

**Analysis of the problems of effective use of local budget funds and their causes  
(the case of the Fergana region)**

Turkish Online Journal of Qualitative Inquiry (TOJQI)  
Volume 12, Issue 7, July 2021: 4620 - 4625

Research Article

**Analysis of the problems of effective use of local budget funds and their causes  
(the case of the Fergana region)**

Toxir Malikov<sup>1</sup>, Sanobarkhon Ismoilova<sup>2</sup>

**Abstract**

The article analyzes the problems of effective use of local budget funds and their causes on the example of the Fergana region.

**1 Introduction**

Every year, a considerable amount of money is spent on our country's state budget to ensure its development and increase the population's welfare. Moreover, the central part of them is carried out through local budgets. In turn, a large part of the funds spent through local budgets has a social orientation. Its level, in some years, reaches 95.0-97.0% on the local budgets took separately.

In the conditions of a market economy, any funds are subject to effective spending. This also applies to any expenses incurred from the budget, including the account of local budgets. However, as practice shows, it is still problematic to ensure sufficient funds, especially within the local budgets. No matter how much effort is being made, managers of local budget funds during their activities allow the illegal use of resources.

**2 Literature review**

Some aspects of ensuring effective use of state or local budgets funds have been instigated in the economic (financial) literature. In this direction, Uzbekistan's economists-scientists and practising specialists, T.S.Malikov, O.A.Olimjanov, carried out scientific work and research A.K.Iminov, J.A.Kuchkorov, N.H.Haydarov, D.H.Polotov, D.A.Rahmonov, Z.H.Srojiddinova, O.G'.Gaybullaev, U.Orokov, G. Kosimova and others. In particular, the issues of using separately received state budget expenditures as social networks (expenditures for supporting the education system, health care, and social security of the population) studied by B. I. Nurmukhamedova and N. Yuldasheva at the level of local budgets from the point of medium-term budget planning view learned by Sh. Fayzullayeva and I. A. Azizova.

**3 Materials and Methods**

Statistical and economic analysis methods such as analysis and synthesis, induction and deduction, abstract-logical analysis and comparison, correlation, and regression used during the study.

---

\*Professor, Founder, "PHARMACY-INNOVATION CENTER", Tashkent Financial Institute,

<sup>2</sup>Assistant, Fergana State University, Fergana, Uzbekistan E-mail: sanobar- ismoilova@mail.ru

#### 4 Results and Discussion

The analysis results would allow us to identify the problems and the reasons for their occurrence, including the effective use of local budget funds in the Fergana region. Despite this, the approach here should initially be taken from the data analysis presented in Table 1.

**Table 1**

**The dynamics of changes in revenues and expenditures of the Fergana region budget compared to the previous year and their differences, in %**

№	Years	Changes in income and expenses compared to the previous year		Cost changes about revenue (+,-)
		Incomes in %	Expenses in %	
1.	2010	-	-	-
2.	2011	+40,20	+22,78	- 17,42
3.	2012	+16,27	+29,49	+13,22
4.	2013	+16,42	+23,15	+6,73
5.	2014	+15,03	+14,03	-1,0
6.	2015	+11,59	+11,26	-0,33
7.	2016	+5,89	+7,31	+1,42
8.	2017	+18,58	+4,05	-14,53
9.	2018	+12,00	+46,42	+34,42
10.	2019	+286,7	+49,48	-237,22

*Source: It was compiled by the author based on data from the financial Department of the Fergana Region.*

As can be seen from Table 1, it showed the growth rates of revenues and expenditures of the budget of the Fergana region for 2010-2019 years compared to the previous year. According to it, during these years, the revenues of the budget of the Fergana region have the character of growing steadily and their growth rate from 5.89% (2016 year) to 286.7% (2017) and (2019 year). Besides, the growth rate of budget revenues for the Fergana region characterized by fluctuation as a whole. Of course, this thing generated certain difficulties or problems in implementing (financing) costs from the same budget. Also, such fluctuation did not remain without its negative impact on the efficiency of the costs incurred from the budget of the Fergana region. Simultaneously, the Fergana region's budget expenditures had also increased year by year during this period. These growth rates ranged from 4,05% (2017 year) to 49,48% (2019 year). For year-by-year costs, growth rates were also typically fluctuated. It was clear that this also raised certain problems in ensuring their effective spending. One of the most important conclusions that could be drawn based on Table 1 data, in our opinion, was that there was no correlation between the year-by-year growth rates of revenues and expenditures of the budget of the Fergana Region. In our opinion, in this matter, of course, there must be a balance between them. This meant that their income should also increase the expenditure of local budgets. However, Table 1 data showed that in the budget of the Fergana region, we could see that not all the time in the practical rule, which did not require proof of this, was also not adhered to. In practice, costs, especially at the local budget level, could go far beyond the limit of revenues

**Analysis of the problems of effective use of local budget funds and their causes  
(the case of the Fergana region)**

within these budgets. There were various reasons for this, mainly because the same district or region was subject to the level or pace of socio-economic development. In such cases, the excess of expenses could usually be covered or financed from a higher budget (for example, from the Republic budget) on allocating appropriate funds in different views. In our opinion, such a situation in the Fergana Region for 2010-2019 might have occurred in 2012-2013, 2016 and 2018. In this case, it was possible to be financed from the account of high (Republican) budget funds, including the High (Republican) budget expenditures at a higher rate than the regional budget revenues. While analyzing the data of Table 1, it was worth paying attention to one more case. In this place, the analysis of the growth rates of revenues of the Fergana region budget for 2010-2019 years, the same budget expenditures went on about 5 times high. The fact is that the above table data showed that such a situation occurred in 2014, 2015, 2017 and 2019. This, of course, could be caused by some objects.

Nevertheless, in our opinion, at a time when the budget revenues increased by 40,2%, its expenditures increased by 22,78% (in the 2011 year) or 18,58% of the budget revenues, even though during this period, its expenditures increased by 4,05% (in the 2017 year) and finally, an increase of 286,7% of budget revenues to 49,48% of the costs associated with it during the same period needs an explanation. All of the above indicated the presence of specific problems here. According to our reckoning, these problems could also be explained by the opportunities that might be dispensed within the planning of the revenues and expenses of the budget of the Fergana region for these years. In the absence of such a situation, in our opinion, the transition from annual planning of local budgets to medium-term planning played a special role. Now let us try to look at this problem even lower, that was, at the intersection of districts. As an example, we would use data from the Kushtepa District of the Fergana region. Therefore, the following table 2 presented the dynamics of changes in revenues and expenditures of the budget of the Kushtepa District of Fergana region of the Republic of Uzbekistan and the differences between them.

**Table 2**

**The dynamics of changes in income and expenses of the budget of the Kushtepa District of the Fergana region, Uzbekistan compared to the previous year and differences between them, in %**

№	Years	Compared to the previous year		
		Revenue changes	Expenses changes	Difference of changes in income and expenses (+, -)
1.	2010	-	-	-
2.	2011	26,72	22,91	-3,81
3.	2012	26,22	25,80	-0,42
4.	2013	13,75	12,94	-0,81
5.	2014	43,41	39,89	-3,52
6.	2015	23,29	9,59	-13,70
7.	2016	8,37	7,92	-0,45
8.	2017	16,14	6,28	-9,86
9.	2018	56,57	37,02	-19,55

10.	2019	970,02	160,32	-809,70
-----	------	--------	--------	---------

*Source: The author compiled it based on data from the financial body of the Kushtepa district.*

This meant that the data presented in Table 2 showed that the problem with the change in revenue and expenditure of local budgets from year to year and the dynamics of the differences between them had taken a more acute tone at the district level than at the regional level.

So, if 5 of the previous Table 1 data had a sign (-) (the growth rate of budget expenditures was lower than that of revenues) and 4 (+) had a sign (on the contrary, the growth rate of budget expenditures was higher than that of its earnings), then, as could be seen from the Table 2 data, all of them had a sign (-), that was, in all the years under analysis, the growth rate of costs was at a level lower than its earnings. This, on the one hand, could be positively assessed, that was, the expenditure of the Koshtepa district budget carried out within the framework of its income, there were no excessive expenditures, so on. However, on the other hand, this could be assessed negatively; that was, in the Kushtepa district, even within the framework of the existing income, costs had not been realized. Because at a time when social problems that need to be solved at the crossroads of districts were becoming increasingly acute, it was much more challenging to explain this, that was, extreme austerity in some years (for example, in 2018 and 2019 years). Speaking about the problems of effective use of local budget funds and the reasons for their occurrence, it was worthwhile to touch on another problem that had long been included in the practice not only in the Fergana region but also in the whole Republic and was still coming without a solution and the reason for its origin. The question was about the deficit, appropriation and illegal expenditure, which was firmly deep-rooted in the practice of our country. It consisted not only of the local budget costs but also of the state budget costs in general. This was precisely the case with the budget of the Fergana region, the results of our research carried out on the example above once again confirmed. Therefore, it was crucial to recognize this as one of the most fundamental problems that hinder the effective expenditure of the budget, including local budgets, and to identify the reasons for its occurrence. Indeed, as our analysis results showed, the deficit, which was a component of the budget expenditure, the appropriation and illegal expenditure, in our practice, occurred steadily every year and was repeated from year to year. Although their scale in each region was equal to several tens of billion soums, on the country's scale, this amount reached several hundreds of billion soums. Even though a specific part of them restored to the budget due to various activities, it was impossible to restore another part. For example, according to the data of Table 1, it was impossible to restore funds to the budget in the Fergana region in 2010-8.0%, in 2014 – 21.3%, in 2015 – 12.1%, in 2016 – 8.5%, in 2017 – 22.3%, in 2018 – 20.4% and 2019 – 9.9%. So, as could be seen from this, in 3 of the 7 cases, the deficit committed from the account of budgetary funds, from every 5 sums of appropriation and illegal expenses, 1 not returned to the budget (not restored). There were at least a few reasons why both of the above situations (on the one hand, the deficit, the appropriation and the fact that illegal expenditures committed repeatedly every year, and on the other hand, they were not wholly re-established in the budget) occurred continuously from year to year. Firstly, the sense and responsibility of ensuring that these funds effectively spent in budgetary allocators had not fully formed. They had an indifferent (unfamiliar) mood about the fact that these funds were their funds. They did not fully feel responsibility and obligation in this direction. Secondly, in practice, even in users of budgetary funds, the same mood was formed as above. In our opinion, the solution to ensuring the effective use of budget (including local budget) funds would remain

**Analysis of the problems of effective use of local budget funds and their causes  
(the case of the Fergana region)**

complicated if the situation not changed, first of all, even in the case of both of the above. World practice showed that this problem was impossible without a sharp increase in the responsibility and obligation of both sides in this direction.

## **5 Conclusions**

Taking into account the above, in our opinion, it was worth paying attention to the following:

1. To achieve a 100.0% recovery in a relatively short period of the above funds from the accounts of all the perpetrators who had committed a deficit to budgetary funds, including local budgetary funds, assimilating them and preventing the occurrence of illegal expenditures. Also, it was important not to take into account any object or sub-clauses and to take them into account at the time of making the appropriate decision;
2. Refusal to apply the concept or indicator of "Funds that had not been restored to the budget" in practice. Instead, suppose the deficit, appropriation and illegal expenditure cannot be returned to the budget during the relevant period. In that case, it was necessary to formalize them as a "loan", which should be collected about the relevant subjects and provide an additional payment of the related interest in this. In our opinion, nothing was surprising or unusual in this. Because the budget, including the funds that had not recovered within the time limit set for the disposal of the local budgets, meant using funds that did not belong to them at the disposal of someone or by someone. It did not differ from the loan given in its economic essence. Therefore, it must be returned all the same and also paid the fee for its use. On top of this, the introduction of the above order into practice also did not contradict the market mechanism;
3. It was difficult to believe that the deficit, appropriation and illegal expenditure of a part of the budget and local budget expenditures, including those, occurred without the participation of "Budget allocators" in our opinion. On the contrary, if this process was in the constant focus of the same "Budget allocators", monitoring carried out by them on the continuous use of these funds; in our opinion, there was no possibility of reducing the deficit, appropriation and illegal expenditure to a minimum and equating it to zero. Therefore, it was worthwhile to reconsider, in our view, the issues related to both responsibility and obligation of such subjects, taking into account their contribution in the occurrence of deficit, appropriation and illegal expenditure about budgetary expenditures. For example, "Allocators of budgetary funds" should be additionally encouraged if they did not allow for the occurrence of a deficit, appropriation and illegal expenditure on budgetary expenditures during their annual activities, and, conversely, should be punished from a material (financial) point of view. The introduction of such a procedure, in our opinion, would be in line with the nowadays spirit and the state policy currently being implemented in Uzbekistan.
4. We believe that it was also necessary to dwell on the problems of the effective use of local budget funds and the reasons for their occurrence at the local level when an opinion was made about the extent to which budgetary expenditures planned at the local level. Based on the analysis results, it could be said that including the actual circumstances that exist when the expenditure of local budgets planned not taken into account in sufficient quantity. For example, we were witnessing that even the level of revenues and their growth rates from year to year remained, to a certain extent, inattentive when the overall plan of expenditure is being drawn up in local budgets (see Table 1 and 2 figures). In

practice, there were also cases when this was the opposite: within the local budget, expenses planned to exceed their income (see Table 1).

In this regard, we emphasized that the level of year-round growth rates of revenues and expenditures in the budgets of the Fergana region and one of its districts during the 2010-2019 years being analyzed. Especially in the Kushtepa district, one of the problems that were not sufficiently justified by the plans drawn up in this direction. So, if the growth rate of revenues in a year amounted to 40,2% (compared to 2010 in 2011) compared to the previous year, the rate of this indicator in the next year was 16.27% (compared to 2011 in 2012). The same opinion could be expressed about costs. For example, if the expenditure of the budget of Fergana region in the 2017 year increased by 4,05% compared to the 2016 year, the rate of this indicator for the 2018 year was 46,42% compared to the 2017 year, that was, the growth rate was 10,0 times higher than in the previous year. The same could be said that the case included in practice in the Kushtepa District of the Fergana Region section.

### References

1. Decree of the Republic of Uzbekistan of Mirziyoyev, December (2018)
2. Malikov T. Olimjonov O. Iqtisod-moliya, **80** (2019)
3. Malikov T.C., Haydarov N. H. Iqtisod-moliya **24** (2019)
4. Malikov T.C., Haydarov N. H. Iqtisod-moliya **12** (2018)
5. Vahobov A. V. Malikov T.S. Noshir, **71** (2020)
6. Pulatov D. H., Nurmammedova B.I. Sano-standart, **27** (2018)
7. Nurmammedova B.I. Iqtisod-moliya, **45** (2018)
8. Nurmamedova B.I. Srojiddinova Z.X., Sugirbayev G.G. InfoCapitalGrup, **44** (2013)
9. Yuldasheva N.B. Iqtisod-moliya, **36** (2018)
10. Yakubovna, I. S. InfoCapitalGrup **7** (2020)
11. Ismoilova, S. Y. Образование и наука в России и за рубежом, **16**, (2019)
12. Ismoilova, S. International Finance and Accounting, **18** (2020).
13. Burxanov, A.U. and Kurbonov, X.A. **18**, (2018)