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RESEARCH ARTICLE

EFFECTIVENESS OF FORMATION OF REVENUE BASE OF LOCAL BUDGETS

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Abstract

In this empirical study, author tries to scrutinize the formation, flow of the local budget in Uzbekistan. However, in world practice, it is emphasized that it is appropriate to follow the following principles when attaching taxes to the budget in accordance with the criteria for ensuring economic efficiency: a) Taxes assigned to the republican budget should be considered taxes with a high multiplier effect in the system of macroeconomic regulation of the country's economy; b) The system of income distribution between different social strata of the population and progressive taxes regulating income inequality should be included as a source of income of the Republic budget; c) Taxes based on a strong disproportion in the distribution of the tax base are not highly effective in the policy of vertical equalization of sub-budgets. Therefore, it is recommended to attach such taxes as a source of revenue for the central government budget; d) Naturally, in the system of vertical equalization for local budgets, the tax base of highly effective taxes should not be highly mobile and should be relatively evenly distributed across regions. Based on these principles, continuation of the policy of attaching taxes to local budgets will, first of all, create opportunities to ensure their financial stability by strengthening the revenue base of local budgets.

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Introduction:-

The medium-term development strategy of Uzbekistan identifies important tasks such as increasing the base of local budget revenues, ensuring their financial independence, creating a competitive environment between the regions, and it is important to study and apply the best practices of developed countries in our country. Reflecting on the development of the regions, the President of the Republic of Uzbekistan Sh.M. Mirziyoyev says that "local budgets do not have enough funds to finance sustainable socio-economic development of the regions" (Sobirovich, 2021).

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 aims to increase the base of local budget revenues, ensure their financial independence, improve inter-budgetary relations aimed at strengthening the revenue side of local budgets, comprehensive and regional Priorities have been identified, such as balanced socio-economic development, active attraction of foreign investment in the regions through the improvement of the investment climate. It is important to study the best practices of developed countries and apply their positive results in the country (Khotamjon Kobulov, 2021).

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The economic independence of local regions is determined by the presence of their own source of income, the potential of local, that is, district budgets to generate their own income and fully realize their expenses from these incomes determines the importance of local budgets in front of the state budget. Local budgets should have enough financial means to solve their tasks in different directions in their territory (Maraveas, 2020).

Currently, there are structural and organizational problems in the formation of local budgets. Systemic and organizational problems are directly related to the financial capabilities of regions. Financial opportunities depend on the natural conditions of the region, the level of socio-economic development, the economic structure and specialization of the region, the position of the country in the distribution of labor and a number of other factors (Leichenko, 2019).

The financial independence of the regions is understood as the ability to fully and purposefully cover the budget expenses of their administrative regions in a timely manner and in the specified amounts through the fixed and regulatory income of certain shares that they will have through their financial capabilities (Suryanto et al., 2018).

The development strategy of our country focuses on increasing the independence of local regions and expanding the income base. At the same time, the President's Decree "On approving the Action Strategy Program for five priority areas of development of the Republic of Uzbekistan in 2017-2021" defined the following tasks for the complex and balanced socio-economic development of regions, districts and cities, effective and optimal use of their potential (Abdullaev, 2021).

Literature Review:-

Scope of the paper

The development of our country is directly dependent on the practical work we do today and the measures we take tomorrow. Therefore, in the new stage of the country's development, we need to work harder than ever, to think about new ideas and initiatives. Development of the budget of regions, especially our districts, forms the basis of the country's economy (Najmiddinov Yahyo Fazliddin o'gli, 2022). Also, the economic development of the country is closely dependent on the independent development of not only the central government bodies, but also the lowest levels of the country (Islamkulov Kh. Alimnazar, 2019). In this sense, the Address of the President of the Republic of Uzbekistan to the Parliament on the completion of the main works carried out in 2017 and the most priority directions of socio-economic development of the Republic of Uzbekistan in 2018, which he made for the first time in the history of our independent statehood, gave an objective assessment of the current state of local government bodies (Ikrom Kizi, 2020). "How can it be understood if the local government bodies do not have the authority to solve even simple issues?" It is not for nothing that he asked the question crosswise. In general, the concept of «sources of local budget revenues» has been used in the authors' speeches since the formation of the country's fiscal system, but its content is still controversial, and the definition of this concept is not reinforced by legislation, and requires clarification of the description of their contents (Adilhodjaev, 2016).

Based on these directions, it should be noted that the revenues of local budgets from local taxes, levies, duties and other mandatory payments to the budget of the Republic of Karakalpakstan and local budgets in accordance with the norms established by law, inheritance, gift in accordance with the legislation from the state taxes, levies, duties and other obligatory payments to the budget of the Republic of Karakalpakstan and local budgets in accordance with the norms established by the legislation, income from placement, commissioning of state property (Muzaffar kizi, 2022).

It is formed at the expense of funds transferred to the state property on the right, budget transfers from higher budgets, non-refundable receipts from legal entities and individuals, as well as from other countries, as well as other income (Urokov et al., 2020).

Methodology:-

In this article induction, deduction, analogy, comparative, observation, comparison research methods are used. While studying the issues of strengthening the tax revenue bases of local budgets in the Republic of Uzbekistan, we should first ensure the growth of the economic development of the region. Increasing the potential of financial resources of regions is one of the important factors of ensuring the stability of local budgets. Formation of income of local budgets at the expense of state taxes is expressed by the fact that it is not possible to finance their expenses at the expense of local taxes and fees, which are the primary source of income of local budgets. At this point, it should

be noted that in the context of limited powers of local authorities on local taxes and levies directly assigned to them, deductions from state taxes further limit their powers to strengthen their income base.

Presentation of research results and discussion

It is known that taxes are essentially divided into direct, indirect, resource taxes and other types, and according to their contribution to the formation of budget revenues, three main models are distinguished in world practice. First, considering the continental European model based on a high share of indirect taxes in the formation of state budget revenues (or the French model), in this model, indirect taxes, and in particular value added tax, play the role of the main fiscal factor in the formation of budget revenues.

The second model is the Anglo-Saxon model, and in this model, direct taxes and, in particular, corporate income tax and individual income tax (IIT-Individual income tax) are taxes that play the role of the main fiscal factor in the formation of state budget revenues. Also, the third model is considered a mixed model, in which the leading position of tax from resources and property values and direct taxes is ensured. The contribution of this category of taxes to budget revenues, due to their distribution among budgets of different levels at the expense of the tax base formed in the regions, serves as the main influencing factor on the level of revenue formation of the budget system budgets.

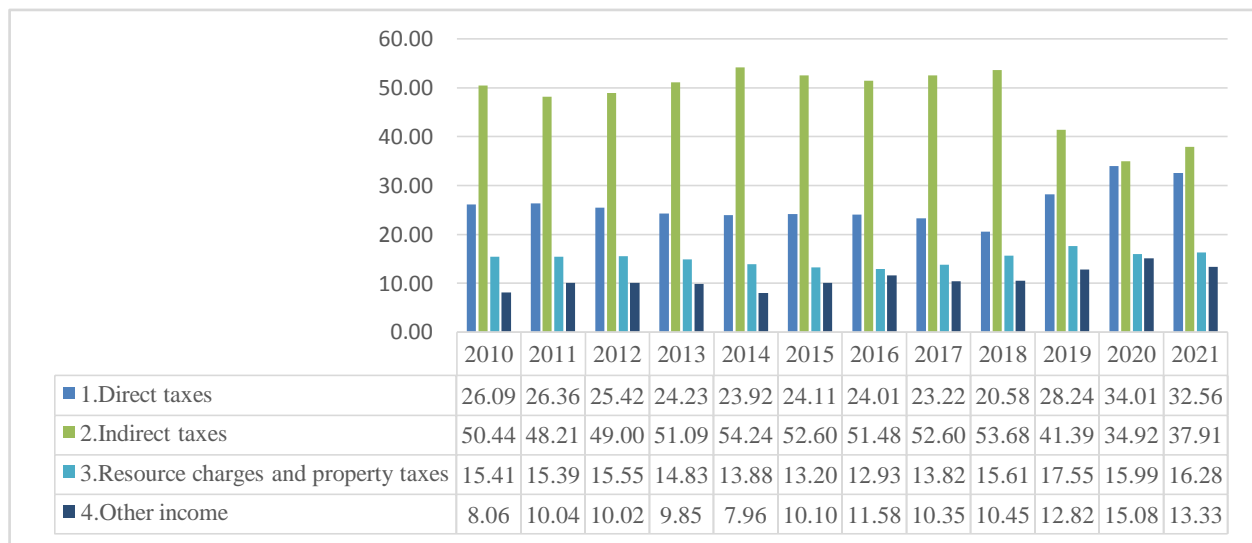


Figure 1:- Dynamics of formation of state budget revenues (without targeted funds) in the section of tax revenues (as a percentage of the total).

In particular, during the years 2010-2018, the share of indirect taxes in the structure of state budget revenues fluctuated in the range of min 48.21- max 54.24, and this category of taxes was mainly considered as a source of income of the central government budget (Budget of the Republic) as state taxes and levies.

In such conditions, the formation of local budgets on the basis of revenue receipts of a weak description is mainly based on the system of high-level central revenue management due to the retention of revenues from national taxes through normative deductions from national taxes. But if we pay attention to the structural changes in the income categories of the following years, a sharp increase in the share of direct taxes, resource taxes and property tax and other incomes in the total nominal value is observed. In particular, the share of this category in the total tax revenues in 2019 was 58.61% (28.24% + 17.55% + 12.82%), by 2021 this figure will be (32.5% + 16.28% + 13.33 %) increased to 62.09 percent. Therefore, the fiscal policy aimed at ensuring macroeconomic stability in the medium-term development strategy of the country embodies the following conceptual directions:

1. Neutralization of the strong influence of the tax system on the inflationary impulse by giving priority to taxes on consumption in the context of consistent reduction of the fiscal burden
2. Increasing consumption and savings opportunities of the population by reducing the rates of multi-level consumption taxes in the structure of indirect taxes.
3. Expanding the tax base on direct, resource taxes and other tax-free incomes and increasing their importance in regulating the incomes of budgets of the budget system.

4. To abolish the system of management from the top through normative allocations at the expense of national taxes in the formation of the budgets of the budget system and to increase their income base by attaching taxes to local budgets.
5. To continue the policy of attaching direct and resource taxes based on the distribution of a relatively equal tax base as a source of income attached to them in order to increase the collection of taxes by ensuring the interest of local government bodies in the rational use of the tax potential of the regions.
6. To develop an improved methodology for assessing the budget-tax potential of regions and to balance their financial stability by strengthening the local budget revenue base.

It is known that we can distinguish the following 3 methods of distribution of income and expenses between the budgets of the budget system according to a wide range of types:

1. Attaching income and expenses for budgets of the budget system.
2. Distribution of income and expenses based on normative shares.
3. Providing financial assistance based on an arsenal of objectives such as transfer of expenditure obligations, balancing and current liquidity support.

In our opinion, the policy of balancing sub-budgets through inter-budgetary transfers in the area of its execution tasks due to the legal attachment of revenue powers based on the expenditure targets and the transfer of expenditure obligations to certain centers is effective for ensuring their stability. This refers to actual social transfers, and in these transfers, local budgets can mainly perform the function of transit.

In the continuation of the policy of attachment of expenditures and taxes and fees to local budgets, prevention of risks of non-fulfilment of expenditure obligations of local budgets is taken as an important factor. Although, in the current conditions, a number of results have been achieved in the policy of vertical and horizontal equalization of local budgets, the loans allocated to cash differences for local budgets in the system of interbudgetary transfers indicate the possibility of cyclical loss of their current liquidity. This situation confirms that there are some problems in the system of distribution of income between the budget system.

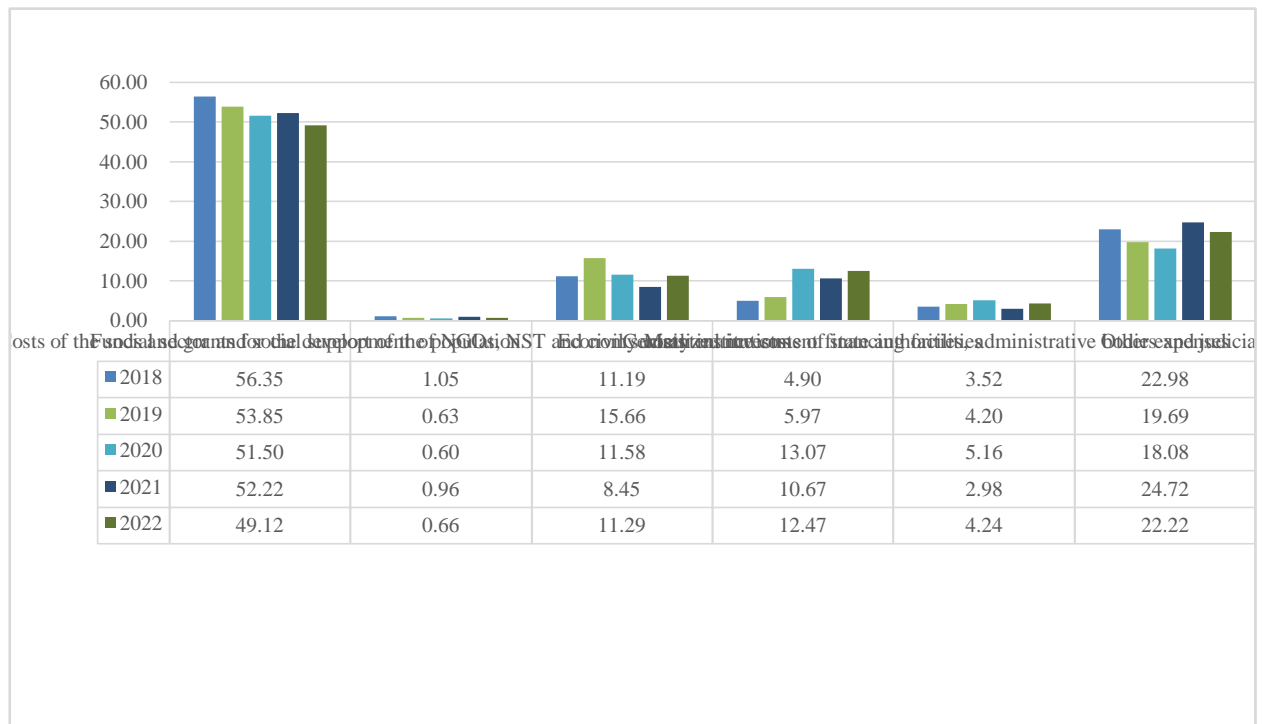


Figure 2:- The share of budget system budgets in state budget revenues, in percentage (%)

It can be seen (figure 2) that the share of revenues from revenues assigned to local budgets in the state budget revenues was 49.1 percent in 2017, and by 2021, this figure will be 28.5 percent. The decrease in the share of local

budget revenues in the structure of state budget revenues was influenced by changes in the policy of interbudgetary transfers from the republic budget in the system of financing expenditure obligations. Also having an impact is the change in the policy of distribution of revenues from state taxes through regulatory deductions. Therefore, in the conditions of heavy burden of expenses in the social sphere on local budgets, the formation of their weakly attached income base serves as one of the factors that negatively affect their financial stability.

If we consider the trend of formation of local budget revenues in the last 5 years, Tashkent city, Tashkent region, Fergana region, Kashkadarya and Samarkand regions have the leading share in total local budget revenues. In particular, the share of the local budget of the city of Tashkent in the total local budget revenues fluctuates in the range of 11.39-14.05 percent in 2018-2022 and shows a growth pattern.

It can be concluded that there is a high level of regional disparity in the formation of the nominal value of total local budget revenues in the cross-section of regions. This, in turn, confirms the existence of possible risks of asymmetric differences in the cross-section of regions in the formation of the necessary revenue base for the financial stability of local budgets.

On the one hand, this situation can be observed due to the sharp disparity in the distribution of the tax base in the region in the transfer of taxes to local budgets. Therefore, to ensure the stability of local budgets, giving them taxes as consolidated income is not considered an absolute solution to the problem. Perhaps, the notes distribution of the tax base in the cross-section of regions creates objective conditions for the process of regulation through the mechanism of income redistribution in the "Center-region" vertical horizon.

In addition, expanding the revenue powers assigned to local budgets should increase their interest in ensuring the annual growth of tax revenues through the rational use of the existing tax base. This, in turn, requires the creation of a solid foundation for their stability by ensuring the annual growth of local budget revenues at the expense of tax revenues.

Table 1:- Information¹ on the share of revenues of local budgets in the cross-section of regions, in percentage of the total.

Regions/years	2018	2019	2020	2021	2022
RepublicofKarakalpakstan	7,84	8,39	9,90	5,31	5,48
Andijanregion	7,04	7,46	7,60	6,88	7,11
Bukhararegion	6,69	6,85	6,44	6,75	6,75
Jizzakhregion	4,05	3,53	3,82	4,15	4,01
Kashkadaryaregion	10,42	10,75	8,91	7,74	8,09
Navoiregion	4,69	5,34	5,56	5,54	5,08
Namanganregion	5,94	6,36	6,36	6,53	6,75
Samarkandregion	8,93	7,30	8,61	8,97	9,19
Surkhandaryaregion	5,74	5,24	5,80	5,67	5,73
Syrdaryaregion	2,92	2,32	2,59	2,51	2,57
Tashkentregion	9,23	10,58	8,65	10,62	10,18
Ferganaregion	8,66	10,90	9,66	10,42	9,86
Khorezmregion	4,87	4,17	4,70	4,96	5,16
Tashkentcity	12,98	10,81	11,39	13,96	14,05
Total	100	100	100	100	100

As a result of the reforms related to the strengthening of the income base of local budgets in the following years, the nominal value of their incomes increased annually. But this growth did not show the same trend in all regions.

It can be seen (table 1) from the data of the table that the annual growth of total local budget revenues was observed in 2019 (191.9%), 2021 (127.0%) and 2022 (122.3%), and in the general context, the annual rate of decrease was observed. In 2020, as a result of the impact of the economic stagnation caused by the global pandemic of Covid 19

¹Developed by the author according to the information on www.mf.uz

on the economy of the regions, there was a decrease of 78.7%, not an annual increase in the nominal value of the revenues of the local budgets.

Also, as one of the main factors affecting this situation, it was observed due to the activity of the leading regions in the system reforms carried out to increase the level of collection of existing taxes in the region, to reduce the scale of the hidden economy. Based on the data of Table 2, if we categorize the growth rate of local budgets based on the average indicator, in 2022 the annual growth rate of the local budgets of the Republic of Karakalpakstan, Andijan, Bukhara, Namangan, Samarkand, Surkhandarya, Syrdarya, Khorezm regions and the city of Tashkent was higher than the average.

Table 2:- Information² on the annual growth of local budget revenues in the cross-section of regions, in percent compared to the previous year.

Regions/years	2018	2019	2020	2021	2022
Republic of Karakalpakstan	100	205,4	93,0	68,1	126,1
Andijan region	100	203,4	80,2	114,8	126,5
Bukhara region	100	196,5	74,0	133,2	122,3
Jizzakh region	100	167,3	85,3	138,0	118,3
Kashkadarya region	100	198,1	65,3	110,3	127,9
Navoi region	100	218,3	82,1	126,5	112,2
Namangan region	100	205,6	78,8	130,3	126,4
Samarkand region	100	156,7	93,0	132,2	125,4
Surkhandarya region	100	175,3	87,0	124,1	123,8
Syrdarya region	100	152,6	87,7	123,0	125,3
Tashkent region	100	220,0	64,3	155,9	117,3
Fergana region	100	241,5	69,8	136,9	115,8
Khorezm region	100	164,4	88,8	133,8	127,4
Tashkent city	100	159,8	83,0	155,6	123,1
Total	100	191,9	78,7	127,0	122,3

Table 3:- Comparative analysis of the annual growth of local budget revenues in the cross-section of the regions in relation to the average indicator³.

Indicators/years	2019	2020	2021	2022
Areas with above average growth rates	Republic of Karakalpakstan, Andijan, Bukhara, Kashkadarya, Navoi, Namangan, Tashkent, Fergana regions	Republic of Karakalpakstan, Andijan, Jizzakh, Navoi, Namangan, Samarkand, Surkhandarya, Syrdarya, Khorezm regions, Tashkent city.	Bukhara, Khizah, Namangan, Samarkand, Tashkent, Fergana, Khorezm regions, Tashkent	Republic of Karakalpakstan, Andijan, Bukhara, Namangan, Samarkand, Surkhandarya, Syrdarya, Khorezm regions, Tashkent city.
Areas with below average growth	Jizzakh, Samarkand, Surkhandarya, Syrdarya, Khorezm regions, Tashkent city.	Bukhara, Kashkadarya, Tashkent, Fergana	Republic of Karakalpakstan, Andijan, Kashkadarya, Navoi, Surkhandarya, Syrdarya regions	Jizzakh, Kashkadarya, Navoi, Tashkent, Fergana regions

²Developed by the author according to the information on www.mf.uz

³Developed by the author according to the information on www.stat.uz

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In most of the analyzed periods, the annual growth rates of local budget revenues of Jizzakh, Surkhandarya, and Syrdarya regions showed a lower than average rate. Bukhara, Kashkadarya, Tashkent, Fergana regions are considered to be the regions showing a decreasing trend, which strongly influenced the annual decrease rate of total local budget revenues in 2020. It can be concluded that the annual change trend of total local budget revenues is strongly linked to the change trend of local budget revenues, which have a high weight in it. Among the local budgets we are analyzing, we can include Tashkent city, Tashkent, Kashkadarya, Samarkand, Fergana, regions as regions that have a strong influence on the total local budget revenues. It depends on two main indicators, that is, firstly, the high economic potential of the regions and the share of budget revenues in the gross regional product based on this potential.

Table 4:- The dynamics of the share of local budget revenues in GDP, in percent⁴.

Regions/years	2018	2019	2020	2021
RepublicofKarakalpakstan	9,15	14,97	12,54	7,12
Andijanregion	4,75	7,76	5,49	5,52
Bukhararegion	5,59	8,56	5,64	6,13
Jizzakhregion	5,80	7,68	5,70	6,25
Kashkadaryaregion	7,19	11,68	6,93	6,21
Navoiregion	3,79	5,12	3,04	3,28
Namanganregion	5,75	9,35	6,28	6,66
Samarkandregion	4,98	6,57	5,50	5,87
Surkhandaryaregion	5,63	8,24	6,48	6,62
Syrdaryaregion	6,23	6,83	5,54	5,66
Tashkentregion	4,21	6,73	3,67	4,55
Ferganaregion	5,74	11,72	7,13	7,74
Khorezmregion	5,59	7,63	6,07	6,48
Tashkentcity	3,69	4,41	3,25	4,03
Total	4,32	6,65	4,60	4,79
X _{max}	9,15	14,97	12,54	7,12
X _{min}	3,69	4,41	3,04	3,28
Variation width, R= X _{max} - X _{min}	5,46	10,56	9,5	3,84

From the data of Table 4, we can see that the ratio of local budget revenues to the total Gross Regional Product (GDP) was 4.32 percent in 2018, and 4.79 percent by 2021. Therefore, despite the fact that the overall tax burden in the economy is decreasing, the increase in the share of local budget revenues (except for transfers) in GNP indicates an increase in the share of local budget revenues in the distribution of budget system budget revenues. Among the extremes of the highest index in terms of the share of local budgets in GNP, the Republic of Karakalpakstan has the maximum index, while the Navoi region of Tashkent city shows the minimum limits. However, the characteristic of the variation width during the analyzed period is a strong chaotic fluctuation, which indicates that the system of income distribution has a variable recommendation in order to ensure the stability of local budgets. Based on this situation, the following conclusions can be made:

First, in areas with high economic potential, the main part of the total revenues collected from the state budget is directed to the higher budget (Republican budget) in the distribution of revenues in the "center-region" vertical horizon among the budgets of the budget system. Therefore, these regions are donor regions that create the financial basis for the system of redistribution through this budget line and the formation of budget revenues of the central government;

Secondly, due to the high share of the population in need of social services among the population in the regions, the high share of regulatory revenues, as well as the assigned revenues for the regions that will have a share of the social services financed by the local budgets, affects the provision of a high level of the share of the local budget revenues

⁴Developed by the author according to the information on www.stat.uz

of these regions in the GNP. Therefore, in the conditions of pressure related to the financing of high social services, as a result of the income factor of ensuring the stability of local budgets, it affects the provision of a high share of the income of local budgets in GNI.

One of the indicators that combines the qualitative and quantitative aspects of the formation of local budget revenues, the assessment of the level of territorial disparity, is the comparative analysis indicator of local budget revenues per capita.

Table 5:- Information on the income of local budgets per capita of the permanent resident population in the region (thousand soums)⁵.

Regions/years	2018	2019	2020	2021	2022
RepublicofKarakalpakstan	779,95	1578,72	1445,45	971,67	1209,24
Andijanregion	428,36	855,75	673,31	758,60	940,31
Bukhararegion	655,60	1271,53	926,71	1219,30	1468,99
Jizzakhregion	559,77	917,33	765,50	1035,38	1196,55
Kashkadyaregion	606,63	1177,52	752,59	816,12	1021,89
Navoiregion	897,70	1916,90	1545,38	1922,75	2114,61
Namanganregion	403,17	812,74	627,22	801,05	990,45
Samarkandregion	440,20	675,59	615,26	799,12	981,25
Surkhandaryaregion	418,46	717,81	610,74	743,51	899,28
Syrdaryaregion	655,84	983,97	846,63	1024,04	1257,11
Tashkentregion	591,54	1284,39	814,10	1254,78	1489,57
Ferganaregion	438,65	1041,35	713,54	959,45	1088,83
Khorezmregion	494,52	799,26	697,88	920,67	1154,04
Tashkentcity	965,11	1514,72	1227,20	1822,82	2111,72
Total	561,29	1057,87	817,07	1017,78	1220,04

As can be seen from Table 5, if we look at the share of local budget revenues per capita of the permanent population of Uzbekistan, this indicator was 561.29 thousand soums in 2018, and by 2022 this indicator will reach 1220.4 thousand soums.

The author will try to determine to what extent there is a regional difference between the incomes of the local budgets per capita of the permanent resident population in the regions by means of the average index of local budgets incomes per capita of the permanent resident population in the regions (I_{jbmbd}). This index can be calculated as follows.

$$I_{jbmbd} = \frac{\frac{LBR_r}{\sum P_r}}{\frac{LBR_g}{\sum P_g}} \quad (2.1)$$

Here, $LBR_r/\sum P_r$ is the ratio of local budget revenues per capita; $LBR_g/\sum P_g$ is the average indicator of the ratio of total local budget revenues to the population of the Republic.

Table 6:- Comparative analysis of the income of local budgets per capita of permanent residents in the regions with the average index for the Republic⁶.

Regions/years	2018	2019	2020	2021	2022
RepublicofKarakalpakstan	1,39	1,49	1,77	0,95	0,99
Andijanregion	0,76	0,81	0,82	0,75	0,77
Bukhararegion	1,17	1,20	1,13	1,20	1,20
Jizzakhregion	1,00	0,87	0,94	1,02	0,98
Kashkadyaregion	1,08	1,11	0,92	0,80	0,84
Navoiregion	1,60	1,81	1,89	1,89	1,73
Namanganregion	0,72	0,77	0,77	0,79	0,81
Samarkandregion	0,78	0,64	0,75	0,79	0,80
Surkhandaryaregion	0,75	0,68	0,75	0,73	0,74
Syrdaryaregion	1,17	0,93	1,04	1,01	1,03

⁵Developed by the author according to the information on www.mf.uz

⁶Developed by the author according to the information on www.mf.uz

Tashkentregion	1,05	1,21	1,00	1,23	1,22
Ferganaregion	0,78	0,98	0,87	0,94	0,89
Khorezmregion	0,88	0,76	0,85	0,90	0,95
Tashkentcity	1,72	1,43	1,50	1,79	1,73
The average indicator for the republic	1,00	1,00	1,00	1,00	1,00

In 2018, the rate of local budget income per capita of permanent residents in the regions was higher than the average level of the Republic in 8 regions, and by 2022, this indicator will apply to 5 regions. Tashkent city, Tashkent, Navoi and Bukhara regions played a leading role in this. Surkhandarya, Andijan, Samarkand and Namangan regions had the lowest indicators.

If we look at the results of statistical observations on the level of formation of local budget revenues under the influence of demographic factors, the variation width was 1 in 2018, and decreased to 0.96 by 2022.

Table 7:- Income of local budgets per capita of the permanent resident population living in the regions Dynamic indicators of variation latitude according to the average index for the Republic⁷.

Years	2018	2019	2020	2021	2022
X_{max}	1,72	1,43	1,89	1,89	1,73
X_{min}	0,72	0,76	0,75	0,75	0,77
Variation width, $R = X_{max} - X_{min}$	1	0,67	1,14	1,14	0,96

Therefore, the process of leveling of local budget incomes per capita is being observed, which also indicates that this situation ensures the proportionality of income distribution based on the population and its demographic social structure.

The above analyzes mainly include research on the formation of the income base of middle-level budgets of the budget system. However, it is worth noting that in the center of the reforms in the budget system in the following years, in order to ensure the stability of the district and city budgets, the issues of forming their income base and increasing the efficiency of spending are placed.

The issue of balancing budget income and expenses of districts and cities is considered relatively complex in the budget system, and its basis is the existence of many types with different economic development and social status. As we noted above, there are currently 170 districts and 30 cities⁸, and the asymmetric difference in their economic potential and development rate affects the formation of the tax base for current taxes and fees. Therefore, despite the regional budget policy aimed at increasing the revenues of the district and city budgets, we can observe a sharp fluctuation in the share of district and city budget revenues in the regions.

Table 8:- Dynamics of the internal structural structure of local budget revenues of Kashkadarya region in regions, cities and districts (percentage of the total)⁹.

Name of city and districts	2014 year	2015 year	2016 year	2017 year	2018 year	2019 year	2020 year
Regionalbudget	59,6	51,6	51,56	46,83	85,02	51,22	48,42
Karshicity	7,53	7,72	6,83	8,19	1,66	2,79	2,9
Karshidistrict	2,5	2,94	3,77	5,65	0,79	3,48	3,39
Mirishkordistrict	1,05	2,18	2,55	3,13	0,66	2,09	2,06
Guzordistrict	5,27	5,85	5,79	4,23	0,9	4,45	4,64
Dehkanabaddistrict	1,39	2,1	2,13	3,03	0,73	2,73	3,2
Qamashidistrict	1,36	1,68	1,66	2,05	1,01	3,07	3,29
Kosondistrict	4,21	4,61	4,43	4,8	1,05	4,61	4,33
Bookdistrict	1,86	2,28	2,38	2,72	1,13	4,66	3,74
Mubarakdistrict	1,57	2,19	2,77	1,75	0,48	1,46	1,62

⁷ Developed by the author according to the information on www.mf.uz

⁸ Decision of the President of the Republic of Uzbekistan No. PD-2691 of December 22, 2016.

⁹ Information from the finance department of the Kashkadarya regional government.

Targetdistrict	3,87	5,23	3,95	3,89	0,9	2,55	3,11
Kasbidistrict	1,35	1,66	1,77	2,05	0,73	3,08	3,33
Chirakchidistrict	2,04	2,39	2,3	3,14	1,5	4,92	5,78
Shahrisabzdistrict	4,64	5,49	5,9	5,99	1,46	3,13	3,62
Yakkabogdistrict	1,77	2,07	2,22	2,47	1,11	3,34	3,77
Shahrisabzcity				0,08	0,88	2,41	2,79
Total	100	100	100	100	100	100	100
X _{max}	7,53	7,72	6,83	8,19	1,66	3,48	4,64
X _{min}	1,05	1,66	1,66	1,75	1,01	1,46	1,62
Variation width, R= X _{max} - X _{min}	6,48	6,06	5,17	6,44	0,65	2,02	3,02

It can be seen from Table 8 that according to the internal cross-comparative analysis of the incomes of the budgets of districts and cities within the local budget of Kashkadarya region, the variation width was 6.48 in 2014, and by 2020 this indicator was 3.02 percent. The provincial budget was not taken into account. So, it can be concluded that the budget revenues of 15 districts and cities are relatively evenly distributed, and this relatively even distribution includes tax revenues determined for certain types of business activities, property and land taxes for individuals, trade in certain types of goods, and certain types of services.

As a result of attaching fees for the right to show to the city and district budgets, it was observed that the interest of the local government authorities in increasing the efficiency of the revenues from these taxes increased. As a result, by 2019, although there was no annual increase in the revenues of the regional budget, a sharp increase was observed in the revenues of the city and district budgets.

Table 9:- Annual growth dynamics of local budget revenues of Kashkadarya region in regions, cities and districts (in percentage compared to last year)¹⁰.

Name of cities and districts / years	2015	2016	2017	2018	2019	2020
Regionalbudget	90,9	111,1	91,9	237,9	73,8	81,4
Karshicity	107,7	98,3	121,5	26,6	205,5	89,5
Karshidistrict	123,3	142,5	152,0	18,3	541,7	83,9
Mirishkordistrict	218,8	130,1	124,1	27,6	387,5	84,9
Guzordistrict	116,5	110,1	73,9	27,8	607,2	89,8
Dehkanabaddistrict	159	112,4	144,1	31,5	459,3	100,9
Qamashidistrict	129,8	109,8	125,5	64,3	372,1	92,3
Kosondistrict	126,6	117,3	120,8	31,6	589,2	89,1
Bookdistrict	129,1	115,7	115,8	54,3	506,1	69,2
Mubarakdistrict	146,4	140,8	64,0	35,6	376,6	95,5
Targetdistrict	141,8	83,9	99,6	30,3	347,6	104,9
Kasbidistrict	129,6	118,4	116,9	46,9	515,2	93,2
Chirakchidistrict	123,1	107	138	62,7	401,6	101,1
Shahrisabzdistrict	124,1	119,6	102,8	31,9	263,3	99,5
Yakkabogdistrict	122,5	119,2	112,5	59	367,5	97,2
Shahrisabzcity	-	-	-	100	336,8	99,5
Total	105	111,2	101,2	131	122,4	86,1

In particular, the total annual income growth was 122.4 percent. Although higher growth than the annual growth of total local budget revenues was observed in all districts, the high weight of regional budget revenues in total local budget revenues, the decrease in the analyzed period of the middle level budget revenues (73.8%) affected the relatively low growth rate of total budget revenues. The main factor affecting the annual decrease of regional budget revenues is the fact that the taxes assigned to this middle link are attached to districts and cities as a consolidated source.

¹⁰Information from the finance department of the Kashkadarya regional government.

Table 10:- Information on the variation width in the dynamics of annual growth of local budget revenues of Kashkadarya region in regions, cities and districts¹¹

Calculation range	Name of cities and districts / years	2015	2016	2017	2018	2019	2020
Taking into account the annual growth of regional budget revenues	X_{max}	218,8	142,5	152	237,9	607,2	104,9
	X_{min}	90,9	83,9	64	26,6	73,8	69,2
	Variation width,						
	$R = X_{max} - X_{min}$	127,9	58,6	88	211,3	533,4	35,7
Due to the annual growth of city and district budget revenues	X_{max}	218,8	142,5	152	64,3	607,2	104,9
	X_{min}	107,7	83,9	64	26,6	205,5	69,2
	Variation width,						
	$R = X_{max} - X_{min}$	111,1	58,6	88	37,7	401,7	35,7

From Table 10, we can see that the annual growth rate of local budgets, taking into account the annual growth of regional budget revenues, was 127.9 percent in 2015. The highest figure was 533.4 percent in 2019. During this period, the annual income of the regional budget did not increase, but decreased, which was 73.8 percent. Guzor district budget was the leader among district budgets with a 607.2 percent increase. This is certainly explained by the increase in revenues allocated to district and city budgets in 2018 and the legal allocation of local taxes.

If we look at the variation width of the difference in the annual growth of city and district budgets, a strong difference was also observed in 2019, and the variation width was 401.7 percent during this period. The highest annual growth was naturally observed in Guzor district (607.2%) and the lowest annual growth was observed in Karshi city (205.5%).

From the above, it can be concluded that as a result of the reforms implemented to strengthen the revenue base of local budgets, a high annual increase in the revenues of district and city budgets was observed. This, in turn, was directly related to the allocation of local tax revenues from the regional budget to the district and city budgets.

Conclusion:-

First of all, the leading role of the republican budget in the formation of state budget revenues (due to the high difference in the distribution of the tax base in terms of state taxes) creates prerequisites for a system of active management of the financial stability of lower budgets from the center by means of instruments of redistribution of budget revenues through the republican budget (inter-budget transfers).

Secondly, the improvement of the mechanism of distribution of revenues between middle and lower level budgets (provincial and district, city budgets) created a solid foundation for strengthening the financial stability of district and city budgets.

Thirdly, it is worth noting that the internal distribution of budget revenues at the local level can lead to an increase in the risk of ensuring financial stability related to the timely financing of expenses financed by the budgets of the middle level (provincial budget).

Limitation

The study has some limitations despite the findings. The number of participants in the study was limited, in addition, flow of local budget is yet to be cover. Thus, researchers should take into consideration involving wider geography for future studies to draw a picture comprehensively.

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¹¹Information from the finance department of the Kashkadarya regional government.

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