



INTERRELATIONSHIP BETWEEN THE FORMATION OF LOCAL BUDGET REVENUES WITH THE ECONOMIC AND INVESTMENT CAPACITY OF REGIONS

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ABSTRACT

This article analyzes the relationship between the process of local budget revenue formation and the economic and investment potential of regions. The impact of regional economic activity, the level of investment attraction, and local production capabilities on budget revenues is shown. Also, differences in revenue formation across regions and their causes are studied, and practical proposals are developed to expand the budget revenue base by improving the investment climate.

KEY WORDS

Local budget, revenue base, economic potential, investment climate, regional development, budget policy, financial stability.

Introduction

In modern conditions, one of the important financial and economic foundations of the sustainable development of the national economy is largely dependent on the systematic formation of centralized monetary funds at the disposal of the state and the effective financing of socio-economic development programs on a national and regional scale at their expense. Because in ensuring the development of the country's economy within the strategic contours, ensuring sustainable economic growth through the wide attraction of internal and external investment resources to it, financial regulation by the state at one or another phase of its cyclical development has a high multiplier effect.

The system of financial regulation aimed at ensuring effective economic growth or macroeconomic stability in one or another phase of the cyclical development of the economy depends on the scale and scope of state revenues formed and distributed through market instruments of primary and redistribution of the national income created in it. In particular, if this process is considered in a logical pragmatic sequence, national income, as one of the main macroeconomic indicators, embodies the main element of GDP and represents the material and financial expression of the value added created on a macro scale.

Before researching the nature of income formation of budget system budgets, it is appropriate to research the nature of the state budget as an economic category and its scientific conceptual foundations in modern conditions.

2. Review of Literature

A number of economists have conducted scientific research on the scientific-theoretical, organizational-economic foundations of increasing the revenue base of local budgets by increasing the investment activity of regions and the methodology for its comprehensive assessment. In particular, M. Balanguwer-Coll [1], F. Ballansode [2], G. Boyne, S. Burnside, R. Giniyatullina [3], G. Poliak [4], A. Babich [5], V. Glotov, A. Albekov, E. Alifanova, V. Kuznesova [6], L. Vardomaskaya, M. Soloveykina [7], V. Kovaleva, Romanovsky Foreign economists such as M.V., O. Rublevskaya, B. Sabanti, O. Hordei, T. Kaneva, M. Karpenko, P. Jaquiss, K. Krzysztof have extensively researched the determinants of the stability of the income base of local budgets and factors influencing it.

Local economists A. Vakhobov, T. Malikov, A. Juraev, A. Burkhanov, O. Meliev [9], M. Khaidarov [10], Kh. Kurbanov [11], Sh. Musalimov [12], Kh. Kobulov, L. Khazratkulova, S. Elmirzaev, U. Urokov [13] and others have systematized scientific research on the financial stability of local budgets and ways to strengthen it.

3. Analysis and Results

Indirect costs affecting the economic development of regions. A vivid example of these costs is the cost of financing the economy and centralized investments. These costs directly affect the development ratios of the regional economy.

From the data in Table 1, it can be seen that in 2017, in the city of Tashkent (20151 million soums), Navoi (15447.7 million soums), Tashkent (10225.2 million soums) regions with high economic potential, the share of GRP per capita in the Republic of Uzbekistan was higher than the average indicator (9802.1 million soums). By 2023, the same picture will be observed, that is, the highest nominal value of GRP per capita in Tashkent city (60,648 million soums), Navoi (76,913.1 million soums), Tashkent (35,703 million soums) regions will be higher than the average value of GRP per capita in the Republic of Uzbekistan (average 29,291.4 million soums).

Table 1 Gross Domestic (Regional) Product per capita in thousand soums

Regions	2017	2018	2019	2020	2021	2022	2023	Growth in 2023 compared to 2017, in %
Republic of Uzbekistan	9802,1	12945,7	15863,8	17688,5	21149,2	25151,9	29291,4	298,8
Republic of Karakalpakstan	5932,1	8417,4	10380	11335,4	13264,7	15348,1	16545,8	278,9
Andijan	6612,8	8889,4	10842,1	12036	13454	17179,6	20313,6	307,2
Bukhara	9257,9	11605	14645	16189,2	19546,4	23140,6	26262,9	283,7
Jizzakh	7373	9498,5	11743,8	13207,6	16309,9	18873,2	22342,1	303,0
Kashkadarya	6925,3	8312,3	9924,9	10687	12622	14423,2	16585,1	239,5
Navoi	15447,7	23240,3	36653,1	49513	57370,6	65855,6	76913,1	497,9
Namangan	5721,7	6899,6	8542,4	9814	11794,3	13684,5	15539,5	271,6
Samarkand	7335,8	8693,1	10100,3	10996,3	13258,2	15124,1	17801,6	242,7
Surkhandarya	5788,9	7313,8	8574	9275,2	10948,8	12392	14395,7	248,7
Syrdarya	8399,8	10369,1	14157,3	14999,7	17327,5	20516,9	23804,2	283,4
Tashkent	10225,2	13885,9	18751,9	21833,1	28206,4	31952,4	35703,7	349,2
Fergana	5775,7	7537,1	8747,6	9830	12379	14306,8	16367,9	283,4
Khorezm	6705,4	8734,9	10333,9	11338,6	13865,1	16764,2	18674,9	278,5
Tashkent city	20151	25532,4	33344	36051,4	43166	51435,4	60648,2	300,97

If we look at the growth rate compared to the beginning and end of the analyzed period, the average growth rate across the republic was 298.8 percent, with higher-than-average growth rates observed in Andijan (307.2 percent), Jizzakh (303.0 percent), Navoi (497.9 percent) regions and Tashkent (349.2 percent) city. However, in all regions, per capita incomes increased by almost 2 times during the analyzed period.

The growth of gross regional product per capita is a multifactorial phenomenon, and one of the main factors for its increase in a strategic context is ensuring regional investment activity.

It is worth noting that investment activity in the regions primarily depends on the investment and economic potential of each region, and the implementation of investments based on the existing economic potential in the regions forms the basis of an effective regional economic policy ensured at their expense. It is advisable for centralized investments from the republican and local budgets to ensure effective economic growth in a strategic context based on the above factor.

Thus, budget investments should not only embody the system of supporting investment activities of the regions, but also perform the function of a balanced territorial distribution of existing state investment resources.

Table 2 Volume of investments in fixed capital per capita (in thousand soums)

Regions	2017	2018	2019	2020	2021	2022	Growth in 2022 compared to 2017, in %
Republic of Uzbekistan	2227,8	3769,6	5834,6	6140,3	6861	7468,6	335,2
Republic of Karakalpakstan	1528,8	3641,1	4644,4	3710	4189,2	5225,5	341,8
Andijan	999,6	1550,3	2406	3047,2	3470,1	4361,1	436,3
Bukhara	6254,2	5112,4	5429,3	6295	10462,9	10855,5	173,6
Jizzakh	1361,9	2693,9	5778,9	8984,7	6470,8	7107,9	521,9
Kashkadarya	3583,4	5193,4	7534,6	6214,7	5148,2	4647,7	129,7
Navoi	4185,5	10892,1	17855,2	15604,2	14672,4	17189,8	410,7
Namangan	1340,3	2992,5	4344,1	4229,2	4477,8	4984,4	371,9
Samarkand	1189,5	1878,3	2674,9	3746	3920,7	4642,5	390,3
Surkhandarya	1427,1	2848,3	4552,8	3792,2	4438,7	4169,4	292,2
Syrdarya	2011,1	3280,2	7002,9	8425,4	9257,1	13919,1	692,1
Tashkent	2087,2	3898,4	6970	7169	9644,5	12056,8	577,7
Fergana	822,4	1516,8	2336,2	2916	3272,3	3917,2	476,3
Khorezm	1215	1655,6	2718,4	2868,2	4344,3	4517,9	371,8
Tashkent city	5552,8	10627,8	16710,5	19065,6	20619,8	19539,4	351,9

From the data in Table 2, we can see that the volume of investments in fixed capital per capita in the Republic of Uzbekistan averaged 2227.8 thousand soums in 2017, while this indicator reached 7468.6 thousand soums by 2022. In 2022, the above-average indicator was recorded in the Bukhara (10855.5 thousand soums), Navoi (17189.8 thousand soums), Syrdarya (13919.1 thousand soums), Tashkent (12056.8 thousand soums) regions and the city of Tashkent (19539.4 thousand soums).

If we look at the growth rate of fixed capital investments per capita at the beginning and end of the analyzed period, it was lower than the average indicator for the Republic (335.2 percent) in Bukhara (173.6 percent), Kashkadarya (129.7 percent), and Surkhandarya (292.2 percent) regions.

From this it can be concluded that:

Firstly, investment activity in all regions does not show a systematic growth trend in the given period. Secondly, in regions with high investment potential and investment activity, a decrease in the dynamic growth rate of this indicator has been observed in recent years.

Thirdly, as a result of the tasks set to increase investment activity in the last 2-3 years in regions with low per capita investment in fixed capital, investment activity has increased sharply.

The economic and investment activity of the regions is directly reflected in the formation of local budget revenue opportunities.

From the data in Table 3, we can see that the total revenue of local budgets in 2017 amounted to 20547.9 billion soums, while this indicator showed a growth trend in the analyzed periods and reached 55728.9 billion soums in 2023. Compared to the beginning and end of the analyzed period, the highest growth rates of local budget revenues were recorded in Navoi region (4.1 times), Namangan (3.1 times), Tashkent (3.4 times) regions and Tashkent city (3.4 times). By 2023, the largest amount of revenues, both in nominal terms, will fall on the above regions.

Table 3 Data on the dynamics of local budget revenues (excluding transfers), in billion soums

№	Regions	2017	2018	2019	2020	2021	2022	2023	Growth in 2023 compared to 2017, times
1	Republic of Karakalpakstan	1485,2	2241,1	2953,3	2743,9	1869,3	2499,5	2843,7	1,9
2	Andijan	1762,9	1708,9	2624,6	2105,9	2418,6	3246,5	3931,2	2,2
3	Bukhara	1335,6	1383	2409,5	1782,9	2374,1	3425,3	3876,5	2,9
4	Jizzakh	766,1	948,3	1240,9	1057,9	1460,4	1822,8	2227,9	2,9
5	Kashkadarya	1786,6	2341,1	3783,9	2468,8	2722,1	3919,9	4607,5	2,6
6	Navoi	745,3	1217,1	1877,8	1540,9	1947,8	2432,9	3039,4	4,1
7	Namangan	1146,2	1360	2237,8	1763	2297,1	3265,4	3516,8	3,1
8	Samarkand	2168,7	1970,8	2567,2	2385,6	3154,8	4197,7	5100,1	2,4
9	Surkhandarya	1138,4	1378,3	1844,9	1605,7	1993,3	2670,6	3043	2,7
10	Syrdarya	629,3	710,2	816,7	716,5	881,7	1147,8	1390,3	2,2
11	Tashkent	1774,9	1949,3	3721,5	2395,5	3734,1	4526	6024,1	3,4
12	Fergana	2153,7	1833,2	3836,1	2677,3	3665,1	4778,5	5169,3	2,4
13	Khorezm	1214,1	1106,3	1467,3	1302,7	1743,1	2384,2	2740,7	2,3
14	Tashkent city	2440,9	2796,4	3752,8	3156,3	4911,4	7073,2	8218,3	3,4
Overall		20547,9	22944	35134,3	27702,9	35172,9	47390,3	55728,9	2,7

In particular, by 2023, the nominal value of the local budget revenues of Tashkent city will reach 5024.1 billion soums, and the local budget revenues of Tashkent region will reach 8218.3 billion soums. If we consider the dynamic changes in revenues for local budgets, excluding social transfers from the republican budget, we can observe a positive correlation between GRP and investment activity.

Thus, we can systematize the initial conclusions based on the following 3 analytical tables:

The financial potential that forms the revenues of local budgets primarily depends on the regional economic potential and investment activity.

Theoretically, although there is a temporary lag in the impact of investments on economic growth and, in particular, on the growth of local budget revenues, which are its components, it is an important financial factor in the formation of stable revenues in the future.

The consistent increase in the revenue potential of local budgets, first of all, creates opportunities for financing standard social services at the expense of these revenues, and these financial resources also create the conditions for financing centralized investments through the budget. This can be seen from the table below.

Table 4 Share of budget system budgets as a source of financing fixed capital investments by region, as a percentage of the total

Regions \ Years	2017	2018	2019	2020	2021	2022
Republic of Uzbekistan	4,8	4,5	9	6,8	9,3	8
Republic of Karakalpakstan	7,4	3	15,3	12,1	12,4	14
Andijan	4	4,1	8,6	6,3	8,3	8,9
Bukhara	0,9	2,4	7,1	5,8	4,7	4,8
Jizzakh	6,7	9,4	10,8	5,5	9,9	10,8
Kashkadarya	1,5	1,9	3,7	3,6	6,5	8,9
Navoi	5,1	0,7	2,8	1,9	4,6	3,7
Namangan	3,6	2,8	4,9	5,9	8,3	6,6
Samarkand	5,5	2,7	12,1	8	14	9,6
Surkhandarya	7,1	3,2	5,8	7,5	10,8	12,3
Syrdarya	18,7	9,6	10,5	7,8	9,8	6
Tashkent	4,3	3,4	11,5	9,6	8,3	5,8
Fergana	8,2	3,6	8,1	7,6	10	7,4
Khorezm	6,9	5	9,5	8,5	10,2	9,2
Tashkent city	7,2	6	7,6	6,8	8,2	8

From Table 4, we can see that the growth rate of the share of the state budget in fixed capital investments in the Republic of Uzbekistan is expressed in the trend, amounting to 8 percent in 2022. In the same trend, the share of budgets in the structure of sources of financing fixed capital investments in the regions is high in the Republic of Karakalpakstan (14 percent), Andijan (8.9 percent), Jizzakh (10.8 percent). Kashkadarya (8.9 percent), Samarkand (9.6 percent), Surkhandarya (12.3 percent), Khorezm regions (9.2 percent), and Tashkent city (8 percent). The analysis confirms that the trend of changes in local budget revenues in the analyzed periods.

4. Conclusion

1. Creating a favorable investment and business environment in the regions is the main condition for the sustainable development of the regional economy. Therefore, the priority areas of economic policy require the formation of a legislative framework that ensures a favorable investment and business environment, which requires the implementation of the following measures:
2. A radical improvement in investment and business conditions is the main factor in the economic development of the regions. The sources of financing investment activity depend on the volume of private and public funds formed at the expense of the national income generated in the national and regional economy and the personal income of economic agents that are its components.
3. A favorable business environment and investment activity are ensured by an effective fiscal system, which significantly reduces the tax burden.
4. Increasing the revenue potential of local budgets and achieving their financial stability as a result of expanding the tax base due to a favorable business environment and consistent economic growth;
5. Stimulating progressive structural changes observed in the economies of regions in modern conditions; restructuring natural monopolies; developing financial infrastructure and achieving medium-term financial stability are ensured by revitalizing large-scale and strategically important investment activity. Achieving these ultimate macroeconomic goals through investment activity ensures consistent growth of national income and increases the revenue potential of the budget system budgets.

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