

# FORMATION OF LOCAL BUDGET REVENUES IN THE MODERNIZATION OF THE ECONOMY

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## Annotation

**Today, among the state measures to ensure the effective implementation of the state budget, it is important to make extensive use of the treasury services and to make radical changes in budget practice on this basis. Simply put, the treasury is a special financial body that manages the revenues and expenditures of the state budget. The treasury system looks different in different countries. In most countries, it is organized under the Ministries of Finance, has certain rights and is subordinate to it in the conduct of its activities. In some countries, the treasury includes departments and agencies that play a key role in the management of public funds and perform the functions of fiscal and customs policy.**

**Key words: budget, economy, crises, banking, private sector, expenditures, accounts, external debt.**

Ensuring effective budget execution for each state is one of the main requirements of fiscal policy and management of the budget process. Ensuring the effective execution of the state budget is also an important issue for Uzbekistan in the implementation of fiscal reforms. As noted by President Islam Karimov, "In the second phase of the reforms, the most important task of fiscal policy is to stabilize the economy by limiting the budget deficit. In this way, it is to allocate current socially significant expenditures that stimulate economic activity and to ensure the most optimal balance between the deficit. Attempts to balance the budget only by further drastically reducing public spending on daily consumption and rebuilding the economy could worsen the economic situation and prolong the reform process".

During the last decades of the last century, as a result of budget crises in a number of countries, including some developed countries, the focus on the effective execution of the state budget has increased dramatically. Although the factors that lead to such negative situations are different in each country, it is possible to identify two common directions that are specific to all of them. In some countries, the cause of the crisis is the gap between expenditures and revenues, and, consequently, the growing budget deficit, which in many cases is covered by inflationary sources, while in other countries the situation is characterized by high levels of debt from foreign countries. and, consequently, economic growth in return for a sharp rise in public sector spending. But in both cases, as a result

of them, to a greater or lesser extent, there was a large budget deficit and related monetary imbalances. All this has led to a sharp decline in the inflow of external funds (the level of external debt exceeds the limits of their ability to repay) and the disruption of the exchange rate system. The analysis of such cases shows that during these decades, the budget systems of many countries have undergone irreversible negative changes. Factors such as budget deficits, large external debt, the conduct of economic activity through many different guidelines, or in other words, regulation and protectionist policies have led to a deepening of inflation, exchange rate volatility and rising interest rates at the macroeconomic level. caused problems to escalate.

Under these circumstances, the governments of some countries faced the challenge of mobilizing additional revenue, reducing costs, and improving public finances through a combination of both measures.

What exactly is a treasury? The treasury system allows for the single-handed accumulation of budget revenues and expenditures and, consequently, drastically reduces the incidence of inefficient use of budget funds for other purposes. Temporary cash disruptions in the treasury system will be eliminated, all primary payment documents will be in the hands of the treasury, and thus maximum reliability of budget execution, quality and speed of analysis will be ensured. The treasury system allows for efficient management of budget flows, satisfaction with less cash balances than the current execution of budget expenditures, and, as a result, a quick and final balance of state budget revenues and expenditures.

The treasury is pushing for a sharp reduction in borrowing from the central bank, the banking system in general, or the private sector. In addition, in the formation of a developed financial system provides for the competent management of public financial resources and the uninterrupted execution of the budget, as well as control over the targeted use of funds by recipients of budget funds. As a result of the introduction of such a system, the treasury bodies will have a comprehensive control over the use of extra-budgetary funds of public finances by all budget units, resources of extra-budgetary and trust funds, as well as recipients of budget funds. The organization of control at the level of demand, in turn, will limit the transfer of budget funds to budget organizations in a timely manner and in the amount, as well as interruptions in this regard.

**The treasury system performs the following functions during the budget execution:**

- ensuring that actual costs meet the targets set for the current fiscal year;
- adjusting the amount of expenditures, taking into account the changing economic situation and budget revenues;
- to ensure that payments are strictly targeted during the review process and to prevent inefficient use of allocated funds.

Execution of the budget through the treasury is based on the unity of the treasury. This principle stipulates that the relevant budget execution body opens a single account in the Central Bank and collects all revenues and revenues from sources that cover the budget deficit, and makes all payments provided for in the budget.

This means that the bank accounts of budgetary institutions will be closed and personal accounts will be opened for them in the treasury. These accounts reflect the limits of budget obligations, the funds received and the status of fulfillment of obligations at the expense of the relevant budget.

**The following tasks are assigned to the treasury bodies:**

- preliminary and current control over the management of funds in the treasury, the targeted use of budget funds;
- short-term prospects of the state budget resources;
- collection, processing and analysis of information on the state of public finances for public authorities and administration;
- preparation of information on relevant budget financial transactions. To perform these functions, the treasury authorities:
- Carries out cash execution of the republican and local budgets, owns funds in the relevant accounts of the banking system, distributes revenues between budgets of different levels;
- maintains a consolidated register of users and recipients of state budget funds, takes into account the movement of state budget funds, collects, processes, analyzes and prepares reports;
- short-term revenue prospects and the state budget maintains cash execution of expenses;
- directs the work of the territorial bodies of the treasury.

The successful development of any state's economy depends on obtaining objective and timely information about the state of financial and material resources of the state and their effective management. The government should be informed about the daily receipts in its account, how and in what amounts the expenses to be made today and in the future, and the prospect of daily income. The treasury is the body that provides such information.

In order to effectively manage public finances, the treasury must have a single account, which reflects the accumulation of all financial resources of the state, all operations of the

executive branch on budget execution. A single account is opened with the Central Bank. The essence of this principle is that the funds received from separate sources in the treasury do not have a special purpose and are not used to cover certain or predetermined costs, but rather form a single, general and indivisible fund, from which the whole state funds will be received for expenses.

At the same time, the uniformity of government revenues and expenditures does not mean that all funds will go to one cashier and all payments will be made from it. Because it's not even technically possible. In practice, the uniqueness of the fund is that all funds received by the state are credited to a single, common account, and the state transfers funds from it, regardless of the direction and location, for all payments made by it.

The implementation of a single account system will allow the transition to a radically new system of financial planning. Its main tasks are:

- preparation of cash flow projections for the purpose of uninterrupted payment of budget expenditures;
- determining the period and cost of cash shortages;
- timely servicing and management of loans;
- Identify options for financing expenditures during periods of cash shortages.

The introduction of the treasury system will allow finance ministries to actively influence the processes taking place in the existing financial system and thereby accelerate the development of the country's economy. In recent years, in most countries, the treasury has begun to play a more active role in the public finance system as a whole, in addition to its core functions, such as ensuring the execution of budgets at various levels. They are becoming a kind of public financial institution with universal functions in the field of economy and public finance. For example, treasuries have temporarily free budget funds, which are used as an interbank credit market and credit resources for enterprises and organizations. Using the cash balances in the accounts, the treasuries also act as borrowers or lenders in the capital market by placing temporarily free budget funds on deposits or securities and thus generating additional revenue for the budget.

The functioning of the treasury system not only allows for the regular management of public expenditures through the mobilization of public financial resources, but also allows for effective control over them. The highest level of "transparency" and accountability of expenditures in the treasury system is achieved.

Treasury systems have different forms in different countries due to their form, tasks and existing legal framework. In the United States, the United Kingdom, Australia, New Zealand, Kenya, and Tanzania, for example, the treasury system has an "extended function" system, in which the treasury is responsible for formulating and conducting economic and financial policy. Extended

functions performed by the treasury may in some cases include payments (to the state and performed by them), but this function is an additional function that is not primary to them. In most countries, the functions of the treasury are limited. For example, Argentina's 1992 Public Sector Financial Management and Audit Act includes agencies, regulations, and procedures related to the collection of revenues, public sector payments, and cash assets in the treasury system. This definition stipulates that the treasury does not perform the function of managing public debt other than issuing promissory notes. In some countries, the treasury is responsible for maintaining public debt, precious metals and other assets, in others it is responsible for checking them before making payments, and in others it is responsible for preparing treasury reports. In all these activities, the treasury works in close connection with the banking system.

In the United States, Congress is actively involved in budgeting. Here, congressional approval is even required to limit the implementation of initially approved expenditures during budget execution. In other countries, the government plays a key role in budgeting. Here, the Ministry of Finance or the Treasury has a strong position and broad administrative powers. In Germany, the Ministry of Finance also has the right to reduce spending when economic conditions require it.

The system that exists in New Zealand is very different from the systems that have a clear administrative orientation in European countries. While this system has a strong influence on the executive planning authorities, a significant difference from other systems is that it decentralizes management responsibilities within the system. The basis for the allocation of funds to line ministries is the procurement contracts concluded in New Zealand with the permission of the Treasury of the Minister and the Chief Executive Officer of the budget organization. The ministries are then responsible for the terms of the contract and the delivery of the agreed product. However, the New Zealand Treasury has the authority to manage the budget cash register and clean up the balances of bank accounts of government agencies on a daily basis. It also oversees the obligations of public administration bodies that use budget funds under the Public Finance Act by regulating the issuance of orders to carry out expenditures.

In New Zealand, the 1980s saw a major reform in public finance management and accounting. Its essence is that accounting has been transferred to the method of full deductions and to the system of general principles of accounting. In addition, New Zealand's public finance management system is highly decentralized, with an emphasis on budgeting for services.

As mentioned above, the formation of a new treasury system with the help of international financial institutions has begun in our country. As important as it is to

study the experience of foreign treasury practices, the experience of countries with a common history in the near future is even more important to us. Naturally, at the initial stage of public financial management reform in our country, the former Soviet republics with similar conditions to us, as well as other Eastern European countries with a centrally planned economy (MRI), focused on how this work was done, the achievements and shortcomings. - It is expedient to pay attention.

According to international experts, the Republics of Latvia and Kazakhstan have achieved relatively good results in the formation of the treasury system.

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