
LOCAL BUDGET EXPENDITURE AND THEIR STRUCTURAL ANALYSIS

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Abstract: This article explores the importance of budget spending in public administration and economics. The significance of budget expenditures from the point of view of public administration, the purpose of funds accumulated in the budget from taxes and other funds is analyzed. According to the study, the state budget is based on the fact that production costs have a larger multiplier effect on GDP growth. Within the framework of the financial strategy of local budgets, proposals were formed on the possibility of reforms not only at the local budget level, but also at the state budget level.

Keywords: Local budget, financial strategies, revenues, expenditures, budget expenditure structure, cost sustainability, cost structure analysis, economic expenditures, social sector expenditures, other expenditures, taxes, budget sustainability, budget revenues, expenditure priorities.

Introduction

The strategy of actions for five priority areas of development of the Republic of Uzbekistan for 2017-2021 defines priority tasks such as increasing the revenue base of local budgets, ensuring their financial independence, improving inter-budgetary relations to strengthen the revenue side of local budgets, integrated and balanced social and economic development of regions, districts and cities, active attraction of foreign investment in the regions by improving the investment environment (Decree, 2017), a crucial issue in ensuring these tasks is to study the advanced experience of developed countries, as well as the application of their positive results in the republic.

Particularly, in the Address of the President of the Republic of Uzbekistan Sh.M. Mirziyoyev to Oliy Majlis of December 29, 2020 pointed out that local budgets do not have enough funds to finance sustainable socio-economic development of regions (Address, 2020). Additionally, at a meeting held on June 9, 2020, devoted to discussing topical issues of ensuring the sustainability of the national economy, the directions for ensuring the sustainability of the economy were indicated. At the meeting, the head of the state noted that at that time there were a lot of opportunities in the economy for ensuring the growth by the means of the use of new approaches and tools, and outlined 8 key areas in this sphere. It was noted that the first of these areas is to ensure the stability of the economy and the budget, as well as due to all areas, instructions were given to optimize budget revenues and expenditures. It was delegated to provide additional income at the expense of relaunching the activities of enterprises and improving tax administration, without exceeding the limits established at concluding foreign debt transactions.

Budget expenditures are very important from the point of view of government and economy.

The relevance of budget expenditures from the point of view of public administration is determined by the fact that they reflect the purpose of funds accumulated in the budget from taxes and other funds. Meanwhile, it reflects the objectives pursued in this policy. On the one hand, economically important expenditures create market demand for business representatives, on the other hand, they serve to increase economic activity in these areas at the expense of government spending. Thus, it will be possible to analyze the general and regional economic situation depending on the structure of state budget expenditures and their share.

Analysis of the literature on the topic

Noted cases play a key role in the financial strategy of local budgets. Because due to the financial strategy of local budgets, today it will be possible to coordinate actions and provide business entities with information on the next steps by defining common goals and their results. Information about budget expenditures at these stages is very important for business representatives; it serves not only as a forecast of future aggregate demand, but also as a sign for a probably newly created enterprise.

In recent years, numerous researches were conducted in this area, where researchers A. Kudrin, A. Knobel analyzed state budget expenditures, divided into production and non-production. According to the results of the study, the state budget is based on the fact that the cost of production is greater than the multiplier effect on the increase in gross domestic product (Kudrin A., Knoobel A., 2017). Therefore, we consider it expedient to analyze the state budget expenditures before analyzing the expenditure side of the local budget.

Table 1
Information on the types and amounts of the state budget expenditures (billion soums) *

Indicators	Years				
	2015	2016	2017	2018	2019
Total expenditures	36 257,3	40 911,3	49 343,7	79 736,1	118 008,6
<i>including:</i>					
Social expenditures	21 316,9	24 101,6	27 223,3	42 658,9	63 542,3
<i>Social sphere and social support expenditures of the population:</i>	20 235,0	22 766,0	27 009,3	39 026,9	59 416,5
Education	12 162,2	13 831,7	15 979,6	20 631,9	33 536,1
Healthcare	5 218,5	5 811,6	7 330,0	9 585,8	14 977,4
Culture and sport	387,5	460,6	750,2	1 345,5	2 417,3
Science	216,7	238,2	275,5	441,1	662,4
Social security and benefits	2 250,2	2 204,3	2 589,9	3 026,2	4 740,3
Organization of public works and increase of level of population employment	-	-	84	570	1192
<i>Credit line to banks participating in joint financing of the housing</i>	869,8	1 335,5	214,0	3 632,0	4 125,7

<i>construction program</i>					
Expenditures for the supporting NGOs and other civil society institutions	10,0	11,0	12,0	17,8	37,8
Expenditures to the economy	3 821,3	4 319,5	5 280,7	7 637,8	18 481,0
Expenditures of financing centralized investments	1 838,7	2 089,1	3 234,7	5 400,4	7 048,5
Expenditures on maintenance of public authorities, administration, justice, prosecutor's office and judiciary	1 212,7	1 363,4	1 931,1	3 275,4	5 319,3
Expenditures on maintenance of citizens' self-government bodies	393,1	459,1	498,6	603,5	701,0
Reserve funds	101,7	101,8	312,2	604,2	985,4
Others	7 562,8	8 465,7	10 851,1	19 538,2	21 893,3

*Source. Data of website of the Ministry of Finance, presented on www.mf.uz. Date of application 18.05.2020

Due to the data from Table 1, the volume of state budget expenditures is increasing, and they, like the state budget revenues, have sharply changed in 2018-2019. If we pay attention to the structure of expenses, we can divide them into 4 main groups: social sphere, economy, public administration and others. Despite the fact that the table contains 8 types of expenditures, we believe that centralized investment expenditures should be included in the structure of economic expenditures, expenditures for supporting NGOs and other civil society institutions - in the structure of social expenditures, expenditures for the maintenance and reserve of funds of self-government bodies citizens can be included in government expenditures.

State trust funds are also important in developing a local budget financial strategy at the expense of them, expenditure is directed to areas where local budgets are spent. The compliance of these costs with local budgetary expenditure and the need for this area is an important issue that should be taken into account in the financial strategy of local budgets. In particular, according to researcher Nurtdinov, state trust funds are created before the state budget and are intended to meet the needs of society. Moreover, important functions were delegated by the state as well as the deposition of special financial resources into it, a system of targeted savings has emerged (Balaev, 2018).

The sustainability of local budgets in the execution of expenditures is defined by the existence of powers in the independent formation of a financial strategy. In the conditions of Uzbekistan, the financial strategy of local budgets is centrally implemented. In this case, the costs are determined by a single legal document, and revenues are collected in the center and distributed across regions through redistribution (Primova N., 2020).

A. Illarionov and N. Pivovarova analyzed the relationship between GDP growth and the state budget and obtained different results in countries grouped by population and GDP per capita. Due to their views, the increase in the share of government expenditure in some types of states in relation to gross domestic product has resulted in economic growth, while in some, on the contrary, it achieved the negative results (Illarionov A., Pivovarova N., 2020). Nowadays such research work is still ongoing today and the analysis on the types of costs in them is a priority.

Today it indicates that the state budget is currently pursuing a policy of decentralization due to local budgets. In this process, the need to develop a financial strategy for local budgets will be increased. However, T. Zyuzina emphasizes that local strategy is an independent development. The researcher notes that the solution of the tasks assigned to the regions can be carried out primarily by ensuring independence in financial and budgetary activities (Zyuzina T.E., 2015).

If we focus on the changes in the expenses structure, since 2017, the costs of organizing public works and increasing the level of employment began to be taken into account as separate costs in the structure of social spending. Additionally, in 2019 we can observe that the expenditures to the economy is growing faster than other types of spending.

Numerous researches have been conducted to assess the impact of economic costs on economic growth. In most of them, including the researcher A. Balaev, the positive impact of the growth of economic costs on economic growth is based on the example of the Russian Federation (Zyuzina T.E., 2015).

In addition, while government spending is growing slowly, the growth in other spending is relatively small. However, expenditures are growing in quantitative terms, as well as it is one of the necessary points in the financial strategy, since it also shows an increase in local budget expenditures. At this stage, you need to analyze the share of types of expenses in total expenditures. Since by means of it is possible to establish cost priorities in the financial strategy of the local budgets.

Research methodology

In the process of the analysis statistical grouping of data, methods of comparative analysis and trend analysis were used. The article provides a comparative analysis of the scientific and theoretical views of economists on ensuring the sustainability of local budgets as one of the crucial problems of the state financial system.

Analysis and results

If, today, expenditure priorities are set at the level of the state budget, and in local budgets these expenditures are carried out within the framework of budgetary organizations at the local level, exactly in the future every region should form its own expenditure priorities.

Figure 1 illustrates the share of large groups of state budget expenditures due to total expenditures constituting graphs and tables, as well as by analyzing them, we can see that social sector expenditures have a large share.

Although the share of social expenditures declined in 2015–2019, in practice they still account for the largest share. A large share of the monthly wages paid to employees of social entities, in this type of expenditure the demand for goods (work, services) produced in the regional economy was increased due to increasing the income of the population. At the same time, there are expenditures for their maintenance in the social sphere, due to which they form the demand for goods (works, services) of economic entities, whereas in small quantities (see Figure 1).

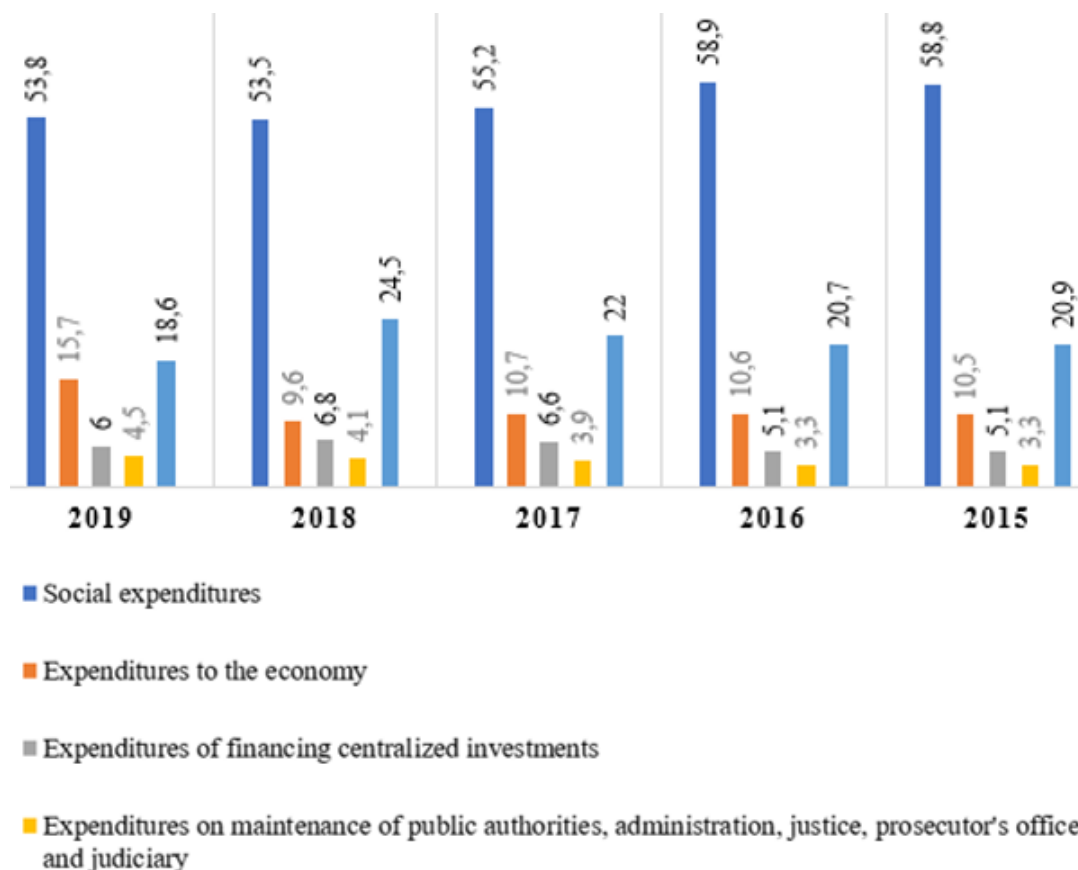


Figure 1. Information on the share in the structure of state budget expenditures in total expenditures (in percent)*

*Source. Figure 1 is prepared on the basis of data of Table 1.

If we review the share of other areas of expenditure, the largest share after expenditures on the social sphere accounts for other expenditures, and its structure is dominated by expenditures on defense and other similar expenditures of a secret nature.

A sharp increase in the expenditure of the economy in recent years, especially by 2019 year, is also reflected in its share. This means that local budgets should assess the increase in this type of expenditure in terms of expenditures in their financial strategy. This type of spending is unique to other spending through which supply is stimulated in the economy.

In other words, the “boomerang effect” costs the economy more than other costs. Consequently, there is an excellent opportunity for the development of the economy of the regions where local budgets are formed, by increasing the expenditures of the economy, which in practice will also lead to an increase in budget revenues.

Although the expenditures of financing centralized investments have increased in quantitative terms, it has an unstable upward trend in terms of share of total spending.

Table 2
Information on the amount of expenditures of local budgets*(billion soums)

Name of regions	2015	2016	2017	2018	2019	2020 (Planned)
Republic of Karakalpakstan	1358,1	1483,0	1616,7	2681,6	3897,9	2833,3
Andijan	1601,4	1785,0	1844,1	2925,0	4510,4	2803,6
Bukhara	1137,2	1260,5	1344,0	2186,6	3103,0	2142,3
Djizzah	877,8	992,4	1083,8	1849,2	2534,7	1499,0
Kashkadarya	1722,2	1895,4	1937,3	2994,9	4415,2	3693,8
Navoiy	753,5	849,9	881,8	1571,4	2280,3	1353,6
Namangan	1489,7	1642,6	1703,3	2602,0	3921,5	2994,2
Samarkand	2044,1	2242,4	2396,8	3500,2	5138,7	3036,6
Surhandarya	1449,5	1644,2	779,5	2590,6	3721,2	2580,7
Syrdarya	580,3	672,5	1756,3	1184,6	1725,4	1095,0
Tashkent	1561,7	1722,1	1817,5	3023,2	4225,8	2582,9
Fergana	2030,8	2179,2	2267,4	3320,0	4962,7	3357,5
Khorezm	1076,1	1169,4	1225,8	1835,8	2727,6	1859,2
Tashkent city	1700,9	1964,7	2434,8	3770,4	4885,2	3556,1
Total	19383,3	21503,3	23089,1	36035,5	52049,7	35387,8

*Source.Data of website of the Ministry of Finance, presented on [www. Openbudget.uz](http://www.Openbudget.uz). Date of application 08.07.2020

Expenses for the maintenance of government and administrative bodies show stable growth in 2015-2019. We can say that it is due to the expansion of the governing bodies. This, in turn, is one of the components of the financial strategy of local budgets, which should be taken into account from the point of view of profitability.

It is not included in this indicator because the share of other types of costs listed in Table 1 is negligible. If we analyze the volume and composition of expenditures of the state budget in Table 1, then now it is appropriate to focus on changing the amount of expenditures of the local budget.

In our opinion, the following conclusions can be drawn from the data in Table2:

- In 2015-2019, local budget expenditures tend to grow in all regions;
- The given data for 2020 are planned indicators, and in recent years, local budget expenditures have been carried out in excess of the plan. Particularly, local budget expenditures for 2019 are planned in the amount of 38.8 trillion soums, as well as by the end of the year it is considered to be 52.0 trillion soums. This indicates that in 2020 local budget expenditures may increase in comparison with the plan.

Analyzing the growth of local budget expenditures in comparison with previous years, it will be possible to see trends in the growth of expenditures by region.

From the data in Figure 2, it can be observed that the growth rates of local budget expenditures in comparison with previous years differed in terms of budgets. In our opinion, the following conclusions can be drawn from the data in Figure 2:

- In comparison with the previous year the growth of local budget expenditures can be conditionally divided into two periods. These are 2016-2017 and 2018-2019. In the first period (2016-2017), the growth was lower than in the previous year, and in the second period (2018-2019), this indicator increased sharply. The main reasons for this are the increase in state budget expenditures and the expansion of the independence of local budgets;

- The growth of local budget expenditures in 2019 was not as high as in 2018 in any region. Considering that the growth in 2019 is relative to 2018, it is clear that this year the growth is actually even greater. Along with this, if we take these figures in comparison with 2017, we see that the growth in 2019 almost increased by 2.3 times.

According to the information above, we discussed a number of studies on the impact of cost trends on economic growth, highlighting cost trends that have a positive effect on economic growth. Therefore, the analysis of the areas of expenditures of local budgets is very important in terms of increasing the gross regional product in the financial strategy of local budgets.

In this case, it is advisable to analyze the indicators of the plan in terms of expenses. This is due to the fact that the plan indicators reflect the government's fiscal policy in relation to local budgets. The rest of the expenses are covered by the President's visits and programs.

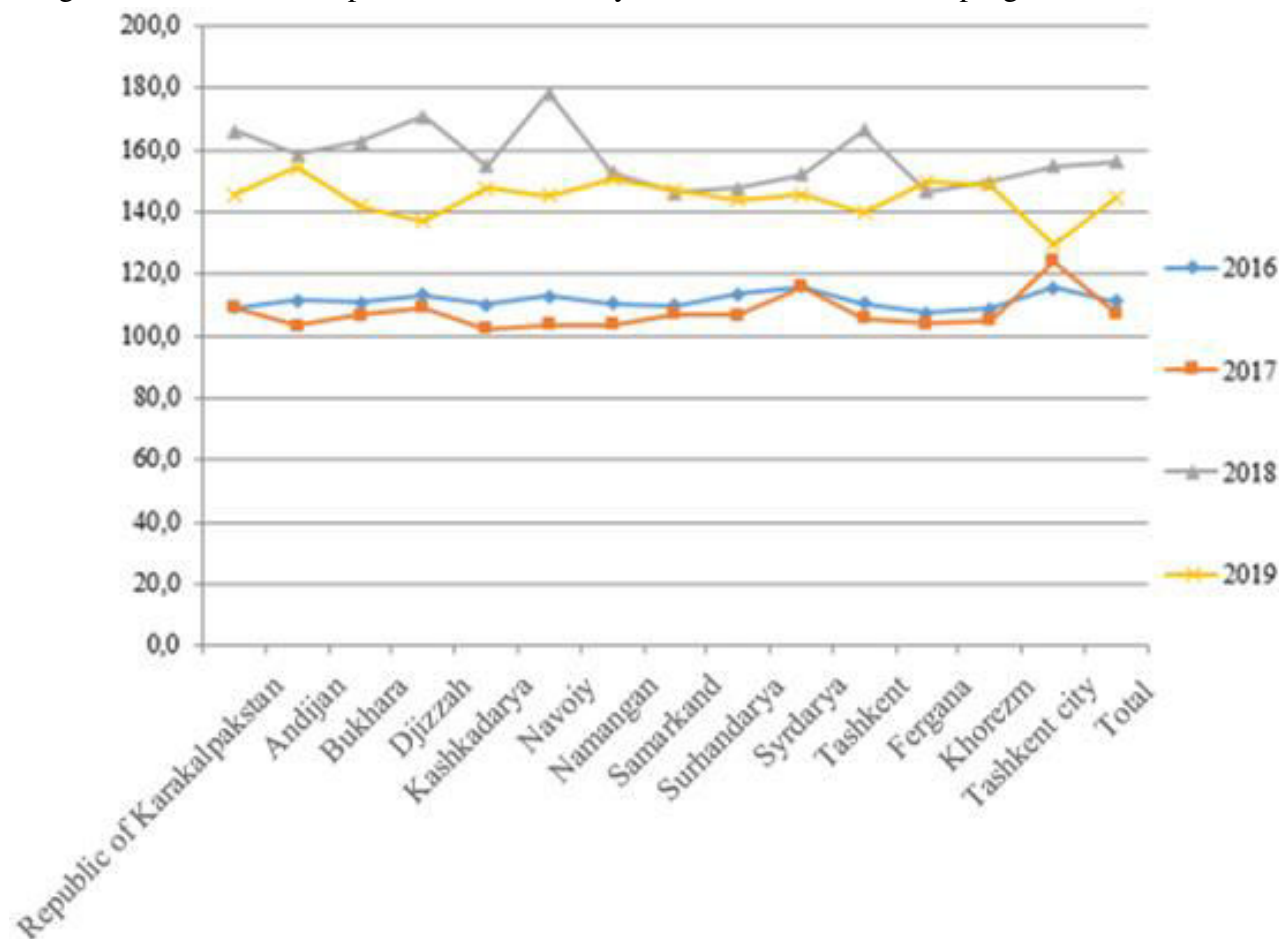


Figure 2. Analysis of changes in the volume of expenditures of local budgets in comparison with the previous year (in percent)

Source. The Figure is based on the data given in Table 2

From the data in Table 3, we see the structure of local budget expenditures, in which, as in the case of state budget expenditures, the largest share is accounted for social expenditures. However,

expenditures on the social sphere make up a significant part of the expenditures of local budgets in relation to the expenditures of the state budget. This is followed by the expenditures of public authorities and administrations, as well as of citizens' self-government bodies and the reserve fund.

Table 3
Information on the structure of the plan of expenditures of local budgets *, (in billions of soums)

Types of expenditures	2016	2017	2018	2019
Social sphere expenditures	18493,6	17725,8	21694	33202
Expenditures to the economy	180,5	229,2	552,4	1047,7
Expenditures of financing centralized investments	562,2	797,1	602,7	461,8
Expenditures of public authorities and administration, maintenance of citizens' self-government bodies and the reserve fund	705,3	799,2	1444,6	2366
Other types of expenditures	879,2	1193,9	1191,8	1768,6
Total	20820,8	20745,2	25485,5	38846,1

*Source. Data of website of the Ministry of Finance, presented on www. Openbudget.uz. Date of application 11.07.2020

In our opinion, the following conclusions can be drawn from the data given in Table 3:

- the volume of expenditures of the local budget in all areas, except for centralized investment, is growing;

- the volume of planned expenditures of the local budget for 2019 increased by 1.9 times compared to 2016;

- out of six, a fifth of the local budget expenditures is accounted for social expenses. It shows that expenses are mainly presented in the form of wages and equivalent benefits;

- although the economy's expenses are growing, its share is very small. This shows that in practice, local budget expenditures do not have a direct impact on the growth of the regional economy;

- a very low share of centralized investment expenditures financially ensured the limitation of the powers of local budgets to identify and improve objects that need to be built or reconstructed in their region;

- expenditures on the maintenance and reserve fund of public authorities and administration, and citizens self-government bodies are not large in terms of share, although it is increasing. These expenditures are also growing in the structure of state budget expenditures. In our opinion, to finance this type of expenditure from local budgets is the right decision. Because it is the provision of public administration funds from their local budgets that increases their responsibility for the implementation of the local budget.

In general, due to the data in Table 3, it can be seen that there are strong elements of centralization in planning local budget expenditures. We can also see this in the priority of social

sector expenditures, which has very low flexibility (possibility of change) in the structure of planned spending. The impact on the regional economy through the local budget is mainly in the form of demand generation, and the main task of local budgets is the social sphere.

Therefore, it is appropriate to consider the share of the planned expenditures areas in the total expenses.

Table 4
Analysis of the share of the planned expenditures of the local budget in the total planned expenditures* (in percent)

Types of expenditures	2016	2017	2018	2019
Social sphere expenditures	88,8	85,4	85,1	85,5
Expenditures to the economy	0,9	1,1	2,2	2,7
Expenditures of financing centralized investments	2,7	3,8	2,4	1,2
Expenditures of public authorities and administration, maintenance of citizens' self-government bodies and the reserve fund	3,4	3,9	5,7	6,1
Other types of expenditures	4,2	5,8	4,7	4,6

*Source. Data of website of the Ministry of Finance, presented on [www. Openbudget.uz](http://www.Openbudget.uz). Date of application 11.07.2020

Table 4 illustrates, that the share of local budget expenditures in total expenditures, and a particularly noteworthy aspect is the growing share of expenditures in the economy and expenditures of public authorities and government bodies, citizens' self-government, reserve funds, and other expenses. In contrast, the share of centralized investment expenses is declining. The share social sphere expenditures have not changed. Consequently, it provides evidence to our above listed ideas and opinions.

Conclusion

The share of social sphere expenditures is about 85 percent, it shows that the budgetary funds of the region are mainly focused on financing social issues. Taking into account that more than half of the state budget expenditures are directed to financing social expenditures, it is obvious that these expenditures are carried out mainly at the expense of local budgets.

On the whole, all of the above information serves as a basis for developing a financial strategy for the local budget. Accordingly, as a result of the analysis, we received conclusions and data on the total budget expenditures. All these conclusions substantiate the need to develop a financial strategy for local budgets and show its relevance. Nevertheless, it considers that by means of the financial strategy of local budgets, reforms can take place not only at the level of the local budget,

but also at the level of the state budget.

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