphasizes that the budget structure depends on the political and administrative structure of this country. It suggests managing the budget in a general way with the scope of income and expenses [4].

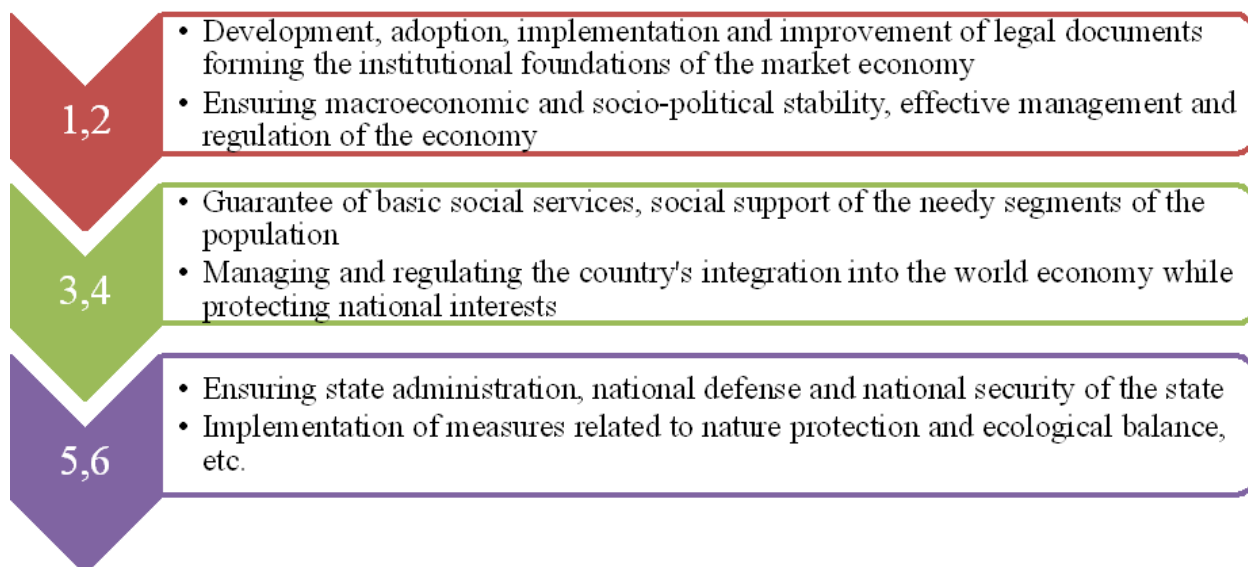
In his research, A. Sherov substantiates the scientific conclusion that "in order to prevent the budget from exceeding the budget expenses at the expense of the economy, reducing the state share in the economy, gradually reducing the financing of centralized investments at the expense of the state budget, giving priority to the practice of public-private partnership" [5].

D. Rakhmanov, who has carried out fundamental and applied research on the important role of budget expenditures in the development of the social sphere and their importance in the formation of human capital, substantiates his scientific conclusions regarding the actual aspects and priority directions of the implementation of social sphere expenditures in the development of the budget policy. In his opinion, the development of human capital is a modern approach to the financing of the social sector, "the financing of the development of human capital is reflected in the creation of initiatives for the formation of innovations for economic growth, making investments in education and health. enough" [6].

## ANALYSIS AND RESULTS

It is known that the state creates the legal, legal, regulatory and institutional basis for the production of necessary goods and services for the society and the citizens of the country, for the effective functioning of economic sectors and social sectors, and thus for the living and working of its citizens. fulfills the tasks of creating the necessary conditions. In order to create a material and financial basis for the fulfillment of these tasks, a certain part of the financial resources created in the country is concentrated in the consolidated budget and directed to the full performance of the tasks and functions of the central government and local authorities in front of the society.

The state creates the legal basis of regulatory and institutional structures for the production and provision of necessary goods and services to the society and the citizens of the country, for the effective functioning of the economy and social networks, and thereby creates material and other conditions for the living and work of its citizens. perform tasks of giving. Based on these tasks, the main functions of the state are as follows (Fig. 1):



**Figure 1. The main functions of the state [7]**

In order for the state to successfully perform these functions, as well as to implement strategic goals and tasks that are relevant at every stage of the country's development, it is an objective necessity to collect a certain part of the financial resources created in the country.

First, we will analyze the importance of the state budget, which constitutes the main part of the consolidated budget (about 80 percent), in ensuring the country's economic development and macroeconomic stability.

In the material sense, the state budget expenses are the budget funds directed to the financial support of the activities related to the performance of the tasks of the central government and local authorities, and their types, forms of implementation, composition and structure depend on a number of factors. depends on:

- the nature of the state and its functions;
- to the level of socio-economic development of the country;
- to the extent of relations of the state budget with economic sectors and social spheres;



- to the administrative-territorial structure of the state;
- forms of providing budget funds, etc.

For example, if the main focus of the state is on state support of economic sectors, the share of the state budget in the financial resources for the implementation of economic development programs will be high, and the financing of large centralized investments from state resources will also be part of the budget expenditures. costs will prevail. If the main focus of the state is on solving social problems in the society, on social support of the population, on the implementation of social programs at the expense of state funds, the expenses for social purposes will be dominant in the structure of expenses.

The composition and structure of budget expenditures are directly indicated in the parameters of the state budget approved for a specific budget year and, like budget revenues, depend on the economic situation established in the country at one or another period and the scope of social priorities.

The stability of the state budget is one of the important indicators describing the state of the country's economy and social spheres. Financial support of some enterprises of the national economy, joint financing of investment projects provided for in state investment programs, social sphere (education, health, culture, sports, science, social welfare) institution and maintaining organizations, providing social benefits and other types of financial assistance to socially needy families, maintaining state administration and power, judicial bodies, citizens' self-governance bodies, state security, maintaining public order, strengthening the country's defense capabilities The importance of the state budget as an important financial source in ensuring smooth and timely implementation is very great.

According to the functional assignment (in terms of duties), state budget expenditures are planned and financed by the following groups, their composition is determined by Article 69 of the Budget Code of the Republic of Uzbekistan. reflects the literal expression of the reforms carried out by This can be seen from the following information.

Table 1 Expenditures of the state budget of the Republic of Uzbekistan composition and structure analysis [8]

№	Indicators	2021 year		2022 year		2023 year (forecast)	
		trillion soum	relative to the total %	trillion soum	relative to the total %	trillion soum	relative to the total %
	<b>State budget expenditures, total</b>	<b>188,6</b>	<b>100,0</b>	<b>240,9</b>	<b>100,0</b>	<b>245,8</b>	<b>100,0</b>
1.	Social costs	92,6	49,1	129,3	53,7	126,1	51,3
2.	Costs to the economy	21,7	11,5	27,4	11,4	23,2	9,4
3.	Centralized investment financing costs	29,3	15,5	25,1	10,4	25,1	10,2
4.	Expenses for socio-economic development of regions based on the tasks of the President of the Republic of Uzbekistan			3,0	1,2	3,0	1,2
5.	Expenses for the maintenance of state administration, authorities, justice, prosecutors, courts and self-government bodies of citizens	9,5	5,0	12,9	5,4	14,4	5,9
6.	Reserve funds of the budgets of the Cabinet of Ministers, the Republic of Karakalpakstan, regions, cities and districts	1,4	0,7	1,8	0,7	1,6	0,7
7.	Costs of service and repayment of public debt	2,2	1,2	4,1	1,7	4,5	1,8
8.	Other expenses	31,9	16,9	35,0	14,5	34,7	14,1

As it can be seen from the data, the weight of the expenses for social purposes in the expenses of the state budget is increasing. In particular, this category of expenses accounted for 49.1-53.7 percent of the total budget expenses in 2021-2023. In 2023, these costs will be 126.1 trillion. It is planned in the amount of soums and its share in the state budget expenditures is expected to be 51.3 percent.

Also, the composition and dynamics of the state budget expenditures according to the budget targets for 2023-2025 can be observed in the diagram below (Fig. 1).

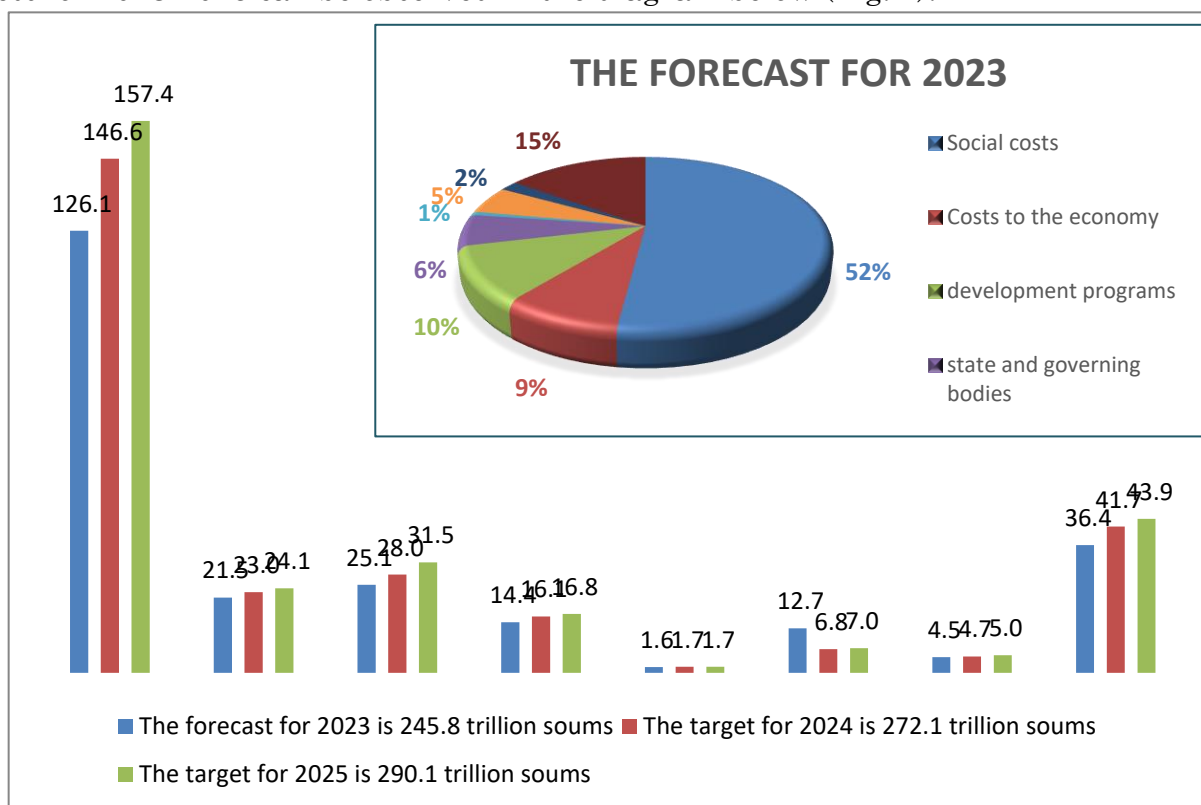


Figure 1. Structure and dynamics of state budget expenditures by sector, forecast for 2023-2025 [8] (trillion soums)

In the following years, the social orientation of state budget expenditures will be maintained. At the same time, the costs of centralized investments directed to development programs have a tendency to increase somewhat, which indicates that the state budget serves as an important support for the socio-economic development of the country.

More than 50 percent of the state budget expenditures are expenditures for social purposes, their composition is presented in the table below (Table 2).

**Table 2 Analysis of the composition and structure of the expenditures of the state budget of the Republic of Uzbekistan for social purposes [8]**

№	Indicators	2021 year		2022 year		2023 year (forecast)	
		trillion soum	relative to the total %	trillion soum	relative to the total %	trillion soum	relative to the total %
<b>State budget expenditures for social purposes, total</b>		<b>92,6</b>	<b>100,0</b>	<b>129,3</b>	<b>100,0</b>	<b>126,1</b>	<b>100,0</b>
<b>1.</b>	Costs of the social sphere and social support of the population, of which:	80,7	87,1	113,3	87,6	109,3	86,7
1.1.	education	39,6	42,8	50,7	39,2	54,7	43,4
1.2.	health care	23,3	25,2	27,5	21,3	26,9	21,3
1.3.	culture, sports	3,6	3,9	3,9	3,0	4,1	3,3
1.4.	science	1,1	1,2	1,6	1,2	1,8	1,4
1.5.	allowances, financial assistance and compensation payments	10,9	11,8	27,3	21,1	18,9	15,0
1.6.	Other expenses for the social sphere and social support of the population	2,2	2,4	2,3	1,8	2,9	2,3
<b>2.</b>	Transfers to the pension fund	10,7	11,6	14	10,8	15	11,9
<b>3.</b>	Costs for financing housing programs (subsidies to cover part of the down payment and interest payments on the mortgage loan)	0,6	0,6	1,8	1,4	1,8	1,4

About 40-43% of the expenses for social purposes are spent on the education system. These costs are related to the maintenance of preschool education, general secondary and secondary special education, professional and higher education and other institutions of the continuing education system that provide educational services guaranteed by the state. includes expenses.

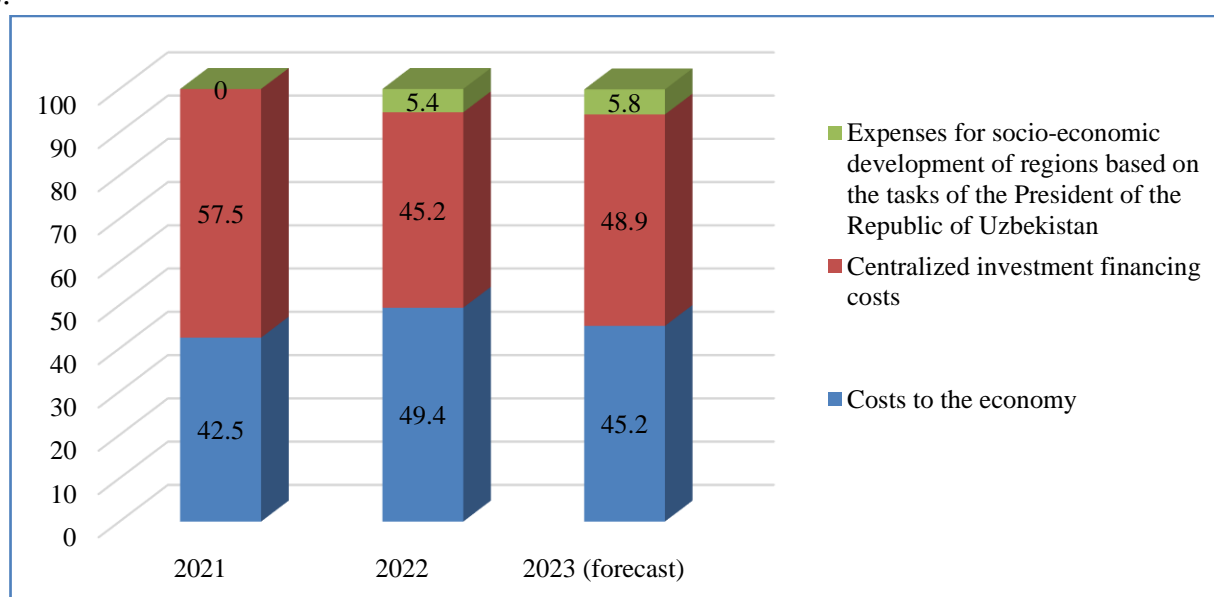
Health care expenses are also increasing year by year in line with the increasing attention of the state to this branch of the social sphere and make up 22-25% of the expenses for social purposes on average.

The expenditure group "Social benefits to families", which is 12-21% of social expenses, includes allowances, financial assistance and compensation payments to families in need of social protection. But today's reality shows that the mechanisms of passive social policy, which provide benefits only to certain groups of citizens, are insufficient for social protection of the population. Active social policy measures aimed at creating favorable conditions for entrepreneurship, further increasing employment of the population at the expense of opening new jobs, stimulating the employment of the needy segments of the population are the fourth of the Development Strategy of New Uzbekistan for 2022-2026. reflected in the direction.

The expenses of the state budget for economic purposes include the following groups of expenses:

- costs to the economy;
- costs of financing centralized investments;
- Expenditures for socio-economic development of regions based on the tasks of the President of the Republic of Uzbekistan.

While the first two of the listed items were always included in the budget expenditures in previous years, the type of "expenditures for socio-economic development of regions based on the President's orders" was planned separately in the budget expenditures in the following years.



**Figure 2. The composition and structure of the state budget expenditures for economic purposes, 2021-2023 (in percent)**

In recent years, the expenses of the state budget directed to economic sectors have been around 42-49% of the total expenses of the budget for economic purposes, and the expenses related to the financing of centralized investments have been on average 45-57%.

The expenses of the state budget to the economy include the expenses of the republican control bodies in the field of agriculture and water management, the expenses of water, agriculture, forestry, payment of fees for the services of institutions for combating pests of agricultural crops and their maintenance, low productivity financial support, standardization and certification of farms growing agricultural products for state needs, topography-geodesy, cartography and cadastre, as well as geological-exploration work, costs of maintaining the state urban planning cadastre, maintenance of hydrometeorological service institutions, includes costs associated with ensuring the protection of the environment and landscape, protection of biological diversity. Studying the composition and structure of this category of expenses according to the parameters of budget expenses for 2023 shows that the following expenses are foreseen in the budget group "expenses for the economy" based on the priorities of this period:



- operational costs of water management;
- Proactive budgeting costs.

Initiative budgeting is the practice of allocating part of the budget funds based on the proposals made by citizens, taking into account their initiatives, and directing these funds to relevant (socially important) proposals put forward by citizens, that is, a new interactive financing practice [9].

The initiative budget process, which has been held in our country since 2019, has once again proven the relevance of this sector in people's lives and the fact that this process serves as an important support in solving existing social problems in our society. This, in turn, requires the further improvement of this process, the prevention of repetition of the shortcomings observed in the past period, and the study of the experience of foreign advanced countries in systematically solving the problems related to the process.

The costs of financing centralized investments include the costs of financing centralized investments ordered by the ministries, state committees and agencies of the republic, including: implementation of investment projects, state target programs and interstate agreements on the priority directions of the development of the republic's economy; restoration of irrigated lands and development of new ones, construction of water management and development of small hydropower; development of the engineering infrastructure of settlements, first of all individual building arrays; construction of educational, healthcare, cultural facilities and other branches of social infrastructure; development of state scientific institutions; development and strengthening of the material and technical base of state administration bodies, law enforcement bodies, state scientific institutions; includes the costs of implementation of national nature protection measures and construction of structures protecting against natural disasters.

## CONCLUSIONS

In short, at the current stage of economic and social development, budget revenues are increasing due to the development of production, the growth of incomes of economic entities and the population, the expansion of tax bases, and the increase of property forms. However, in this period, the multidisciplinary needs of the society did not decrease, on the contrary, it was an objective necessity to provide funds from the state budget, essentially new events, projects, directions appeared. Funding them in full requires attracting more funds. But the ability to continuously increase revenues (in particular, by increasing taxes) is limited by the current tax legislation and the economic capabilities of taxpayers. At the same time, an unjustified increase in taxes seriously harms the economic activity of economic entities, extinguishes their interest in developing production and increasing its efficiency. In such conditions, it is not always possible to achieve a balance between budget expenditures and budget revenues. As a result, the state faces another important macroeconomic issue - the issue of maintaining the budget deficit at an economically safe level.



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