

METHODS FOR FORMING A REGIONAL INCOME AUTHORITY**Kabulov Kh.A.**

Head of the “Finance” department of the Tashkent Financial Institute, professor, doctor of economics

Akbarov M.A.

Lincoln University, Oakland, CA M.S. in Financial Management and Investments

ABSTRACT: *In this scientific article, the role and importance of scientifically based and correct interpretation of the categories of “methods of regulation through the budget” and “methods of local budget regulation” in the formation of the revenue potential of the region is considered.*

KEY WORDS: *local budgets, inter-budgetary relations, balancing of local budgets, regulation through the budget, methods of local budget regulation, potential, revenue potential of the region.*

INTRODUCTION

It is known that large-scale studies are being conducted all over the world on the formation of an effective mechanism for regulating the income and expenses of local budgets. In these studies, the formation of the revenue base of local budgets, determination of local taxes and fees, ensuring the appropriateness and targeting of budget expenditures, distribution of social transfers, and regulation of financial relations between the budgets of the budget system have a special place. At the same time, the problems of regulating local budgets, ensuring their financial stability, forming an effective system of distribution of income and expenditure powers between the branches of the budget system, and different approaches to the decentralization of certain social and economic costs have not yet been resolved. All this determines the relevance of researching methods of regulating local budgets, which are the basis for making management decisions on strengthening the revenue potential of regions.

RESEARCH METHODS

In the Republic of Uzbekistan, the dependence of local budgets on higher budgets due to the lack of their own income to finance the expenses of local budgets has a negative impact on the revenue potential of regions for solving the problems of their socio-economic development and the effectiveness of social protection measures for the population.

RESULTS AND DISCUSSIONS

Adopted on February 7, 2017, the third priority direction in the Action Strategy for the further development of the Republic of Uzbekistan in 2017-2021 is the development and liberalization of the economy, aimed at further strengthening macroeconomic stability and maintaining high-speed economic growth, comprehensive and proportionate socio-economic development of regions, districts and cities. [1]. Also, in this direction, it is established that the reality of the budget at any level depends to a large extent on the accuracy of the forecast of budget revenues, mainly on tax revenues, as they occupy the largest share of the total budget.

The budget policy is aimed at the implementation of a well-thought-out fiscal policy starting from 2020, the proportional growth of economic indicators and ensuring the stability of the country’s financial system. Local competent bodies are required to actively participate in the work of ensuring the completeness of budget revenues, taking into account the rational use of the territory’s opportunities, strengthening the sources of income of local budgets and consistently increasing their independence. From this point of view, issues of local budget regulation methods are of particular importance in forming the revenue potential of regions, in their socio-economic development, in ensuring the active development of economic sectors, in improving infrastructure, in providing social support to the population, and in timely financing of local budget expenses.

During the whole period of the formation and development of the budget system of the Republic of Uzbekistan, local budgets, as a lower link, were overloaded with the functions assigned to them.

The financial capabilities of local budgets have always changed, sometimes increased and sometimes decreased due to the large number of local taxes and fees, but the tax legislation provides only a part of the revenue base of budgets on a permanent basis for different levels of budgets. Therefore, there is another additional method of balancing income and expenses - regulation through the budget. The Budget Code [2] still does not define the concept of “regulation through the budget” and does not describe the methods of its implementation, which is one of the problems of organizing inter-budgetary relations.

There are many modern interpretations in the economic literature: it is “the activity of the authorities to equalize the vertical and horizontal imbalances of the budget system using a set of appropriate tools”; “... form of financial assistance”; “an objectively based system of providing financial assistance to regional and local authorities” or “a set of mechanisms for managing (regulating) the budget system in order to ensure balance”.

It should be noted that the categories “methods of budget regulation” and “methods of local budget regulation” have common features and differences. In our opinion, the definition of regulation through the budget can be formulated as follows.

Regulation of budgets or regulation through the budget is the process of balancing the income and expenses of different budgets, which ultimately ensures the existence of the budget system in the context of the integrity and unity of all links of the unitary state budget system.

The centralization of tax revenues in the republican budget led to a constant decrease in the volume of local budgets’ own revenues, which, accordingly, began to reduce the norms of tax payments to lower budgets.

As a result, the deficit of local budgets is covered by arbitrary transfers, the size of which may change during the budget year.

1. Both categories are fully based on the budget-tax legislation and are directed to ensuring balanced and stable development of local budgets.

2. Both methods complement each other and do not contradict each other, but sometimes measures not provided for by the second category can be taken into account when making amendments to the measures for regulating the relevant sections of local budgets. They have their pros and cons.

The different aspects of the categories are:

1. If we take into account the orientation of the budget regulation methods to local budgets, this category has a narrower concept than the second one and is part of the local budget regulation methods.

2. The use of this category applies to all links of the budget system (that is, not only to local budgets, but also to the republican budget).

1. A broader concept than the first and methods of budget regulation (budget regulation methods and local budget regulation methods that work equally with them - operational (tactical) and prospective (strategic) methods of financial management of local finance, regulatory and legal regulation, the state policy on the development of SEZs includes measures to improve the budget situation of the regions, attracting and using foreign investments not taken into account in the state’s investment programs, initiative programs, projects implemented in the regions, etc.

2. Application of these categories applies only to local budgets.

The peculiarity and main problem of the budget system of the Republic of Uzbekistan is its imbalance. There is an objective need for regulation through the budget. However, the current mechanism of regulation through the budget does not solve the problem of imbalance in the state’s budget system, because it does not actually stimulate the socio-economic development of the regions. The growth of inter-budget transfers only leads to the centralization of control over the movement of funds within the country.

<https://conferencea.org>

November 15th 2022

In the theory of budget formation, there are various methods of redistribution of budget funds, and methods of evaluating the effectiveness of budget measures are being developed. At the same time, in solving this problem, first of all, it is necessary to optimize the process of redistribution of budget funds between the links of the budget system, to fully take into account the financial resources of local budgets, and to objectively assess the possibilities of attracting them to the budget. The methodological approach that allows to evaluate the results of regulation through the budget is currently one of the least developed.

We reveal the economic nature of budget regulation from two positions: as an integral part of state regulation of the economy and as an element of the budget process.

In this, the analysis of the research conducted by leading domestic scientists and experts, foreign economists, allowed to come to the conclusion that currently there is no single accepted definition of the concept of "budget regulation". Regulation through the budget is considered in relation to a particular level of the budget system, or it is determined by the redistribution of income in the budget system of the state, which are private approaches to determining its essence.

The definition of the concept of "regulation through the budget" should reflect the principle of the unity of the budget system of the Republic of Uzbekistan, that is, it should be acceptable to describe the regulation through the budget at both the republican and local levels of the budget system of the Republic of Uzbekistan, and the regulation through the budget should be the allocation of financial resources between budgets of different levels. should include any redistribution.

Thus, in our opinion, regulation through the budget is a process of redistribution of financial resources between different levels of budgets, which are necessary for the implementation of their powers by state authorities and local self-government bodies, arising from the lack of their own income in the relevant area.

The mechanism of regulation through the budget is considered by us as a part of the financial mechanism and is defined as a set of organizational, economic and legal measures for the collection, distribution and use of budget resources aimed at achieving the tactical and strategic goals of the state budget policy. By budget regulation methods, we mean a set of ways, methods, and means of economic and legal influence on the financial and economic relations of entities within the budget process. Based on the above, it is worth noting that a properly built and effective mechanism of local budget regulation is one of the positive factors in the formation of the region's income potential.

Within the scope of the topic of our scientific article, we compared and summarized the available approaches to defining the concepts of "methods of regulation through the budget" and "methods of local budget regulation". The parameters of definitions such as the subject, object of budget relations, the basis for the emergence of this type of relations, as well as the purpose of regulation through the budget have been specified.

CONCLUSION

Our research has shown that the separation of methods as the main problematic element of the budget regulation mechanism. The main trends of budget regulation in the Republic of Uzbekistan: 1) expansion of the budget regulation sphere by attracting new participants (local budgets, target funds), redistribution of budget funds increase; 2) orientation of the mechanism of regulation through the budget to achieve the strategic goals of the state and, as a result, the striving for the centralized management of the budget regulation processes at all levels of the budget system of the Republic of Uzbekistan, is also based on the striving towards equalization of the level of provision of the regions with the budget through transfer mechanisms.

REFERENCES:

1. Decree №-PD-4947 of the President of the Republic of Uzbekistan dated February 7, 2017 "On the strategy of actions for the further development of the Republic of Uzbekistan" // National database of legal documents, 11.12.2019, No. 06/19/5892/4134
2. Budget Code of the Republic of Uzbekistan // National database of legal documents, 15.01.2021, No. 03/21/666/0032
3. Law of the Republic of Uzbekistan dated December 9, 2019 "On the State Budget of the Republic of Uzbekistan for 2020" No. LRU-589 // National database of legal documents, 23.12.2020, No. 03/20/655/1660

<https://conferencea.org>

November 15th 2022

4. Kobulov Kh.A. Priority issues of the strategy for the development of the region's income potential // "ECONOMY AND BUSINESS: theory and practice" // International Monthly Scientific Journal - №. 9-1 (67). Moscow, ed. Capital LLC, 2020. - p. 147-150. DOI: 10.24411/2411-0450-2020-107095.

5. Kobulov Kh.A. Local budget revenues - as an important part of the profitable potential of the region // Actual Problems of Modern Science, Education and Training in the Region, 2020-V, October 15, 2020, ISSN 2181-9750, P.186-192.

6. REGULATION on the procedure for planning and allocation of revenues transferred from the higher budget to lower budgets // Collection of legal documents of the Republic of Uzbekistan, 2010, No. 18-19, Article 143.