

FORMATION AND DEVELOPMENT OF THE MANAGEMENT EFFICIENCY ASSESSMENT SYSTEM LOCAL BUDGET

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Annotation. This article modern budget reforms, which provide for the transition from “cost management” to “results management”, are aimed at improving and increasing the efficiency of financial management both at the regional and municipal levels. Local budgets, being the financial basis of local governments, play an important role in improving the social well-being of the population and economic development. However, ensuring a high level and quality of life of the population, sustainable economic growth, the development of the social sphere and the achievement of high socio-economic indicators of the development of the municipality require effective management of its budget.

Keywords: budget system, budget risk, taxes, assessment of the budget system, indirect taxes, direct taxes, budget expenditure, budget revenue, local budget, state budget.

1. Introduction.

The effectiveness of local budget management is extremely important in the context of limited financial resources of local budgets and the growing demand of society for the provision of quality municipal services. Currently, in practice, to assess the effectiveness of local budget management, various indicators are used that reflect certain aspects of managing revenues, expenditures and sources of financing the budget deficit of municipalities. Moreover, the set of indicators for evaluating the effectiveness of local budget management is not unified and may differ in municipalities within a subject of the federation, which hinders both the process of

objective assessment and inter-municipal comparison of the effectiveness of budget management.

Since the main task of local self-government is to achieve certain standards of consumption of public services throughout the country, various approaches to assessing the effectiveness of local budget management do not allow us to develop sound recommendations for this task within the subjects of the federation, and even more so on a national scale. Therefore, studies are required aimed at the formation of a unified system for assessing the effectiveness of local budget management.

2. Literature review

The works of domestic scientists and practitioners, as well as the works of foreign authors, were used as a scientific and methodological basis for the study.

In the domestic literature, the problems of the effectiveness of local budget management, as well as its assessment, were considered by such authors as N.V. Balikhina, I.V. Baranova, N.A. Begchin, M.L. Vasyunina, A.O. Virichev, M.E. Kosov, G.N. Kutsuri, A.I. Masterov, E.K. Rummyantsev, S.P. Solyannikova, E.N. Kharitonova, N.A. Kharitonova, A.B. Khmelkov, Yu.Yu. Chalay, O.K. Yastrebova and others. In their works, various aspects of the problem of improving both the management of local budgets and assessing the effectiveness of budget management, issues of increasing the efficiency of budget expenditures, assessing and monitoring the socio-economic development of municipalities [1].

Among scientists and practitioners involved in the analysis of assessment methods effectiveness of budget management of municipalities, it is possible to highlight S.A. Ananenko, A.A. Belenchuk, E.Yu. Berezina, A.M. Gershun, G.V. Kurlyandskaya, A.M. Lavrova, Yu.S. Nefedeva, E.B. Ovcharova, L.Yu. Padilla Sarosa, B.M. Sabanti, A.G. Sudakov and others [2].

Methodological and practical aspects of assessing the effectiveness of management activities both at the regional and local levels were considered in the works of foreign authors such as A. Afonso, R. Musgrave, K. Morse, R. Strike, M. Farrell, G. Khatri and others [3].

In the context of the transition to an innovative type of economic development, a deep understanding and rethinking of the processes associated with budget management is necessary. This is due to the fact that the budget, being the most important means of economic regulation, has an impact on the development of the structure of the economy, the social sphere and territorial proportions, thereby accelerating the pace of development of society [4].

At the same time, the requirements for the effectiveness of budget management at all levels of the budget system are increasing. In recent years, sufficient attention has been paid to the theory and practice of assessing the effectiveness of budget management of public authorities. At the same time, the development of problems of the effectiveness of local budget management has not yet received due attention from researchers and practitioners [5].

If the problem of assessing the effectiveness of managing the federal budget and the budgets of the subjects of the federation is largely brought into a certain system, consisting of indicators that can reflect the relatively commensurate activities of state authorities in managing the budgets of their public law entities, then the existing list of indicators of the effectiveness of budget management of local governments today does not meet the requirements of a system that can characterize the effectiveness of local budget management [6].

3. Research methodology.

Methodology and research methods are represented by such general methods of scientific knowledge as the synthesis of theoretical and practical material, statistical research, methods of empirical research (collection, comparison, study of data), principles of formal logic and dialectical knowledge. In the process of research, general scientific methods and techniques of cognition were also applied, in particular, analysis, the method of ascent from the abstract to the concrete, the method of formalization, the methods of induction and deduction. When processing and systematizing the data, methods of comparative and expert analysis were applied, as well as methods groupings and classifications.

4. Analysis and discussion of results.

A significant obstacle in the efficiency of local budget management is the lack of a unified approach to taking into account the specifics of local budget management, as well as to the definition of the very concept of “efficiency in local budget management”. Therefore, in order to clarify this concept, within the framework of the study, it seems necessary to theoretically comprehend some definitions. To do this, first of all, it is advisable to consider issues related to the content of the concept of “budget management efficiency”. The key point in substantiating, delimiting and separating this concept from the concepts of “quality of budget management”, “financial sustainability of budgets”, “efficiency of budget management” is that the effectiveness of budget management, including local ones, is a larger, more comprehensive, complex a concept that can not only assess the budget management process, but also improve the effectiveness of budget policy both at the state and municipal levels.

First of all, it seems appropriate to consider the concept of efficiency, its distinctive features. A deep and comprehensive consideration of practical aspects allows us to conclude that there is a wide variety of approaches to determining the content of efficiency in general terms, as well as to its modern classifications. The result of the analysis of theoretical ideas about efficiency is presented in table 1.

Table 1

Modern classifications of the concept of “efficiency” [7]

| Types of efficiency | Definition |
|----------------------------|--|
| Technical | The ratio of the cost of an intermediate direct result (public good or service) and the resources spent on its production. |
| Allocation | Using the resources available to public law entities to obtain a result that best suits the preferences of the population. |

| | |
|------------------------------|---|
| Production | Efficiency is achieved when a given result is obtained with minimal costs. |
| Economic | The ratio of the volume of public goods (provided services) of a certain quality and the costs (in monetary terms) for their provision or production. |
| Social | The degree of achievement of a socially significant result (effect) depending on the volume and quality of services provided by the state. |
| Efficiency “by costs” | A relative concept that reflects the nature of the use of resources necessary to achieve the goal. |
| Public | The ratio of the socially significant effect of the activity (an indicator of the final result of the activity or its change in relation to the direct indicators of the activity). |
| Budgetary | Achieving the desired results using the least amount of funds or achieving the best result using a certain amount of funds. Optimization of current or saving future budget expenditures, as well as an increase in tax and other budget revenues. |

It follows from table 1 that most definitions of efficiency and approaches to its measurement are based on a comparison of the result obtained and the costs of achieving it, that is, the emphasis in the existing theory and practice is mainly on the cost approach to efficiency, without taking into account the qualitative characteristics of the result.

This circumstance determines the expediency of considering the two most common conceptual approaches to assessing efficiency in a general way - "by costs" and "by results". Due to the fact that one of the strategic goals of the current budget

reforms is the transition from cost management to results management, the above concepts are of interest in the study [8].

Thus, efficiency is understood as saving money, resources, cost reduction, which are used to obtain an immediate result; effectiveness - as the achievement of goals, final results.

Thus, a detailed analysis of the relationship between the concepts of “efficiency”, “economical” and “effectiveness” made it possible to systematize the above categories and present them in the form figure 1.

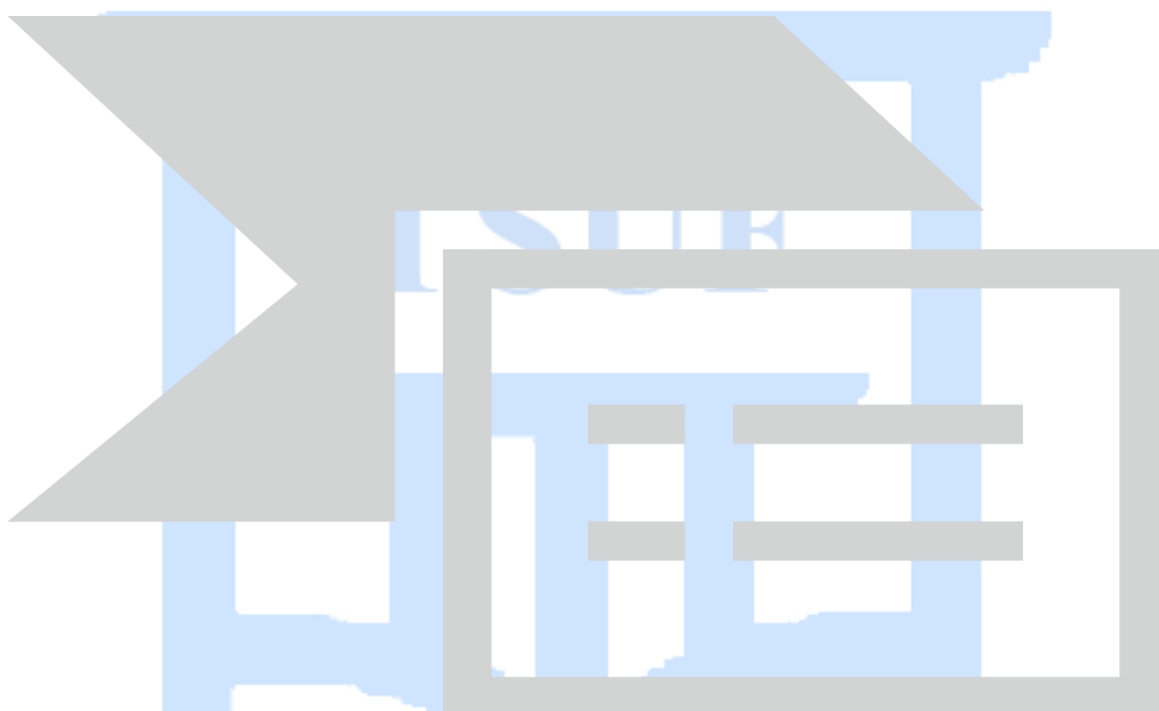


Figure 1. The ratio of the concepts of “efficiency”, “economical” and “effectiveness” [9]

Thus, efficiency is understood as saving money, resources, cost reduction, which are used to obtain an immediate result; effectiveness - as the achievement of goals, final results.

Without equating the concepts of “efficiency” and “effectiveness”, it is worth noting that efficiency in the framework of the study is a synthesis of economy and efficiency, as the achievement of immediate and final results in terms of rational

economy. Performance includes an assessment of both the degree of achievement and the cost of obtaining the result.

The proposed system of principles reveals the purpose of assessing the effectiveness of local budget management, and also contributes to the establishment of criteria and conditions for assessment. In addition, it is important to note that the above principles need to be constantly developed and adapted to new conditions and management tasks budgets at the local level.

Table 2

Principles of effective management of local budgets [10]

| <i>Principle</i> | Content |
|--|--|
| <i>Target orientation</i> | Budgets should be closely tied to the strategic goals and priorities of the state. Budgets must be far-sighted and clearly cover the medium term. |
| <i>Optimization of budgetary risks</i> | Identifying, assessing, and prudently managing long-term sustainability and fiscal risks contributes to more effective municipal budget management. |
| <i>Financial coordination</i> | The key moment of the process of interaction of subjects organizational and economic relations should become alignment of their financial interests. In addition, budget management should be built "top down" in order to link budget policy with the resources available to local governments. |
| <i>Transparency, openness, accessibility</i> | The public availability of information on the state and development trends of the municipality makes it possible to increase the efficiency of managing the budgets of municipalities. The budget process should be inclusive and ensure broad participation. |

| | |
|---|--|
| <i>Legality</i> | One of the most important first principles for the effective management of local budgets, since compliance with budgetary legislation in managing budgets is an essential condition for effective responsible management. |
| <i>Social orientation</i> | Due to the specifics of the budgets of municipalities and the high share of social spending, the principle of social orientation is of particular relevance. |
| <i>Comprehensive budget accounting</i> | Budgets should present a true, complete and fair picture of state and municipal finances. The completeness and quality of budget forecasts, plans and budget execution should be ensured, inter alia, through scrupulous independent audit |
| <i>Efficiency, evaluation, ratio price and quality</i> | Performance, evaluation and value for money should be an integral part of the budget process. |

For further formation of a system for evaluating the effectiveness of local budget management within the framework of the study, it seems necessary to determine a conceptual approach to managing local budgets, within which further research will be built. Thus, functional and process approaches can be distinguished as the most common and applied in practice approaches. Based on the results of the analysis of these approaches, Table 2 presents a number of key features for comparing the above approaches.

The results of the analysis presented in Table 2 allow us to conclude that the advantages of the process approach prevail, the main advantage of which is the focus on obtaining the final result, as well as the implementation of the principle of continuous improvement of activities.

Since the budget acts as an instrument for achieving the development goals of the municipality, the structure of local budget management should correspond to the development goals of the municipality and reflect the nature of the powers of local governments involved in the budget process.

Given this, when forming a system for assessing the effectiveness of local budget management, it is proposed to use the system of criteria presented.

Thus, within the framework of the study, under the Compliance with the goals and principles of management efficiency, it is proposed to understand a set of interrelated methodological foundations, including criteria for assessing the effectiveness of budget management of municipalities for monitoring and analyzing the degree of achievement of the goals and planned results in the field of budget management by local governments at the local level. level. At the same time, it is proposed to quantitatively measure the criteria through the development and calculation of a set of indicators for assessing the effectiveness of local budget management.

Table 3

Compliance of the goals and principles of the effectiveness of local budget management with the directions and evaluation criteria [11]

| Goals | Strategic goals of management | The principle of effective management | Direction estimates | Evaluation criterion management efficiency |
|--|--|---|--|---|
| Ensuring the tasks and functions of local | Achievement immediate results management | - The principle of target orientation. - Principle legality. | Evaluation of the achievement of results in management areas | - Criteria for the effectiveness of process management. |
| | Optimization of budgetary risks at the local level | - Principle minimization of budgetary | Budget risk assessment | - Criteria for the effectiveness |

| | | | | |
|--|---|--|---------------------------------|---|
| | | risks. | | of budget risk management. |
| | Increasing transparency management | - The principle of openness and accessibility. | Management openness assessment | - Criterion of openness of management |
| | Achieving the best socio-economic performance | - Principle social orientation | Assessment of social efficiency | - The criterion for meeting social needs. |

With regard to the system for assessing the effectiveness of local budget management, it is advisable, first of all, to assess the risks of the expenditure side of the budget - this is the probability of deviation of actual budget assignments for expenditures from the planned ones in terms of size and execution time, as well as the risks of the revenue side of the budget - this is the probability of incomplete and untimely receipt of income. Also, within the framework of the process approach, depending on the stage of the budget process, the management of local budgets may have the following risks:

- drafting a budget - the risks of budget planning;
- consideration, approval of the budget - risks of non-compliance with the deadlines, regulations of the budget process;
- imbalance of the budget, inefficient use of funds, shortfall in income, misuse of budgetary funds, decrease in profitability on securities;
- budget reporting - the risks of inaccurate information, the risks of late reporting.

The main task of management, including at the local level, is to identify, assess and minimize budgetary risks, overcome the uncertainty associated with the possible deviation of the result of the implementation of the municipal budgetary policy from the planned indicators.

5. Conclusions and suggestions.

In modern conditions, the urgency of solving the problem of forming a public finance management system on the principles of efficiency and responsibility, ensuring the stability of the budget system and the high effectiveness of the impact of budget instruments on socio-economic processes, is increasing.

1. The Program for Improving the Efficiency of Public (State and Municipal) Finance Management for the Period up to 2022 notes that “Effective, responsible and transparent management of public finances is the most important condition for improving the level and quality of life of the population, sustainable economic growth, modernization of the economy and the social sphere and achievement of other strategic goals of the socio-economic development of the country”;

2. The application of a systematic approach contributed to the development of a system of principles for the effective management of local budgets, the definition of the main areas of assessment and the development of criteria for the effectiveness of local budget management for the purposes of the study;

3. Since the budget acts as an instrument for achieving the development goals of the municipality, the structure of local budget management should correspond to the development goals of the municipality and reflect the nature of the powers of local governments involved in the budget process;

4. The solution of these problems required, from a scientific point of view, the application of new approaches at the heart of the Compliance of the goals and principles of the effectiveness of local budget a quality management system and a risk-based approach that contains a classification of factors affecting the risks of municipal budgets;

5. To determine the effectiveness of budget management of municipalities

within the framework of the system being formed, it is proposed to evaluate the effectiveness in each direction of assessing the effectiveness of local budget management.

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